

**Myrtle Creek Improvement District**

**ANNUAL FINANCIAL REPORT**

**September 30, 2015**

**Myrtle Creek Improvement District**

**ANNUAL FINANCIAL REPORT**

**Fiscal Year Ended September 30, 2015**

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Supervisors  
Myrtle Creek Improvement District  
Orange County, Florida

### Report on the Financial Statements

We have audited the accompanying basic financial statements of Myrtle Creek Improvement District as of and for the year ended September 30, 2015, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Fort Pierce / Stuart

To the Board of Supervisors  
Myrtle Creek Improvement District

## Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, and the major funds of Myrtle Creek Improvement District as of September 30, 2015, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

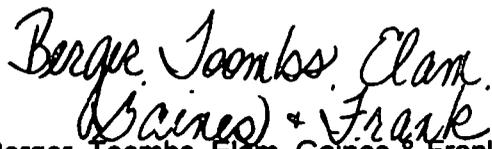
## Other Matters

### *Required Supplementary Information*

Governmental accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures in accordance with governmental auditing standards generally accepted in the United States of America, which consisted principally of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 20, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Myrtle Creek Improvement District's internal control over financial reporting and compliance.



Berger, Toombs, Elam, Gaines & Frank  
Certified Public Accountants PL  
Fort Pierce, Florida

May 20, 2016

**Myrtle Creek Improvement District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2015**

Management's discussion and analysis of Myrtle Creek Improvement District's (the "District") financial performance provides an objective and easily readable analysis of the District's financial activities. The analysis provides summary financial information for the District and should be read in conjunction with the District's financial statements.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The District's basic financial statements comprise three components; 1) *Government-wide financial statements, (including a discretely presented component unit)* 2) *Fund financial statements,* and 3) *Notes to financial statements.* The *Government-wide financial statements* present an overall picture of the District's financial position and results of operations. The *Fund financial statements* present financial information for the District's major funds. The *Notes to financial statements* provide additional information concerning the District's finances.

The *Government-wide financial statements* are the **statement of net position** and the **statement of activities.** These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net position of governmental activities and the change in net position. Governmental activities are primarily supported by special assessments.

The **statement of net position** presents information on all assets and liabilities of the District, with the difference between assets and liabilities reported as net position. Net position is reported in three categories; 1) net investment in capital assets 2) restricted and 3) unrestricted. Assets, liabilities, and net position are reported for all Governmental activities.

**The statement of activities** presents information on all revenues and expenses of the District and the change in net position. Expenses are reported by major function and program revenues relating to those functions are reported, providing the net cost of all functions provided by the District. To assist in understanding the District's operations, expenses have been reported as governmental activities. Governmental activities financed by the District include general government, physical environment and interest on long-term debt. Financial information in the government-wide financial statements distinguishes discretely-presented component units from the financial information presented for the primary government itself.

*Fund financial statements* present financial information for governmental funds. These statements provide financial information for the major funds of the District. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures), and current available resources.

**Myrtle Creek Improvement District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2015**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

*Fund financial statements* include a **balance sheet** and a **statement of revenues, expenditures and changes in fund balances** for all governmental funds. A **statement of revenues, expenditures, and changes in fund balances – budget and actual**, is provided for the District's General Fund. *Fund financial statements* provide more detailed information about the District's activities. Individual funds are established by the District to track revenues that are restricted to certain uses or to comply with legal requirements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide reconciliations to facilitate this comparison between governmental funds and governmental-wide activities.

*Notes to financial statements* provide additional detail concerning the financial activities and financial balances of the District. Additional information about the accounting practices of the District, investments of the District, capital assets, and long-term debt are some of the items included in the *notes to financial statements*.

**Financial Highlights:**

The following are the highlights of the financial activity for the year ended September 30, 2015.

- The District's total liabilities exceeded total assets by \$(22,025,384) (net position). Unrestricted net position for Governmental Activities was \$(22,797,834) restricted debt service \$268,137 and net investment in capital assets was \$504,313.

Governmental activities revenues totaled \$2,346,399 while governmental activities expenses totaled \$2,108,448.

**Myrtle Creek Improvement District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2015**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Financial Analysis of the District**

The following schedule provides a summary of the assets, liabilities and net position of the District.

	<b>Government Activities</b>	
	2015	2014
Current assets	\$ 673,382	\$ 851,652
Restricted assets	3,259,592	3,467,736
Capital assets, net of depreciation	2,589,073	2,606,018
Total Assets	6,522,047	6,925,406
Current liabilities	1,322,431	1,293,741
Non-current liabilities	27,225,000	27,895,000
Total Liabilities	28,547,431	29,188,741
Net investment in capital assets	504,313	632,762
Restricted debt service	268,137	271,655
Unrestricted	(22,797,834)	(23,167,752)
Total Net Position	\$ (22,025,384)	\$ (22,263,335)

The decrease in capital assets is primarily the result of depreciation in the current year.

The decrease in total assets and liabilities is primarily due to principal payments made towards long term debt.

**Myrtle Creek Improvement District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2015**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Financial Analysis of the District (Continued)**

The following schedule provides a summary of the changes in net position of the District.

**Change in Net Position**

	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2014</b>
	<hr/>	<hr/>
Program Revenues		
Charges for services	\$ 2,339,863	\$ 2,487,892
General Revenues		
Miscellaneous revenue	5,548	-
Investments earnings	988	768
Total Revenues	<hr/> 2,346,399 <hr/>	<hr/> 2,488,660 <hr/>
Expenses		
General government	121,694	97,335
Physical environment	517,104	343,883
Interest on long-term debt	1,469,650	1,507,025
Total Expenses	<hr/> 2,108,448 <hr/>	<hr/> 1,948,243 <hr/>
Change in Net Position	237,951	540,417
Net Position - Beginning of Year	<hr/> (22,263,335) <hr/>	<hr/> (22,803,752) <hr/>
Net Position - End of year	<hr/> <u>\$ (22,025,384)</u> <hr/>	<hr/> <u>\$ (22,263,335)</u> <hr/>

The decrease in total revenues and change in net position was primarily the result of a prepayment of special assessments received in the prior year.

The increase in general government is related to increased legal and legal advertising expenses.

The decrease in interest expense is the result of the decrease in long term debt outstanding.

The increase in physical environment expenses was primarily the result of depreciation in the current year.

**Myrtle Creek Improvement District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2015**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Capital Assets Activity**

The following schedule provides a summary of the District's capital assets as of September 30, 2015 and 2014.

<u>Description</u>	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Infrastructure	\$ 2,774,007	\$ -
Construction in progress	-	2,606,018
Accumulated depreciation	(184,934)	-
Total Capital Assets (Net)	<u>\$ 2,589,073</u>	<u>\$ 2,606,018</u>

The activity for the year consisted of \$167,989 of additions to construction in progress, the completion of construction in progress and transfer to infrastructure, and depreciation of \$184,934.

**General Fund Budgetary Highlights**

Budgeted expenditures exceeded actual expenditures primarily because of lower landscape and lake maintenance costs than anticipated.

There were no amendments to the September 30, 2015 budget.

**Debt Management**

Governmental Activities debt includes the following:

- In December 2006, the District issued \$34,855,000 Series 2006A Special Assessment Revenue Bonds. These bonds were issued to finance the cost of acquisition, construction, and equipping of certain master infrastructure improvements. Bonds payable totaled \$27,895,000 at September 30, 2015.

**Economic Factors and Next Year's Budget**

Myrtle Creek Improvement District does not expect any economic factors to have any significant effect on the financial position or results of operations of the District in fiscal year 2016.

**Request for Information**

The financial report is designed to provide a general overview of Myrtle Creek Improvement District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Myrtle Creek Improvement District, Fishkind & Associates, Inc., 12051 Corporate Blvd., Orlando, Florida 32817.

**Myrtle Creek Improvement District**  
**STATEMENT OF NET POSITION**  
**September 30, 2015**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets	
Cash	\$ 44,021
Investments	592,646
Due from other governments	23,326
Deposits	4,300
Prepaid expenses	9,089
Total Current Assets	673,382
Non-current Assets	
Restricted assets	
Investments	3,259,592
Capital assets, not being depreciated	
Infrastructure	2,774,007
Less: accumulated depreciation	(184,934)
Total Non-current Assets	5,848,665
Total Assets	6,522,047
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	39,320
Due to other governmental units	8,720
Bonds payable	670,000
Accrued interest payable	604,391
Total Current Liabilities	1,322,431
Non-current liabilities	
Bonds payable	27,225,000
Total Liabilities	28,547,431
<b>NET POSITION</b>	
Net investment in capital assets	504,313
Restricted debt service	268,137
Unrestricted	(22,797,834)
Total Net Position	\$ (22,025,384)

*See accompanying notes to financial statements.*

**Myrtle Creek Improvement District**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2015**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues Charges for Services</b>	<b>Net (Expense) Revenues and Changes in Net Position Governmental Activities</b>
Governmental Activities			
General government	\$ (121,694)	\$ 135,051	\$ 13,357
Physical environment	(517,104)	573,859	56,755
Interest on long-term debt	(1,469,650)	1,630,953	161,303
Total Governmental Activities	\$ (2,108,448)	\$ 2,339,863	231,415
<b>General Revenues</b>			
Investment earnings			988
Miscellaneous revenue			5,548
Total General Revenues			6,536
Change in Net Position			237,951
Net Position - October 1, 2014			(22,263,335)
Net Position - September 30, 2015			\$ (22,025,384)

See accompanying notes to financial statements.

**Myrtle Creek Improvement District  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2015**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 44,021	\$ -	\$ -	\$ 44,021
Investments	592,646	-	-	592,646
Due from other governments	23,326	-	-	23,326
Prepaid expenses	9,089	-	-	9,089
Deposits	4,300	-	-	4,300
Restricted assets				
Investments, at fair value	-	2,752,326	507,266	3,259,592
Total Assets	\$ 673,382	\$2,752,326	\$ 507,266	\$ 3,932,974
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 36,367	\$ -	\$ 2,953	\$ 39,320
Due to other governments	8,720	-	-	8,720
	45,087	-	2,953	48,040
<b>Fund Balances</b>				
Nonspendable - deposits/prepays	13,389	-	-	13,389
Restricted for debt service	-	2,752,326	-	2,752,326
Restricted for capital projects	-	-	504,313	504,313
Unassigned	614,906	-	-	614,906
Total Fund Balances	628,295	2,752,326	504,313	3,884,934
Total Liabilities and Fund Balances	\$ 673,382	\$2,752,326	\$ 507,266	\$ 3,932,974

See accompanying notes to financial statements.

**Myrtle Creek Improvement District**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**September 30, 2015**

Total Governmental Fund Balances	\$ 3,884,934
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets being depreciated, infrastructure, \$2,774,007, net of accumulated depreciation, \$(184,934), used in governmental activities are not financial resources and therefore, are not reported in the funds	2,589,073
Long-term liabilities, bonds payable, are not due and payable in the current period and; therefore, are not reported in the funds	(27,895,000)
Accrued interest expense for long-term debt is not a financial use and; therefore, is not reported in the funds.	<u>(604,391)</u>
Net Position of Governmental Activities	<u><u>\$(22,025,384)</u></u>

*See accompanying notes to financial statements.*

**Myrtle Creek Improvement District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2015**

	General	Debt Service	Capital Projects	Totals Governmental Funds
Revenues				
Special assessments	\$ 243,731	\$ 2,096,132	\$ -	\$ 2,339,863
Miscellaneous revenue	5,548	-	-	5,548
Interest income	988	-	-	988
Total Revenues	<u>250,267</u>	<u>2,096,132</u>	<u>-</u>	<u>2,346,399</u>
Expenditures				
Current				
General government	121,694	-	-	121,694
Physical environment	332,170	-	-	332,170
Debt service				
Principal	-	630,000	-	630,000
Interest	-	1,483,300	-	1,483,300
Capital Outlay	-	-	167,989	167,989
Total Expenditures	<u>453,864</u>	<u>2,113,300</u>	<u>167,989</u>	<u>2,735,153</u>
Excess revenues over/(under) expenditures	(203,597)	(17,168)	(167,989)	(388,754)
Other financing sources/(uses)				
Transfers in	-	-	39,540	39,540
Transfers out	-	(39,540)	-	(39,540)
Total Other Financing Sources/(Uses)	<u>-</u>	<u>(39,540)</u>	<u>39,540</u>	<u>-</u>
Net Change in Fund Balances	<u>(203,597)</u>	<u>(56,708)</u>	<u>(128,449)</u>	<u>(388,754)</u>
Fund Balances - October 1, 2014	<u>831,892</u>	<u>2,809,034</u>	<u>632,762</u>	<u>4,273,688</u>
Fund Balances - September 30, 2015	<u>\$ 628,295</u>	<u>\$ 2,752,326</u>	<u>\$ 504,313</u>	<u>\$ 3,884,934</u>

See accompanying notes to financial statements.

**Mrytle Creek Improvement District**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2015**

Net Change in Fund Balances -Total Governmental Funds	\$ (388,754)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation. This is the amount of depreciation (\$184,934) in the current period	(184,934)
Capital outlay, reported as expenditures in the governmental funds, is shown as an addition to construction in progress on the Statement of Net Position	167,989
Repayments of bond principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	630,000
In the Statement of Activities, interest is accrued on outstanding bonds; whereas in governmental funds, interest expenditures are reported when due. This is the net change in accrued interest in the current period.	<u>13,650</u>
Change in Net Position of Governmental Activities	<u><u>\$ 237,951</u></u>

*See accompanying notes to financial statements.*

**Myrtle Creek Improvement District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
General assessments	\$ 233,602	\$ 233,602	\$ 243,731	\$ 10,129
Miscellaneous revenues	-	-	5,548	5,548
Interest income	800	800	988	188
Total revenues	<u>234,402</u>	<u>234,402</u>	<u>250,267</u>	<u>15,865</u>
Expenditures				
Current				
General government	112,575	112,575	121,694	(9,119)
Physical environment	439,131	439,131	332,170	106,961
Total Expenditures	<u>551,706</u>	<u>551,706</u>	<u>453,864</u>	<u>97,842</u>
Net Change in Fund Balances	(317,304)	(317,304)	(203,597)	113,707
Fund Balances - October 1, 2014	<u>317,304</u>	<u>317,304</u>	<u>831,892</u>	<u>514,588</u>
Fund Balances - September 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 628,295</u>	<u>\$ 628,295</u>

*See accompanying notes to financial statements.*

**Myrtle Creek Improvement District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2015**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

**1. Reporting Entity**

The District was created, as a Community Development District, in 2001, pursuant to the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, as amended (the "Act"), by Ordinance 011126705 of the City Commissioners of Orlando, Florida. The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of the infrastructure necessary for community development within its jurisdiction. The District is authorized to issue bonds for the purpose, among others, of financing, funding, planning, establishing, acquiring, constructing district roads, landscaping, and other basic infrastructure projects within or without the boundaries of the Myrtle Creek Improvement District. The District is governed by a five-member Board of Supervisors who are elected for four year terms. The District operates within the criteria established by Chapter 190.

As required by GAAP, these financial statements present the Myrtle Creek Improvement District (the primary government) as a stand-alone government. The reporting entity for the District includes all functions of government in which the District's Board exercises oversight responsibility including, but not limited to, financial interdependency, selection of governing authority, designation of management, significant ability to influence operations and accountability for fiscal matters.

Based upon the application of the above-mentioned criteria as set forth in Governmental Accounting Standards Board Statement Number 61, The Financial Reporting Entity, the District has identified no component units.

**2. Measurement Focus and Basis of Accounting**

The basic financial statements of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

**a. Government-wide Financial Statements**

Government-wide financial statements report all non-fiduciary information about the reporting government as a whole and its discretely-presented component unit. These statements include all the governmental activities of the primary government. The effect of interfund activity has been removed from these statements.

**Myrtle Creek Improvement District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2015**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. Measurement Focus and Basis of Accounting (Continued)**

**a. Government-wide Financial Statements (Continued)**

Governmental activities are supported by special assessments and interest. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

In the Government wide financial statement, amounts paid to acquire capital assets are capitalized as assets, rather than reported as an expenditure.

Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

**b. Fund Financial Statements**

The underlying accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements provide information about major funds.

**Governmental Funds**

The District classifies fund balance according to the Governmental Accounting Standards Board Statement 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement requires the fund balance for governmental funds to be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The District has various policies governing the fund balance classifications.

**Nonspendable Fund Balance** – This classification consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

**Myrtle Creek Improvement District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2015**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. Measurement Focus and Basis of Accounting (Continued)**

**b. Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

Restricted Fund Balance – This classification includes amounts that can be spent only for specific purposes stipulated by the state constitution, external resource providers, or through enabling legislation.

Assigned Fund Balance – This classification consists of the Board of Supervisors' intent to be used for specific purposes, but are neither restricted nor committed. The assigned fund balances can also be assigned by the District's management company.

Unassigned Fund Balance – This classification is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Unassigned fund balance is considered to be utilized first when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Fund Balance Spending Hierarchy - For all governmental funds except special revenue funds, when restricted, committed, assigned, and unassigned fund balances are combined in a fund, qualified expenditures are paid first from restricted or committed fund balance, as appropriate, then assigned and finally unassigned fund balances.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Interest associated with the current fiscal period is considered to be an accrual item and so has been recognized as revenue of the current fiscal period.

Governmental funds generally report assets that are available spendable resources in the near term and liabilities that are payable from "available spendable resources." Unassigned fund balance may serve as a useful measure of net resources available for spending at the end of the fiscal year.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the fund financial statement in the year that resources are expended, rather than as fund assets. In addition, the proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. Debt service expenditures are recorded only when payment is due.

**Myrtle Creek Improvement District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2015**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3. Basis of Presentation**

**a. Governmental Major Funds**

General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund - Accounts for debt service requirements to retire the special assessment bonds which were used to finance the construction of District infrastructure improvements. The bond series is secured by a pledge of all available debt service special assessment revenues in any fiscal year related to the improvements and a first lien on the special assessment revenues from the District lien on all acreage of benefited land.

Capital Projects Fund - Established by the District for capital projects.

**4. Assets, Liabilities, and Net Position or Equity**

**a. Cash and Investments**

Florida Statutes require state and local governmental units to deposit monies with financial institutions classified as "Qualified Public Depositories," a multiple financial institution pool whereby groups of securities pledged by the various financial institutions provide common collateral from their deposits of public funds. This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions, providing full insurance for public deposits.

The District is authorized to invest in those financial instruments as established by Section 218.415, Florida Statutes. The authorized investments consist of:

1. Direct obligations of the United States Treasury;
2. The Local Government Surplus Funds Trust or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperative Act of 1969;
3. Interest-bearing time deposits or savings accounts in authorized qualified public depositories;
4. Securities and Exchange Commission, registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

Cash equivalents include time deposits and certificates of deposit with original maturities of three months or less and held in a qualified public depository as defined by Florida Statute 280.02.

**Myrtle Creek Improvement District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2015**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**4. Assets, Liabilities, and Net Position or Equity**

**b. Restricted Assets**

Certain net position of the District is classified as restricted on the statement of net position because their use is limited either by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors. In a fund with both restricted and unrestricted assets, qualified expenses are considered to be paid first from restricted net position and then from unrestricted net position.

**c. Capital Assets**

Capital assets, which include construction in progress, are reported in the governmental activities column.

The District defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. The valuation basis for all assets is historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of capital assets is computed and recorded by utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Infrastructure - stormwater management system	30 years
Infrastructure - other	15 years

**d. Budgets**

Budgets are prepared and adopted after public hearings for the governmental funds, pursuant to Chapter 190, Florida Statutes. The District utilizes the same basis of accounting for budgets as it does for revenues and expenditures in its various funds. The legal level of budgetary control is at the fund level. All budgeted appropriations lapse at year end.

**Myrtle Creek Improvement District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2015**

**NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position**

“Total fund balances” of the District’s governmental funds (\$3,884,934) differs from “net position” of governmental activities (\$(22,025,384)) reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund balance sheet. The effect of the differences is illustrated below.

**Capital related items**

When capital assets (land and improvements) are purchased or constructed, the cost of these assets is reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole.

Infrastructure	\$ 2,774,007
Accumulated depreciation	(184,934)
Total	<u>\$ 2,589,073</u>

**Long-term debt transactions**

Long-term liabilities applicable to the District’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position. Balances at September 30, 2015 were:

Bonds payable	<u>\$ (27,895,000)</u>
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**Accrued interest**

Accrued liabilities in the Statement of Net Position differ from the amount reported in governmental funds due to the accrued interest on bonds.

Accrued interest	<u>\$ (604,391)</u>
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**Myrtle Creek Improvement District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2015**

**NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

**2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities**

The “net change in fund balances” for government funds (\$(388,754)) differs from the “change in net position” for governmental activities (\$237,951) reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

**Capital related items**

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net position decrease by the amount of depreciation expense charged for the year.

Infrastructure	\$	167,989
Depreciation		(184,934)
Infrastructure		<u>\$ (16,945)</u>

**Long-term debt transactions**

Repayments of bond principal are reported as expenditures in the governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used.

Bond principal payments	\$	<u>630,000</u>
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Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

Net change in accrued interest payable	\$	<u>13,650</u>
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**Myrtle Creek Improvement District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2015**

**NOTE C - CASH AND INVESTMENTS**

All deposits are held in qualified public depositories and are included on the accompanying balance sheet as cash and investments.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk; however, they follow the provisions of Chapter 280, Florida Statutes regarding deposits and investments. As of September 30, 2015, the District's bank balance was \$58,868 and the carrying value was \$44,021. Exposure to custodial credit risk was as follows. The District maintains all deposits in a qualified public depository in accordance with the provisions of Chapter 280, Florida Statutes, which means that all deposits are fully insured by Federal Depositors Insurance or collateralized under Chapter 280, Florida Statutes.

As of September 30, 2015, the District had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Florida SBA Prime Fund	N/A	\$ 2,145
First American Treasury Obligations Fund	N/A	3,259,592
Public Fund Money Market	N/A	590,501
		<u>\$ 3,852,238</u>

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's investments in treasury funds, commercial paper, and government loans are limited by state statutory requirements and bond compliance. The District has no investment policy that would further limit its investment choices. As of September 30, 2015, the District's investments in Commercial Paper were rated A-1+ by Standard & Poor's. The District's investments in Money Market Accounts and the Certificate of Deposit were not rated by any nationally recognized rating agency.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one fund. The investments in First American Treasury Obligations Fund are 85% of the District's total investments. The investments in City National Public Fund Accounts are 15% of the District's total investments.

**Myrtle Creek Improvement District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2015**

**NOTE C - CASH AND INVESTMENTS (CONTINUED)**

The types of deposits and investments and their level of risk exposure as of September 30, 2015 were typical of these items during the fiscal year then ended. The District considers any decline in fair value for certain investments to be temporary.

**NOTE D – SPECIAL ASSESSMENT REVENUES**

Special assessment revenues recognized for the 2014-2015 fiscal year were levied in August 2014. All special assessments collected on the tax roll are due and payable on November 1 or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. Per Section 197.162, Florida Statutes, discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Special assessments paid in March are without discount.

All unpaid special assessments become delinquent as of April 1. Unpaid special assessments are collected via the sale of tax certificates on or prior to, June 1.

**NOTE E – CAPITAL ASSETS**

Capital Asset activity for the year ended September 30, 2015 was as follows:

	October 1, 2014	Additions	Deletions	September 30, 2015
<u>Governmental Activities:</u>				
Capital assets, not being depreciated				
Construction in progress	\$ 2,606,018	\$ 167,989	\$ (2,774,007)	\$ -
Capital assets, being depreciated				
Infrastructure	-	2,774,007	-	2,774,007
Less accumulated depreciation for:				
Infrastructure	-	(184,934)	-	(184,934)
<b>Total Capital Assets</b>	<b>\$ 2,606,018</b>	<b>\$ 2,757,062</b>	<b>\$ (2,774,007)</b>	<b>\$ 2,589,073</b>

Depreciation of \$184,934 was charged to physical environment.

**Myrtle Creek Improvement District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2015**

**NOTE F – LONG-TERM DEBT**

**Special Assessment Revenue Bonds**

\$34,855,000 Special Assessment Revenue Bonds, Series 2006A, due in annual principal installments, beginning May 1, 2007. Interest is due semi-annually on May 1 and November 1, at a rate of 5.2%.

The following is a summary of activity of the long-term debt of the District for the year ended September 30, 2015:

Long-term debt at October 1, 2014	\$ 28,525,000
Principal payments	<u>(630,000)</u>
Long-term debt at September 30, 2015:	<u>\$ 27,895,000</u>

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2015 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 670,000	\$ 1,450,540	\$ 2,120,540
2017	710,000	1,415,700	2,125,700
2018	750,000	1,378,780	2,128,780
2019	790,000	1,339,780	2,129,780
2020	830,000	1,298,700	2,128,700
2021-2025	4,930,000	5,793,580	10,723,580
2026-2030	6,470,000	4,359,420	10,829,420
2031-2035	8,500,000	2,479,100	10,979,100
2036-2037	<u>4,245,000</u>	<u>332,280</u>	<u>4,577,280</u>
Totals	<u>\$27,895,000</u>	<u>\$ 19,847,880</u>	<u>\$ 47,742,880</u>

**Myrtle Creek Improvement District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2015**

**NOTE F – LONG-TERM DEBT (CONTINUED)**

SUMMARY OF SIGNIFICANT BONDS RESOLUTION TERMS AND COVENANTS

Special Assessments Revenue Bonds, Series 2006A.

Depository Funds - The bond indenture establishes certain funds and determines the order in which revenues are to be deposited into these funds. A description of the significant funds, including their purposes, is as follows:

Reserve Fund - The 2006A Reserve Account is funded from the proceeds of the Series 2006A Bonds in an amount equal to 6.59% of the deemed outstanding principal amount of the 2006A Bonds. Monies held in the reserve accounts will be used only for the purposes established in the Trust Indenture.

	Capital Improvement Revenue Bonds	
	Reserve Balance	Reserve Requirement
Series 2006A Special Assessment Refund Bonds	\$ 1,879,798	\$ 1,838,280

**NOTE G – RISK MANAGEMENT**

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

**NOTE H - ECONOMIC DEPENDENCY**

A significant portion of the District's activity is dependent upon the continued involvement of the Developer, Lake Nona Land Company, LLC, the loss of which could have a materially adverse effect on the District's operations.

**NOTE I – INTERLOCAL AGREEMENT**

The District previously entered into an interlocal agreement related to cost sharing for certain infrastructure projects with Boggy Creek Improvement District ("Boggy Creek") and Greenway Improvement District ("Greenway"). These districts are related through a common developer. The agreement provides for the improvement to be constructed, acquired or otherwise provided by Boggy Creek and that Boggy Creek will be reimbursed for these costs from the District and Greenway. The projected costs related to the agreement total approximately \$33.8 million, with costs to be split 36% for Greenway, 32.5% for Boggy Creek and 31.5% for the District. The District, Boggy Creek and Greenway also previously entered into an agreement regarding interchange maintenance costs based on the same cost allocation.

**Myrtle Creek Improvement District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2015**

**NOTE I – INTERLOCAL AGREEMENT (CONTINUED)**

The District was also previously entered into a cost sharing agreement with Boggy Creek regarding maintenance cost associated with Lake Nona Gateway Road. The District agreed to share the maintenance costs based on allocation of 49.9% for Boggy Creek and 50.1% for the District.

**NOTE J – REIMBURSEMENT OF OVERPAYMENT**

An improper splitting of landscape maintenance invoices related to the Lake Nona Gateway Road Agreement resulted in the District overpaying Boggy Creek a total of \$173,326. The District approved a repayment plan of \$25,000 a quarter that started in May 2014 and will continue through November 2015. Four payments were received during the fiscal year.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Supervisors  
Myrtle Creek Improvement District  
Orange County, Florida

We have audited the financial statements of Myrtle Creek Improvement District as of and for the year ended September 30, 2015, and have issued our report thereon dated May 20, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of Myrtle Creek Improvement District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Myrtle Creek Improvement District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Myrtle Creek Improvement District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Myrtle Creek Improvement District's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Fort Pierce / Stuart

To the Board of Supervisors  
Myrtle Creek Improvement District

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Myrtle Creek Improvement District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Supervisors, Management, others within the entity and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than those specified parties.

*Berger, Toombs, Elam,  
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank  
Certified Public Accountants  
Fort Pierce, Florida

May 20, 2016



# Berger, Toombs, Elam, Gaines & Frank

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## **MANAGEMENT LETTER**

To the Board of Supervisors  
Myrtle Creek Improvement District  
Orange County, Florida

### **Report on the Financial Statements**

We have audited the financial statements of the Myrtle Creek Improvement District as of and for the year ended September 30, 2015, and have issued our report thereon dated May 20, 2016.

### **Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Florida Auditor General.

### **Other Reports and Schedule**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated May 20, 2016, should be considered in conjunction with this Management Letter.

### **Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we address in the Management Letter, if not already addressed in the auditor's report on compliance and internal controls, whether or not recommendations made in the preceding annual financial report have been followed. There were no recommendations made in the preceding audit report.

### **Financial Condition**

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not Myrtle Creek Improvement District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the Myrtle Creek Improvement District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

To the Board of Supervisors  
Myrtle Creek Improvement District

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial conditions assessment procedures. It is management's responsibility to monitor the Myrtle Creek Improvement District's financial condition; our financial condition assessment was based in part on the representations made by management and the review of the financial information provided by the same.

### **Annual Financial Report**

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the Myrtle Creek Improvement District for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

### **Other Matters**

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

### **Purpose of this Letter**

Our Management Letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Supervisors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Berger, Toombs, Elam,  
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank  
Certified Public Accountants PL  
Fort Pierce, Florida

May 20, 2016



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**INDEPENDENT ACCOUNTANT'S REPORT/COMPLIANCE  
WITH SECTION 218.415, FLORIDA STATUTES**

To the Board of Supervisors  
Myrtle Creek Improvement District  
Orange County, Florida

We have examined Myrtle Creek Improvement District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2015. Management is responsible for Myrtle Creek Improvement District's compliance with those requirements. Our responsibility is to express an opinion on Myrtle Creek Improvement District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Myrtle Creek Improvement District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Myrtle Creek Improvement District's compliance with the specified requirements.

In our opinion, Myrtle Creek Improvement District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2015.

*Berger, Toombs, Elam,  
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank  
Certified Public Accountants PL  
Fort Pierce, Florida

May 20, 2016