

Myrtle Creek Improvement District

ANNUAL FINANCIAL REPORT

September 30, 2016

Myrtle Creek Improvement District

ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2016

TABLE OF CONTENTS

FINANCIAL SECTION	<u>Page Number</u>
REPORT OF INDEPENDENT AUDITORS	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-8
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	15
Notes to Financial Statements	16-29
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 <i>GOVERNMENT AUDITING STANDARDS</i>	30-31
MANAGEMENT LETTER	32-33
INDEPENDENT ACCOUNTANT'S REPORT/COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES	34



Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue
Suite 200
Fort Pierce, Florida 34950

772/461-6120 // 461-1155
FAX: 772/468-9278

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, 2016, and the related notes to financial statements 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 and the standards applicable to financial audits contained in *Government Accounting Standards*, issued by the Comptroller General of the United States. 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.

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, 2016, 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 inquiries 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 12, 2017 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*

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

May 12, 2017

**Myrtle Creek Improvement District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016**

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*, 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.

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, 2016**

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.

The *government-wide financial statements* and the *fund financial statements* provide different pictures of the District. The *government-wide financial statements* provide an overall picture of the District's financial standing. These statements are comparable to private-sector companies and give a good understanding of the District's overall financial health and how the District paid for the various activities, or functions, provided by the District. All assets of the District, including land, buildings and improvements, and infrastructure are reported in the **statement of net position**. All liabilities, including principal outstanding on bonds are included. The **statement of activities** includes depreciation on all long lived assets of the District, but transactions between the different functions of the District have been eliminated in order to avoid "doubling up" the revenues and expenses. The *fund financial statements* provide a picture of the major funds of the District. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long-term liabilities, such as general obligation bonds, are not included in the fund financial statements. To provide a link from the *fund financial statements* to the *government-wide financial statements*, a reconciliation is provided from the *fund financial statements* to the *government-wide financial statements*.

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, 2016.

- The District's total liabilities exceeded total assets by \$(15,547,064) (net position). Unrestricted net position for Governmental Activities was \$(16,616,838). Restricted net position was \$267,725 and net investment in capital assets was \$802,049.
- Governmental activities revenues totaled \$8,606,801 while governmental activities expenses totaled \$2,128,481.

**Myrtle Creek Improvement District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016**

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 and is presented by category for comparison purposes.

Net Position

	Governmental Activities	
	2016	2015
Current assets	\$ 670,123	\$ 673,382
Restricted assets	29,082,811	3,259,592
Capital assets, net	2,440,085	2,589,073
Total Assets	<u>32,193,019</u>	<u>6,522,047</u>
Deferred outflows of resources	<u>667,488</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>32,860,507</u>	<u>6,522,047</u>
Current liabilities	28,364,069	1,322,431
Non-current liabilities	20,043,502	27,225,000
Total Liabilities	<u>48,407,571</u>	<u>28,547,431</u>
Net investment in capital assets	802,049	504,313
Restricted debt service	267,725	268,137
Unrestricted	(16,616,838)	(22,797,834)
Total Net Position	<u>\$ (15,547,064)</u>	<u>\$ (22,025,384)</u>

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

The increase in restricted assets and current liabilities is primarily due to the bond refunding that occurred in the current year; however, the Series 2006A Bonds was not fully redeemed until fiscal year 2017.

The decrease in non-current liabilities is primarily the result of the excess of the reclassification of the Series 2006A Bonds to current liabilities over the issuance of the Series 2016A Bonds.

**Myrtle Creek Improvement District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016**

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 and is presented by category for comparison purposes.

Change in Net Position

	Governmental Activities	
	2016	2015
Program Revenues		
Charges for services	\$ 2,581,520	\$ 2,339,863
Operating contributions	6,012,344	-
General Revenues		
Miscellaneous revenue	863	5,548
Investments earnings	12,074	988
Total Revenues	<u>8,606,801</u>	<u>2,346,399</u>
Expenses		
General government	126,825	121,694
Physical environment	555,602	517,104
Interest on long-term debt	1,446,054	1,469,650
Total Expenses	<u>2,128,481</u>	<u>2,108,448</u>
Change in Net Position	6,478,320	237,951
Net Position - Beginning of Year	<u>(22,025,384)</u>	<u>(22,263,335)</u>
Net Position - End of year	<u>\$ (15,547,064)</u>	<u>\$ (22,025,384)</u>

The increase in total revenues and changes in net position was primarily the result of a developer contribution made in the current year.

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 a landscape replacement project in the current year.

**Myrtle Creek Improvement District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016**

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, 2016 and 2015.

<u>Description</u>	Governmental Activities	
	2016	2015
Infrastructure	\$ 2,811,192	\$ 2,774,007
Accumulated depreciation	(371,107)	(184,934)
Total Capital Assets (Net)	<u>\$ 2,440,085</u>	<u>\$ 2,589,073</u>

The activity for the year consisted of \$37,185 in additions to infrastructure, and depreciation of \$186,173.

General Fund Budgetary Highlights

Budgeted expenditures exceeded actual expenditures primarily because of lower crosswalk, trail bench and lake maintenance costs than anticipated.

There were no amendments to the September 30, 2016 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. The Series 2006A Bonds were refunded in the current period; however, they were not fully redeemed until fiscal year 2017. Bonds payable relating to the Series 2006A Bonds at September 30, 2016 totaled \$27,225,000.
- In September 2016, the District issued \$19,810,000 Series 2016A Special Assessment Revenue Refunding Bonds. These bonds were issued to refund and redeem the outstanding Series 2006A Special Assessment Revenue Bonds. Bonds payable at September 30, 2016 relating to the Series 2016A Bonds totaled \$19,810,000.

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 2017.

**Myrtle Creek Improvement District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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, 2016

	Governmental Activities
ASSETS	
Current Assets	
Cash	\$ 646,603
Investments	3,734
Accrued interest receivable	5,057
Due from other governments	1,017
Deposits	4,300
Prepaid expenses	9,412
Total Current Assets	670,123
Non-current Assets	
Restricted assets	
Cash and investments	583,137
Capital assets, being depreciated	
Infrastructure	2,811,192
Less: accumulated depreciation	(371,107)
Total Non-current Assets	3,023,222
Total Assets	3,693,345
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount on refunding	667,488
Total Assets and Deferred Outflows of Resources	4,360,833
 LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	692,275
Due to other governmental units	8,511
Bonds payable	27,635,000
Accrued interest payable	28,283
Total Current Liabilities	28,364,069
Non-current liabilities	
Bonds payable, net	20,043,502
Total Liabilities	48,407,571
 NET POSITION	
Net investment in capital assets	802,049
Restricted debt service	267,725
Unrestricted	(16,616,838)
Total Net Position	\$ (15,547,064)

See accompanying notes to financial statements.

Myrtle Creek Improvement District
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position Governmental Activities
		Charges for Services	Operating Contributions	
Governmental Activities				
General government	\$ (126,825)	\$ 210,290	\$ -	\$ 83,465
Physical environment	(555,602)	921,248	6,012,344	6,377,990
Interest on long-term debt	(1,446,054)	1,449,982	-	3,928
Total Governmental Activities	\$ (2,128,481)	\$ 2,581,520	\$ 6,012,344	6,465,383
General Revenues				
				12,074
				863
				12,937
				6,478,320
				(22,025,384)
				\$ (15,547,064)

See accompanying notes to financial statements.

Myrtle Creek Improvement District
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2016

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash	\$ 646,603	\$ -	\$ -	\$ 646,603
Investments	3,734	-	-	3,734
Accrued interest receivable	-	5,016	41	5,057
Due from other governments	1,017	-	-	1,017
Due from other funds	-	14,907	-	14,907
Prepaid expenses	9,412	-	-	9,412
Deposits	4,300	-	-	4,300
Restricted assets				
Cash and investments, at fair value	-	28,499,674	583,137	29,082,811
Total Assets	\$ 665,066	\$ 28,519,597	\$ 583,178	\$29,767,841
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	\$ 15,926	\$ 668,839	\$ 7,510	\$ 692,275
Due to other governments	8,511	-	-	8,511
Due to other funds	14,907	-	-	14,907
Bonds payable - current	-	27,225,000	-	27,225,000
	39,344	27,893,839	7,510	27,940,693
Fund Balances				
Nonspendable - deposits/prepays	13,712	-	-	13,712
Restricted for debt service	-	625,758	-	625,758
Restricted for capital projects	-	-	575,668	575,668
Unassigned	612,010	-	-	612,010
	625,722	625,758	575,668	1,827,148
Total Fund Balances	625,722	625,758	575,668	1,827,148
Total Liabilities and Fund Balance:	\$ 665,066	\$ 28,519,597	\$ 583,178	\$29,767,841

See accompanying notes to financial statements.

Myrtle Creek Improvement District
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2016

Total Governmental Fund Balances	\$ 1,827,148
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets being depreciated, infrastructure, \$2,811,192, net of accumulated depreciation, \$(371,107), used in governmental activities are not financial resources and therefore, are not reported at the fund level.	2,440,085
Long-term liabilities, including bonds payable, \$(19,810,000), and bond premium, net, \$(643,502), are not due and payable in the current period and therefore, are not reported at the fund level.	(20,453,502)
Deferred outflows of resources are financial resources and therefore, are not reported at the fund level.	667,488
Accrued interest expense for long-term debt is not a financial use and; therefore, is not reported at the fund level.	<u>(28,283)</u>
Net Position of Governmental Activities	<u><u>\$(15,547,064)</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, 2016

	General	Debt Service	Capital Projects	Totals Governmental Funds
REVENUES				
Special assessments	\$ 480,913	\$ 2,100,607	\$ -	\$ 2,581,520
Miscellaneous revenues	713	-	150	863
Interest income	2,605	8,771	698	12,074
Developer contributions	-	6,012,344	-	6,012,344
Total Revenues	<u>484,231</u>	<u>8,121,722</u>	<u>848</u>	<u>8,606,801</u>
EXPENDITURES				
Current				
General government	117,375	-	9,450	126,825
Physical environment	369,429	-	-	369,429
Capital Outlay	-	-	37,185	37,185
Debt service				
Principal	-	27,895,000	-	27,895,000
Interest	-	1,450,540	-	1,450,540
Other	-	1,240,413	-	1,240,413
Total Expenditures	<u>486,804</u>	<u>30,585,953</u>	<u>46,635</u>	<u>31,119,392</u>
Excess revenues over (under) expenditures	<u>(2,573)</u>	<u>(22,464,231)</u>	<u>(45,787)</u>	<u>(22,512,591)</u>
Other financing sources (uses)				
Proceeds from bond refunding	-	19,646,136	163,864	19,810,000
Bond premium	-	644,805	-	644,805
Transfers in	-	90,538	43,816	134,354
Transfers out	-	(43,816)	(90,538)	(134,354)
Total Other Financing Sources (Uses)	<u>-</u>	<u>20,337,663</u>	<u>117,142</u>	<u>20,454,805</u>
Net Change in Fund Balances	<u>(2,573)</u>	<u>(2,126,568)</u>	<u>71,355</u>	<u>(2,057,786)</u>
Fund Balances - October 1, 2015	<u>628,295</u>	<u>2,752,326</u>	<u>504,313</u>	<u>3,884,934</u>
Fund Balances - September 30, 2016	<u>\$ 625,722</u>	<u>\$ 625,758</u>	<u>\$ 575,668</u>	<u>\$ 1,827,148</u>

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, 2016

Net Change in Fund Balances -Total Governmental Funds	\$ (2,057,786)
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 that depreciation (\$186,173) exceeded capital additions \$37,185 in the current period.	(148,988)
Repayments of bond principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position.	27,895,000
Bond proceeds \$(19,810,000) and bond premium \$(644,805) are reported as other financing sources in the governmental funds, but increase long-term liabilities in the Statement of Net Position.	(20,454,805)
Certain other debt service cost at the fund level are recognized as deferred amount on refunding in the Statement of Net Position.	668,839
Deferred outflows of resources for refunding debt is recognized as a component of interest on long term debt in the Statement of Activities, but not at the fund level. This is the amount of interest in the current period.	(1,351)
Amortization of bond premium does not require the use of current resources and therefore, is not reported at the fund level. This is the amount of interest in the current period.	1,303
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.	576,108
Change in Net Position of Governmental Activities	\$ 6,478,320

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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Special assessments	\$ 500,000	\$ 500,000	\$ 480,913	\$ (19,087)
Miscellaneous revenues	-	-	713	713
Interest income	1,000	1,000	2,605	1,605
Total revenues	<u>501,000</u>	<u>501,000</u>	<u>484,231</u>	<u>(16,769)</u>
Expenditures				
Current				
General government	110,825	110,825	117,375	(6,550)
Physical environment	614,131	614,131	369,429	244,702
Total Expenditures	<u>724,956</u>	<u>724,956</u>	<u>486,804</u>	<u>238,152</u>
Net Change in Fund Balances	(223,956)	(223,956)	(2,573)	221,383
Fund Balances - October 1, 2015	<u>223,956</u>	<u>223,956</u>	<u>628,295</u>	<u>404,339</u>
Fund Balances - September 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 625,722</u>	<u>\$ 625,722</u>

See accompanying notes to financial statements.

Myrtle Creek Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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 established, 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

Myrtle Creek Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

a. Government-wide Financial Statements

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

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 on 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.

**Myrtle Creek Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

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.

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.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources".

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Myrtle Creek Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

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. 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.

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.

b. Non-current Governmental Assets/Liabilities

GASB Statement 34 requires that non-current governmental assets, such as land and buildings, and non-current governmental liabilities, such as special assessment bonds, be reported in the governmental activities column in the government-wide Statement of Net Position.

Myrtle Creek Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 infrastructure, are reported in the governmental activities column.

**Myrtle Creek Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities, and Net Position or Equity (Continued)

c. Capital Assets (Continued)

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	15 - 30 years
----------------	---------------

d. Deferred Outflows of Resources

Deferred outflows of resources is the consumption of net position by the government that is applicable to a future reported period. Deferred amount on refunding is amortized and recognized as a component of interest expense over the life of the bond.

e. Bond Premium

Bond premiums are presented on the government-wide financial statements. The costs are amortized over the life of the bonds using the straight line method. For financial reporting, the unamortized premiums are netted against the applicable long-term debt.

f. 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. Formal budgets are adopted for the general and debt service funds. As a result, deficits in the budget variance columns of the accompanying financial statements may occur.

**Myrtle Creek Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016**

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 \$1,827,148 differs from “net position” of governmental activities (\$15,547,064) 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 (that are to be used in governmental activities) are purchased or constructed, the cost of these assets is reported as expenditures at the fund level. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole.

Infrastructure	\$ 2,811,192
Accumulated depreciation	<u>(371,107)</u>
Total	<u>\$ 2,440,085</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, 2016 were:

Bonds payable	\$ (19,810,000)
Bond premium, net	<u>(643,502)</u>
Bonds payable, net	<u>\$ (20,453,502)</u>

Deferred outflows of resources

Deferred outflows of resources applicable to the District's governmental activities are not financial resources and therefore; are not recognized at the fund level.

Deferred amount on refunding, net	<u>\$ 667,488</u>
-----------------------------------	-------------------

Accrued interest

Accrued liabilities in the Statement of Net Position differ from the amount reported at the fund level due to the accrued interest on bonds.

Accrued interest	<u>\$ (28,283)</u>
------------------	--------------------

**Myrtle Creek Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016**

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 \$(2,057,786) differs from the “change in net position” for governmental activities \$6,478,320 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 at the fund level. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation. As a result, fund balances decrease by the amount of financial resources expended, whereas net position decreased by the amount of depreciation charged for the year.

Infrastructure	\$ 37,185
Depreciation	186,173)
Total	<u>\$ (148,988)</u>

Long-term debt transactions

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

Bond principal payments	<u>\$ 27,895,000</u>
-------------------------	----------------------

Issuance of new debt provides current financial resources at fund level, but increase long-term liabilities in the Statement of Net Position.

Proceeds from bond issuance	\$ (19,810,000)
Bond premium	(644,805)
Total	<u>\$ (20,454,805)</u>

The deferred amount on refunding created as a result of the issuance of new debt is not a financial resource and therefore, is not reported at the fund level.

Deferred amount on refunding	<u>\$ 668,839</u>
------------------------------	-------------------

**Myrtle Creek Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016**

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 (Continued)

Long-term debt transactions (Continued)

Amortization of bond premium does not require the use of current resources and therefore is not reported at the fund level.

Amortization of bond premium	\$ <u>1,303</u>
------------------------------	-----------------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures at the fund level.

Net change in accrued interest payable	\$ 576,108
Decrease in deferred amount on refunding	<u>(1,351)</u>
Total	<u>\$ 574,757</u>

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, 2016, the District's bank balance was \$655,500 and the carrying value was \$646,603. 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.

**Myrtle Creek Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016**

NOTE C - CASH AND INVESTMENTS (CONTINUED)

As of September 30, 2016, the District had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
State Board of Administration Florida Prime	50 days*	\$ 3,734
First American Government Obligation CI Y	25 days*	1,188,971
US Treasury State & Local Govt	N/A	27,893,840
TOTAL		<u>\$ 29,086,545</u>

* Weighted Average Maturity

The District categorizes its fair value measurements within the fair value hierarchy recently established by generally accepted accounting principles. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The District uses a market approach in measuring fair value that uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities, or groups of assets and liabilities.

Assets or liabilities are classified into one of three levels. Level 1 is the most reliable and is based on quoted price for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtaining quoted prices for identical or similar assets, or liabilities, in markets that are not active. Level 3 is the least reliable and uses significant unobservable inputs that uses the best information available under the circumstances, which includes the District's own data in measuring unobservable inputs.

Based on the criteria in the preceding paragraph, the investments in First American Government Obligation CI Y and US Treasury State & Local Government are Level 1 assets.

Investments

The District's investment policy allows management to invest funds in investments permitted under Section 218.415, Florida Statutes. Among other investments, the policy allows the District to invest in the State Board of Administration Local Government Surplus Funds Trust Funds. Cash placed with the State Board of Administration represents the District's participation in the Local Government Surplus Funds Trust Fund Investment Pool and is reported at fair value. As a pool participant the District invests in pools of investments in which shares are owned in the pool rather than the underlying investments.

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.

Myrtle Creek Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE C - CASH AND INVESTMENTS (CONTINUED)

Credit Risk

The District's investments are limited by state statutory requirements and bond compliance. The District has no investment policy that would further limit its investment choices. The Local Government Surplus Funds Trust is an authorized investment under Section 218.415, Florida Statutes. The District's Investments in the state investment pool and government loans are limited by the state statutory requirements and bond compliance. The District has monies invested with the Local Government Surplus Fund Trust Fund (Fund), at September 30, 2016. This fund met the requirements of a "2a-7 like pool" as defined in Government Accounting Standards Board, Statement 31.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one fund. The investments in First American Government Obligations CLY are 4.09% of the District's total investments. The investments in US Treasury State and Local Government are 95.9% of the District's total investments. The investments in the State Board of Administration Florida Prime are less than 1% of the District's total investments.

The types of deposits and investments and their level of risk exposure as of September 30, 2016 were typical of these items during the fiscal year then ended. The First American Government Obligations Fund CLY and the State Board of Administration Florida Prime were rated AAAM per Standard & Poor's. The US Treasury State and Local Government was not rated by any nationally recognized agency.

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 2015-2016 fiscal year were levied in August 2015. 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.

**Myrtle Creek Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016**

NOTE E – CAPITAL ASSETS

Capital Asset activity for the year ended September 30, 2016 was as follows:

	October 1, 2015	Additions	Deletions	September 30, 2016
<u>Governmental Activities:</u>				
Capital assets:				
Infrastructure	\$ 2,774,007	\$ 37,185	\$ -	\$ 2,811,192
Less accumulated depreciation for:				
Infrastructure	(184,934)	(186,173)	-	(371,107)
Governmental Activities Capital Assets	\$ 2,589,073	\$ (148,988)	\$ -	\$ 2,440,085

Depreciation of \$186,173 was charged to physical environment.

NOTE F – LONG-TERM DEBT

The following is a summary of activity of the long-term debt of the District for the year ended September 30, 2016:

Long-term debt at October 1, 2015	\$ 27,895,000
Issuance of long-term debt	19,810,000
Principal payments	(670,000)
Less current portion	(27,225,000)
Long-term debt at September 30, 2016:	19,810,000
Plus bond premium, net	643,502
Bonds payable, net	\$ 20,453,502

Special Assessment Revenue Refunding Bonds

\$19,810,000 Special Assessment Revenue Refunding Bonds, Series 2016A, due in annual principal installments, beginning May 1, 2017. Interest is due semi-annually on May 1 and November 1, at various rates of 3.0% and 4.0%.

\$ 19,810,000

**Myrtle Creek Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016**

NOTE F – LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2016 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 410,000	\$ 428,021	\$ 838,021
2018	670,000	662,400	1,332,400
2019	695,000	635,600	1,330,600
2020	725,000	607,800	1,332,800
2021	755,000	578,800	1,333,800
2022-2026	4,240,000	2,416,800	6,656,800
2027-2031	5,095,000	1,560,400	6,655,400
2032-2036	5,925,000	738,000	6,663,000
2037	1,295,000	38,850	1,333,850
Totals	<u>\$19,810,000</u>	<u>\$ 7,666,671</u>	<u>\$ 27,476,671</u>

Summary of Significant Bonds Resolution Terms and Covenants

Special Assessments Revenue Refunding Bonds, Series 2016A.

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 2016A Reserve Account is funded from the proceeds of the Series 2016A Bonds in an amount equal to twenty-five percent of the maximum annual debt service requirement for all outstanding Series 2016A Bonds. Monies held in the reserve accounts will be used only for the purposes established in the Trust Indenture. In addition to the amount held in the reserve account, the District obtained Municipal Bond Insurance to guarantee scheduled principal and interest payments in the event of nonpayment by the District.

	<u>Reserve Balance</u>	<u>Reserve Requirement</u>
Series 2016A Special Assessment Revenue Refunding Bonds	<u>\$ 333,500</u>	<u>\$ 329,750</u>

Myrtle Creek Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE G – RISK MANAGEMENT

The District 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.

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 was to conclude November 2015. The final payment was received during the current fiscal year.

NOTE K - PROJECT IMPROVEMENT AGREEMENT

In July 2016, the District entered into an agreement with the Developer relating to the Wellspring Drive project. The Developer agreed to fund and commence the project while the District seeks funding from the sale of special assessment revenue bonds. The Developer agrees to convey any improvements and any related property related to the project.



Berger, Toombs, Elam,
Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue
Suite 200
Fort Pierce, Florida 34950

772/461-6120 // 461-1155
FAX: 772/468-9278

**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,

We have audited, in accordance with the 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, the financial statements of Myrtle Creek Improvement District, as of and for the year ended September 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated May 12, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Myrtle Creek Improvement District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Myrtle Creek Improvement District's internal control. 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Berger, Toombs, Elam,
Gaines & Frank*

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

May 12, 2017



Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue
Suite 200
Fort Pierce, Florida 34950

772/461-6120 // 461-1155
FAX: 772/468-9278

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, 2016, and have issued our report thereon dated May 12, 2017.

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 12, 2017, 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, 2016, 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, 2016. In connection with our audit, we determined that these two reports were in agreement.

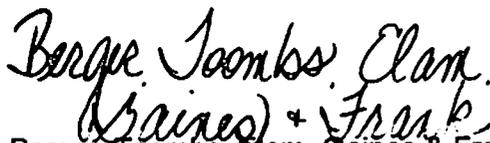
Other Matters

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
Certified Public Accountants PL
Fort Pierce, Florida

May 12, 2017



Berger, Toombs, Elam,
Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue
Suite 200
Fort Pierce, Florida 34950

772/461-6120 // 461-1155
FAX: 772/468-9278

**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, 2016. 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, 2016.

*Berger, Toombs, Elam,
Gaines & Frank*

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

May 12, 2017