

FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT

FINANCIAL REPORT
Year Ended September 30, 2017

FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #1

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Fiddler's Creek Community Development District #1

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of *Fiddler's Creek Community Development District #1*, (the "District") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The District's 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 audit. 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. 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 principles 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 opinions.

MCDIRMIT DAVIS & COMPANY, LLC

934 NORTH MAGNOLIA AVENUE, SUITE 100 ORLANDO, FLORIDA 32803
TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the District as of September 30, 2017, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis starting on page 3, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 June 1, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, agreements and other matters. 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 the 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 the District's internal control over financial reporting and compliance.

McDiarmid Davis & Company, LLC

Orlando, Florida
June 1, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of *Fiddler's Creek Community Development District #1*, Collier County, Florida's (the "District") financial accomplishments provide an overview of the District's financial activities for the year ended September 30, 2017. Please read it in conjunction with the District's Independent Auditor's Report, financial statements and accompanying notes.

This information is being presented to provide additional information regarding the activities of the District and to meet the disclosure requirements of Government Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued June 1999.

Financial Highlights

- The assets of the District exceeded its liabilities at September 30, 2017 by \$1,440,049, an increase in net position of \$2,285,968 in comparison with the prior year.
- At September 30, 2017, the District's governmental funds reported fund balances of \$2,308,393, an increase of \$242,119 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to *Fiddler's Creek Community Development District #1's* financial statements. The District's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, deferred outflows, and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements include all governmental activities that are principally supported by special assessment revenues. The District does not have any business-type activities. The governmental activities of the District include general government, and maintenance and operations related functions.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has one fund category: Governmental Funds.

Governmental Funds - 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 on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a District'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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, debt service fund and capital projects fund, all of which are considered to be major funds.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

Statement of Net Position - The District's net position was \$1,440,049 at September 30, 2017. The analysis that follows focuses on the net position of the District's governmental activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-Wide Financial Analysis (Continued):

Statement of Net Position

	<u>September 30, 2017</u>	<u>September 30, 2016</u>
Assets, excluding capital assets	\$ 2,913,116	\$ 2,281,813
Capital Assets, net	<u>33,176,137</u>	<u>33,732,960</u>
Total assets	<u>36,089,253</u>	<u>36,014,773</u>
Deferred Outflows of Resources	<u>72,133</u>	<u>106,434</u>
Liabilities, excluding long-term liabilities	1,456,644	1,124,789
Long-term Liabilities	<u>33,264,693</u>	<u>35,842,337</u>
Total liabilities	<u>34,721,337</u>	<u>36,967,126</u>
Net Position:		
Net investment in capital assets	(16,423)	(2,002,943)
Restricted for debt service	1,108,111	547,037
Unrestricted	<u>348,361</u>	<u>609,987</u>
Total net position	<u>\$ 1,440,049</u>	<u>\$ (845,919)</u>

The following is a summary of the District's governmental activities for the fiscal years ended September 30, 2017 and 2016.

Changes in Net Position
Year ended September 30,

	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues	\$ 8,257,823	\$ 7,654,203
General revenues	<u>10,791</u>	<u>51,492</u>
Total revenues	<u>8,268,614</u>	<u>7,705,695</u>
Expenses:		
General government	538,580	456,690
Maintenance and operations	3,285,913	2,981,166
Interest on long-term debt	<u>2,158,153</u>	<u>2,287,787</u>
Total expenses	<u>5,982,646</u>	<u>5,725,643</u>
Change in net position	<u>2,285,968</u>	<u>1,980,052</u>
Net position - beginning, as previously stated	(845,919)	(2,857,563)
Correction of error	<u>-</u>	<u>31,592</u>
Net position - beginning, as restated	<u>(845,919)</u>	<u>(2,825,971)</u>
Net position - ending	<u>\$ 1,440,049</u>	<u>\$ (845,919)</u>

As noted above and in the statement of activities, the cost of all governmental activities during the year ended September 30, 2017 was \$5,982,646. The majority of these costs are maintenance and operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the Government's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At September 30, 2017, the District's governmental funds reported combined ending fund balances of \$2,308,393. Of this total, \$136,911 is nonspendable, \$1,960,032 is restricted, and the remainder of \$211,450 is unassigned.

The fund balance of the general fund decreased \$260,499, due to increased expenditures for hurricane clean-up. The debt service fund balance increased by \$503,745 due to an increase in assessment revenue. The capital projects fund balance decreased by \$1,127.

General Fund Budgetary Highlights

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget to actual comparison for the general fund, including the original budget and final adopted budget, is shown on page 12. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control is at the fund level.

Capital Asset and Debt Administration

Capital Assets - At September 30, 2017, the District had \$33,176,137 invested in capital assets.

Capital Debt - At September 30, 2017, the District had \$33,310,000 in bonds outstanding. More detailed information about the District's capital debt is presented in the notes to financial statements.

Requests for Information

If you have questions about this report or need additional financial information, contact *Fiddler's Creek Community Development District #1's* Finance Department at 2300 Glades Road, Suite 410W, Boca Raton, Florida 33431.

FINANCIAL STATEMENTS

FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #1

STATEMENT OF NET POSITION

September 30, 2017

	Governmental Activities
Assets:	
Cash	\$ 853,238
Assessments receivable	33,204
Due from other governments	78,403
Deposits	5,125
Restricted assets:	
Temporarily restricted investments	1,943,146
Capital Assets:	
Capital assets not being depreciated	25,872,371
Capital assets being depreciated, net	<u>7,303,766</u>
Total assets	<u>36,089,253</u>
Deferred Outflows of Resources:	
Deferred charge on refunding	<u>72,133</u>
Liabilities:	
Accounts payable and accrued expenses	596,125
Accrued interest payable	851,921
Retainage payable	8,598
Noncurrent liabilities:	
Due within one year	2,125,000
Due in more than one year	<u>31,139,693</u>
Total liabilities	<u>34,721,337</u>
Net Position:	
Net investment in capital assets	(16,423)
Restricted for debt service	1,108,111
Unrestricted	<u>348,361</u>
Total net position	<u><u>\$ 1,440,049</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #1

STATEMENT OF ACTIVITIES

Year Ended September 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:				
General government	\$ 538,580	\$ 410,263	\$ 117,000	\$ (11,317)
Maintenance and operations	3,285,913	2,503,039	-	(782,874)
Interest on long-term debt	2,158,153	5,222,605	4,916	3,069,368
Total governmental activities	<u>\$ 5,982,646</u>	<u>\$ 8,135,907</u>	<u>\$ 121,916</u>	<u>2,275,177</u>
		General Revenues:		
			Investment income	1,466
			Miscellaneous	9,325
			Total general revenues	<u>10,791</u>
			Change in net position	2,285,968
			Net Position - beginning	<u>(845,919)</u>
			Net Position - ending	<u>\$ 1,440,049</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #1

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Assets:				
Cash	\$ 853,238	\$ -	\$ -	\$ 853,238
Investments	-	1,943,146	-	1,943,146
Assessments receivable	16,318	16,886	-	33,204
Advance to other funds	131,786	-	-	131,786
Due from other governments	78,403	-	-	78,403
Deposits	5,125	-	-	5,125
Total assets	<u>\$ 1,084,870</u>	<u>\$ 1,960,032</u>	<u>\$ -</u>	<u>\$ 3,044,902</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued expenses	\$ 595,834	\$ -	\$ 291	\$ 596,125
Advance from other funds	-	-	131,786	131,786
Retainage payable	8,598	-	-	8,598
Total liabilities	<u>604,432</u>	<u>-</u>	<u>132,077</u>	<u>736,509</u>
Fund balances:				
Nonspendable	136,911	-	-	136,911
Restricted for:				
Debt service	-	1,960,032	-	1,960,032
Unassigned	343,527	-	(132,077)	211,450
Total fund balances	<u>480,438</u>	<u>1,960,032</u>	<u>(132,077)</u>	<u>2,308,393</u>
Total liabilities and fund balances	<u>\$ 1,084,870</u>	<u>\$ 1,960,032</u>	<u>\$ -</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 33,176,137

Deferred charge on refunding, which are expenditures in the funds, are deferred and amortized over the life of the bond. 72,133

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

	Accrued interest payable	(851,921)	
	Bonds payable	<u>(33,264,693)</u>	<u>(34,116,614)</u>
Net Position of Governmental Activities			<u>\$ 1,440,049</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Year Ended September 30, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues:				
Assessment revenue	\$ 2,913,302	\$ 4,570,223	\$ -	\$ 7,483,525
Special assessments - prepayments	-	652,382	-	652,382
Developer contributions	-	117,000	-	117,000
Investment and miscellaneous income	10,791	4,916	-	15,707
Total revenues	<u>2,924,093</u>	<u>5,344,521</u>	<u>-</u>	<u>8,268,614</u>
Expenditures:				
Current:				
General government	456,629	81,951	-	538,580
Maintenance and operations	2,682,255	-	1,127	2,683,382
Debt Service:				
Interest	-	2,168,825	-	2,168,825
Principal	-	2,590,000	-	2,590,000
Capital outlay	45,708	-	-	45,708
Total expenditures	<u>3,184,592</u>	<u>4,840,776</u>	<u>1,127</u>	<u>8,026,495</u>
Net change in fund balances	(260,499)	503,745	(1,127)	242,119
Fund Balances - beginning of year	<u>740,937</u>	<u>1,456,287</u>	<u>(130,950)</u>	<u>2,066,274</u>
Fund Balances - end of year	<u>\$ 480,438</u>	<u>\$ 1,960,032</u>	<u>\$ (132,077)</u>	<u>\$ 2,308,393</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #1

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

Year Ended September 30, 2017

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net Change in Fund Balances - total governmental funds (page 10)		\$	242,119
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources; however, in the statement of net position the cost of those assets is recorded as capital assets. Depreciation of capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.			
Capital outlay	45,708		
Depreciation expense	<u>(602,531)</u>		(556,823)
Repayments of long-term liabilities are reported as expenditures in governmental funds, while repayments reduce long-term liabilities in the statement of net position.			
Repayment of bonds payable			2,590,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			
Change in accrued interest	57,329		
Amortization of deferred charge on refunding	(34,301)		
Amortization of bond discount	<u>(12,356)</u>		<u>10,672</u>
Change in Net Position of Governmental Activities (page 8)		\$	<u><u>2,285,968</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Assessment revenue	\$ 2,872,283	\$ 2,872,283	\$ 2,913,302	\$ 41,019
Investment and miscellaneous revenue	17,200	17,200	10,791	(6,409)
Total revenues	<u>2,889,483</u>	<u>2,889,483</u>	<u>2,924,093</u>	<u>34,610</u>
Expenditures:				
Current:				
General government	405,377	405,377	456,629	(51,252)
Maintenance and operations	2,472,764	2,472,764	2,682,255	(209,491)
Capital outlay	11,342	11,342	45,708	(34,366)
Total expenditures	<u>2,889,483</u>	<u>2,889,483</u>	<u>3,184,592</u>	<u>(295,109)</u>
Net change in fund balance	-	-	(260,499)	(260,499)
Fund Balance - beginning	<u>740,937</u>	<u>740,937</u>	<u>740,937</u>	<u>-</u>
Fund Balance - ending	<u>\$ 740,937</u>	<u>\$ 740,937</u>	<u>\$ 480,438</u>	<u>\$ (260,499)</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2017

Note 1 - Summary of Significant Accounting Policies:

Reporting Entity

Fiddler's Creek Community Development District #1, (the "District") was established on August 13, 1996 under the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, as amended (the "Act") and Rule 42X 1.001-1.003 adopted by Florida Land and Water Adjudicatory Commission and amended on September 16, 2003, designated as Fiddler's Creek Community Development District #1. The Act provides, among other things, the power to manage basic services for community development, the power to borrow money and issue bonds, and the power to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure. The District was established for the purpose of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District.

The District is in the Naples area of Collier County, Florida, within the Fiddler's Creek Development of Regional Impact ("DRI"), a master planned community that is comprised of the District and Fiddler's Creek Community Development District #2. The District consists of approximately 1,390 acres within the Fiddler's Creek DRI.

The District is governed by the Board of Supervisors (the "Board"), which is composed of five members. The Supervisors are elected by qualified electors within the District. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has final responsibility for:

1. Allocating and levying assessments.
2. Approving budgets.
3. Exercising control over facilities and properties.
4. Controlling the use of funds generated by the District.
5. Approving the hiring and firing of key personnel.
6. Financing improvements.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements 14, 39, and 61. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued):

Government-Wide and Fund Financial Statements

The financial statements include both government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) grants, contributions and investment earnings that are restricted to meeting the operational or capital requirements of a particular function or segment and 3) operating-type special assessments that are treated as charges for services (including assessments for maintenance and debt service). Other items not included among program revenues are reported instead as *general revenues*.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the modified *accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for Developer receivables for retainage, which are collected from the Developer when the amount is due to the contractor. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued):

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Assessments, including debt service assessments and operation and maintenance assessments, are non-ad valorem assessments imposed on all lands located within the District and benefited by the District's activities. Operation and maintenance special assessments are levied by the District prior to the start of the fiscal year which begins October 1st and ends on September 30th. These assessments are imposed upon all benefited lands located in the District. Debt service special assessments are imposed upon certain lots and lands as described in each resolution imposing the special assessment for each series of bonds issued by the District. Certain debt service assessments are collected upon the closing of those lots subject to short term debt and are used to prepay a portion of the bonds outstanding.

Assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

General Fund - is the District's primary operating fund. It is used to account for and report all financial resources not accounted for and reported in another fund.

Debt Service Fund - accounts for the accumulation of resources for the annual payment of principal and interest on long-term debt.

Capital Project Fund - accounts for the financial resources to be used for the acquisition or construction of major infrastructure within the District.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued):

Assets, Liabilities Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Restricted Assets - These assets represent cash and investments set aside pursuant to bond covenants.

Investments - The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

Investments of the District are reported at fair value and are categorized within the fair value hierarchy established in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The District's investments consist of investments authorized in accordance with Section 218.415, Florida Statutes.

Prepaid Costs - Prepaid costs are recorded as expenditures when consumed rather than when purchased in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	20 - 40
Buildings and Improvements	7 - 39
Equipment	5 - 10

Long Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as expenses. Bonds payable are reported net of premiums or discounts.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued):

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued):

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item, deferred amount on refunding, that qualifies for reporting in this category for the year ended September 30, 2017.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District does not have any item that qualifies for reporting in this category for the year ended September 30, 2017.

Net Position Flow Assumption - Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted-net position is applied.

Fund Balance Flow Assumptions - Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued):

Assets, Liabilities Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued):

Fund Balance Policies - Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes fund balance amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Supervisors is the highest level of decision-making authority for the government that can, by adoption of an ordinance or resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance or resolution remains in place until a similar action is taken to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board of Supervisors has authorized the District Manager to assign amounts for specific purposes. The Board of Supervisors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above an additional action is essential to either remove or revise a commitment.

Other Disclosures

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2017

Note 2 - Stewardship, Compliance and Accountability:

Budgetary Information

The District is required to establish a budgetary system and an approved annual budget for the General Fund. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at the fiscal year end. The legal level of budgetary control is at the fund level. Any budget amendments that increase the aggregate budgeted appropriations, at the fund level, must be approved by the Board of Supervisors. There were no budget amendments for the fiscal year ended September 30, 2017.

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
2. A public hearing is conducted to obtain comments.
3. Prior to October 1, the budget is legally adopted by the District Board.
4. All budget changes must be approved by the District Board.
5. The budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Deficit Fund Balance

The capital projects fund has a deficit fund balance at September 30, 2017.

Expenditures in Excess of Appropriations

The general fund has expenditures in excess of appropriations for the current fiscal year.

Note 3 - Deposits and Investments:

Deposits

The District's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2017

Note 3 - Deposits and Investments (Continued):

Investments

The District categorizes its fair value measurements within the fair value hierarchy 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 adopted GASB 72 during the fiscal year.

Under GASB 72, 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.

The District has the following recurring fair value measurements as of September 30, 2017:

- Federated Treasury Obligation Funds of \$1,943,146 are valued using Level 2 inputs.

Instead of establishing a written investment policy, the District elected to limit investments to those approved by Florida Statutes and the District Trust Indenture. Authorized District investments include, but are not limited to:

1. The Local Government Surplus Funds Trust Fund (SBA);
2. Securities and Exchange Commission Registered Money Market Funds with the highest credit quality rating from a nationally recognized rating agency;
3. Interest-bearing time deposits or savings accounts in qualified public depositories;
4. Direct obligations of the U.S. Treasury.

Investments made by the District at September 30, 2017 are summarized below. In accordance with GASB 72, investments are reported at fair value.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>
Federated Treasury Obligation Fund	<u>\$ 1,943,146</u>	AAAm	24 Days

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2017

Note 3 - Deposits and Investments (Continued):

Credit Risk:

For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Investments in U.S. Government securities and agencies must be backed by the full faith and credit of the United States Government. Short term bond funds shall be rated by a nationally recognized ratings agency and shall maintain the highest credit quality rating. Investment ratings by investment type are included in the preceding summary of investments.

Custodial Credit Risk:

In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2017, all of the District's bank deposits were in qualified public depositories.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2017, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk:

The District places no limit on the amount the District may invest in any one issuer.

Interest Rate Risk:

The District does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The District manages its exposure to declines in fair values by investing primarily in pooled investments that have a weighted average maturity of less than three months.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2017

Note 4 - Interfund Receivables, Payables and Advances:

Interfund advances at September 30, 2017 were as follows:

Interfund Advances		
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital projects	<u>\$ 131,786</u>

Certain costs were paid by the general fund that related to the Series 2005 project. The District anticipates potentially collecting the amount at a future date based on the potential results of the on-going litigation as disclosed in Note 10.

Note 5 - Capital Assets:

Capital asset activity for the year ended September 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land and improvements	\$ 23,293,924	\$ -	\$ -	\$ 23,293,924
Improvements under construction	2,578,447	-	-	2,578,447
Total capital assets not being depreciated	<u>25,872,371</u>	<u>-</u>	<u>-</u>	<u>25,872,371</u>
Capital Assets Being Depreciated:				
Infrastructure	15,109,489	-	-	15,109,489
Buildings and improvements	7,723,266	-	-	7,723,266
Equipment	422,772	45,708	-	468,480
Total Capital Assets Being Depreciated	<u>23,255,527</u>	<u>45,708</u>	<u>-</u>	<u>23,301,235</u>
Less Accumulated Depreciation for:				
Infrastructure	(7,708,368)	(520,194)	-	(8,228,562)
Buildings and improvements	(7,589,985)	(51,809)	-	(7,641,794)
Equipment	(96,585)	(30,528)	-	(127,113)
Total Accumulated Depreciation	<u>(15,394,938)</u>	<u>(602,531)</u>	<u>-</u>	<u>(15,997,469)</u>
Total Capital Assets Being Depreciated, net	<u>7,860,589</u>	<u>(556,823)</u>	<u>-</u>	<u>7,303,766</u>
Governmental Activities Capital Assets, net	<u>\$ 33,732,960</u>	<u>\$ (556,823)</u>	<u>\$ -</u>	<u>\$ 33,176,137</u>

Depreciation expense was charged to maintenance and operations.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2017

Note 6 - Long-Term Liabilities:

Series 2013 Special Assessment Revenue Refunding Bonds

In May 2013, the District issued \$5,905,000 of Special Assessment Revenue Refunding Bonds, Series 2013 to refund the Special Assessment Revenue Bonds, Series 1999. The Series 2013 Bonds are due on May 1, 2021 with a fixed interest rate of 4.00%. Interest is paid semiannually on each May 1 and November 1. Principal on the Bonds is to be paid serially commencing May 1, 2014 through May 1, 2021.

The Series 2013 Bonds are not subject to redemption at the option of the District prior to maturity. The Bonds are subject to mandatory sinking fund and extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Indenture.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirements as defined in the Indenture. The requirement has been met at September 30, 2017.

The Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agreed to levy special assessments in annual amounts adequate to provide payment of debt service. Payment of principal and interest on the 2013 Bonds is secured by a pledge of and a first lien upon the pledged special assessment revenue. The District is in compliance with the requirements of the Bond Indenture.

As of September 30, 2017, total principal and interest remaining on the Series 2013 Special Assessment Revenue Refunding Bonds was \$3,427,400. Interest and principal paid in the current year was \$908,600. Special assessment revenue pledged for the current year was \$926,719.

In June 2013, the District issued \$2,425,000 of Special Assessment Revenue Refunding Bonds, Series 2013A to refund the Special Assessment Revenue Bonds, Series 2006. The Series 2013A Bonds are due on May 1, 2018 with a fixed interest rate of 3.625%. Interest is paid semiannually on each May 1 and November 1. Principal on the Bonds is to be paid serially commencing May 1, 2014 through May 1, 2018.

The Series 2013A Bonds are not subject to redemption at the option of the District prior to maturity. The Bonds are subject to mandatory sinking fund and extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Indenture.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirements as defined in the Indenture. The requirement has been met at September 30, 2017.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2017

Note 6 - Long-Term Liabilities (Continued):

Series 2013 Special Assessment Revenue Refunding Bonds (Continued)

The Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agreed to levy special assessments in annual amounts adequate to provide payment of debt service. Payment of principal and interest on the 2013A Bonds is secured by a pledge of and a first lien upon the pledged special assessment revenue. The District is in compliance with the requirements of the Bond Indenture.

As of September 30, 2017, total principal and interest remaining on the Series 2013A Special Assessment Revenue Refunding Bonds was \$528,488. Interest and principal paid in the current year was \$531,431. Special assessment revenue pledged for the current year was \$557,553.

Series 2014 Special Assessment Revenue Refunding Bonds

In June 2014, the District issued \$6,060,000 of Special Assessment Revenue Bonds, Series 2014-1 to refund the Special Assessment Revenue Bonds, Series 2002B. The Series 2014-1 Bonds are due on May 1, 2033 with a fixed interest rate of 6.625%. Interest is paid semiannually on each May 1 and November 1. Principal on the Bonds is to be paid serially commencing May 1, 2014 through May 1, 2033.

The Series 2014-1 Bonds are not subject to redemption at the option of the District prior to maturity. The Bonds are subject to mandatory sinking fund and extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Indenture.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirements as defined in the Indenture. The requirement has been met at September 30, 2017.

The Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agreed to levy special assessments in annual amounts adequate to provide payment of debt service. Payment of principal and interest on the 2014-1 Bonds is secured by a pledge of and a first lien upon the pledged special assessment revenue. The District is in compliance with the requirements of the Bond Indenture.

As of September 30, 2017, total principal and interest remaining on the Series 2014-1 Special Assessment Revenue Bonds was \$8,491,587. Interest and principal paid in the current year was \$532,450. Special assessment revenue pledged for the current year was \$555,658.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2017

Note 6 - Long-Term Liabilities (Continued):

Series 2014 Special Assessment Revenue Refunding Bonds (Continued)

In June 2014, the District issued \$11,620,000 of Special Assessment Revenue Bonds, Series 2014-2 to refund the Special Assessment Revenue Bonds, Series 2002A. The Series 2014-2 Bonds are due on May 1, 2033 with a fixed interest rate of 6.875%. Interest is paid semiannually on each May 1 and November 1. Principal on the Bonds is to be paid serially commencing May 1, 2015 through May 1, 2033.

During the current fiscal year, the District bifurcated the Series 2014-2 Bonds into two separate Bond Series. As a result of the bifurcation, the outstanding Series 2014-2 Bonds with a principal balance of \$10,155,000 was exchanged for; \$3,475,000 in the principal amount of the District's Series 2014-2A and \$6,680,000 in the principal amount of the District's Series 2014-2B (collectively the "Series 2014-2 Bonds").

The Series 2014-2 Bonds are subject to redemption at the option of the District prior to maturity at a redemption price as set forth in the Bond Indenture. The Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Indenture.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirements as defined in the Indenture. The requirement has been met at September 30, 2017.

The Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agreed to levy special assessments in annual amounts adequate to provide payment of debt service. Payment of principal and interest on the 2014-2 Bonds is secured by a pledge of and a first lien upon the pledged special assessment revenue. The District is in compliance with the requirements of the Bond Indenture.

As of September 30, 2017, total principal and interest remaining on the Series 2014-2 Special Assessment Revenue Bonds was \$17,105,625. Interest and principal paid in the current year was \$1,572,844. Special assessment revenue pledged for the current year \$1,969,177.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2017

Note 6 - Long-Term Liabilities (Continued):

Series 2014 Special Assessment Revenue Refunding Bonds (Continued)

In June 2014, the District issued \$7,460,000 of Special Assessment Revenue Bonds, Series 2014-3 to refund the Special Assessment Revenue Bonds, Series 2005. The Series 2014-3 Bonds are due on May 1, 2038 with a fixed interest rate of 6.00%. Interest is paid semiannually on each May 1 and November 1. Principal on the Bonds is to be paid serially commencing May 1, 2015 through May 1, 2038.

The Series 2014-3 Bonds are not subject to redemption at the option of the District prior to maturity. The Bonds are subject to mandatory sinking fund and extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Indenture.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirements as defined in the Indenture. The requirement has been met at September 30, 2017.

The Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agreed to levy special assessments in annual amounts adequate to provide payment of debt service. Payment of principal and interest on the 2014-3 Bonds is secured by a pledge of and a first lien upon the pledged special assessment revenue. The District is in compliance with the requirements of the Bond Indenture.

As of September 30, 2017, total principal and interest remaining on the Series 2014-3 Special Assessment Revenue Bonds was \$12,522,100. Interest and principal paid in the current year was \$589,600. Special assessment revenue pledged for the current year was \$589,599.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2017

Note 6 - Long-Term Liabilities (Continued):

Series 2014 Special Assessment Revenue Refunding Bonds (Continued)

In June 2014, the District issued \$7,875,000 of Special Assessment Revenue Bonds, Series 2014-4 to refund the Special Assessment Revenue Bonds, Series 2005. The Series 2014-4 Bonds are due on May 1, 2038 with a fixed interest rate of 6.00%. Interest is paid semiannually on each May 1 and November 1. Principal on the Bonds is to be paid serially commencing May 1, 2015 through May 1, 2038.

The Series 2014-4 Bonds are not subject to redemption at the option of the District prior to maturity. The Bonds are subject to mandatory sinking fund and extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Indenture.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirements as defined in the Indenture. The requirement has been met at September 30, 2017.

The Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agreed to levy special assessments in annual amounts adequate to provide payment of debt service. Payment of principal and interest on the 2014-4 Bonds is secured by a pledge of and a first lien upon the pledged special assessment revenue. The District is in compliance with the requirements of the Bond Indenture.

As of September 30, 2017, total principal and interest remaining on the Series 2014-4 Special Assessment Revenue Bonds was \$13,225,200. Interest and principal paid in the current year was \$623,900. Special assessment revenue pledged for the current year was \$623,899.

Business Line-of-Credit

In October 2016, the District executed a Line-of-Credit ("LOC") for \$500,000 with IberiaBank. The interest rate is 4.309%. There were no draws on the LOC during the fiscal year ended September 30, 2017 and there is no balance due at September 30, 2017. The LOC expires October 26, 2017.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2017

Note 6 - Long-Term Liabilities (Continued):

Long-term liability activity for the year ended September 30, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds Payable:					
Series 2013	\$ 3,865,000	\$ -	\$ (755,000)	\$ 3,110,000	\$ 730,000
Series 2013A	1,005,000	-	(495,000)	510,000	510,000
Less: Discount	(57,663)	-	12,356	(45,307)	-
Series 2014-1	5,320,000	-	(180,000)	5,140,000	190,000
Series 2014-2	10,985,000	-	(830,000)	10,155,000	345,000
Series 2014-3	7,160,000	-	(160,000)	7,000,000	170,000
Series 2014-4	7,565,000	-	(170,000)	7,395,000	180,000
Governmental activity long-term liabilities	<u>\$ 35,842,337</u>	<u>\$ -</u>	<u>\$ (2,577,644)</u>	<u>\$ 33,264,693</u>	<u>\$ 2,125,000</u>

At September 30, 2017, the scheduled debt service requirements on the bonds payable were as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2018	\$ 2,125,000	\$ 2,045,269
2019	1,730,000	1,940,276
2020	1,825,000	1,846,981
2021	1,915,000	1,748,405
2022	1,165,000	1,644,719
2023 - 2027	7,120,000	6,981,343
2028 - 2032	9,825,000	4,340,269
2033 - 2037	6,435,000	1,372,938
2038	1,170,000	70,200
	<u>\$ 33,310,000</u>	<u>\$ 21,990,400</u>

Note 7 - Related Party Transactions:

Developer

The Developer owns significant portions of land within the District, therefore, the District's activity is dependent upon the continued involvement of the Developer, the loss of which could have a material adverse effect on the District's operations.

Assessment revenue from the Developer in the current year totaled approximately \$2,939,000, 36% of total special assessment revenue.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2017

Note 7 - Related Party Transactions (Continued):

Related Entity

The District shares the same Developer as Fiddler's Creek Community Development District #2. The District has a receivable in the amount of \$78,403 from Fiddler's Creek Community Development District #2 for shared costs as of September 30, 2017.

Note 8 - Management Company:

The District has contracted with a management company to perform management advisory services, which include financial advisory and accounting services as well as clubhouse management services. Certain employees of the management company also serve as officers (Board appointed non-voting positions) of the District. Under the agreements, the District compensates the management company for management, accounting, financial reporting and other administrative costs.

Note 9 - 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. These risks are covered by commercial insurance from independent third parties. The District has not filed any claims under this commercial coverage during the last three years.

Note 10 - Litigation and Claims:

In a prior fiscal year, the District notified U.S. Bank (the "Former" Trustee) under the District's 2005 Series Bonds that it seeks recourse as to replenishing the Series 2005 Bonds construction account and protection from overdraft charges. However, in response to the District's notice, the Former Trustee, made various assertions as to the District, including an assertion that the Former Trustee was entitled to payment/reimbursement of legal fees of approximately \$462,000. The District is currently contesting the assertion and claims of the Former Trustee. As of the report date, the outcome cannot be determined and, therefore, no amounts related to this matter have been recorded in the financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2017

Note 10 - Litigation and Claims (Continued):

The District is an Intervenor in action styled *U.S. Bank National Association, as Trustee of the Fiddler's Creek Community Development District #2 Special Assessment Revenue Bonds, Series 2003A and Series 2003B, Series 2004 and Series 2005 vs. Fiddler's CDD Investor, LLC; Fiddler's CDD Investor II, LLC; Fiddler's Creek Community Development District #2; and Wilmington Trust, National Association*, Collier County Circuit Court Case No. 13-CA-1143 (hereafter referred to as the "Declaratory Action"). On March 8, 2013, the Former Trustee, U.S. Bank was advised that it had been terminated as trustee by the Fiddler's Creek Community Development District #2 ("CDD#2"), and by the Co-Defendants, Fiddler's CDD Investor, LLC and Fiddler's CDD Investor II, LLC (collectively, the "Bondholder"), and that Co-Defendant, Wilmington Trust, National Association ("Wilmington") had accepted the appointment as successor trustee. Notwithstanding, the termination of the Former Trustee and acceptance by Wilmington, all done in accordance with the clear and unambiguous terms of the Master Indenture, the Former Trustee refused to turn over the trust property to Wilmington. Rather, the Former Trustee filed the Declaratory Action, feigning to be in doubt of its rights under the Master Indenture, and refusing to turn over the trust property until this court adjudicates this manufactured "dispute" over the interpretation of the Indenture. The Declaratory Action has been consolidated with the Contract Action.

In the Declaratory Action, the Bondholders asserted numerous counterclaims against the Former Trustee for its misappropriation of funds from Revenue and Reserve Accounts, including those for the District and for CDD#2. In light of the Bondholders' counterclaims, the District sought to intervene in the Declaratory Action to assert claims against the Former Trustee for its misappropriation of funds from a trust account which was earmarked solely for infrastructure construction in violation of the parties' Trust Indenture and Florida law. On March 5, 2014, the Former Trustee turned over the trust estate to Wilmington by agreement. On October 18, 2017, the Bondholder and Former Trustee settled their dispute and stipulated to the dismissal of all claims and counterclaims between the two parties. Nevertheless, the remainder of Declaratory Action, including the District's claim against the Former Trustee, remains pending to date. The parties have represented to the Court that the Declaratory Action (together with the Contract Action) will be ready to be set for trial in February, 2019.

Note 11 - Contingencies:

The District has applied for federal grants from FEMA for emergency hurricane relief services for Hurricane Irma during the fiscal year of \$491,010. The District has not yet received approval or reimbursement from FEMA, and the District is unable to estimate the amount that will be received from FEMA, therefore, no receivable or revenues have been recorded.

COMPLIANCE SECTION

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
Fiddler's Creek Community Development District #1

We have audited, 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, the financial statements of the governmental activities and each major fund of *Fiddler's Creek Community Development District #1* (the "District") as of and for the year ended September 30, 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 1, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

MCDIRMIT DAVIS & COMPANY, LLC

934 NORTH MAGNOLIA AVENUE, SUITE 100 ORLANDO, FLORIDA 32803
TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

See management comments in a separate letter dated June 1, 2018.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McDiernit Davis & Company, LLC

Orlando, Florida
June 1, 2018

MANAGEMENT COMMENTS

Board of Supervisors
Fiddler's Creek Community Development District #1

Report on the Financial Statements

We have audited the financial statements of *Fiddler's Creek Community Development District #1*, (the "District") as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated June 1, 2018.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 1, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i).1., Rules of the Auditor General, require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted below.

I. Current Year Comment

2015-01 Budget:

Observation

Actual expenditures exceeded appropriation in the general fund for the current fiscal year.

Recommendation

The District should amend the budget during the fiscal year or within statutory guidelines to ensure that all expenditures are properly budgeted.

Management Response

The majority of this item relates to hurricane expenditures; however, Management will review current year spending to ensure that the expenditures do not exceed appropriations.

II. Prior Year Findings and Recommendations

2015-01 Budget – matter is repeated in the current year as finding 2015-01

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in the notes to the financial statements.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

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.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2017, 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, 2017. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 note 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.

McDiarmid Davis & Company, LLC

Orlando, Florida
June 1, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES**

To the Board of Supervisors
Fiddler's Creek Community Development District #1

We have examined *Fiddler's Creek Community Development District #1's* (the "District") compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2017. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on 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 the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States*, and, accordingly, included examining, on a test basis, evidence about the 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 the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the requirements for the year ended September 30, 2017.

McDirmit Davis & Company, LLC

Orlando, Florida
June 1, 2018