

**Winston Trails
Community Development District (East)**

ANNUAL FINANCIAL REPORT

September 30, 2017

Winston Trails Community Development District (East)

ANNUAL FINANCIAL REPORT

September 30, 2017

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REPORT OF INDEPENDENT AUDITORS

To the Board of Supervisors
Winston Trails Community Development District (East)
Palm Beach County, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of Winston Trails Community Development District (East) as of and for the year ended September 30, 2017 and the related notes to 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

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.

Fort Pierce / Stuart

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To the Board of Supervisors
Winston Trails Community Development District (East)

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 each major fund of Winston Trails Community Development District (East) as of September 30, 2017, 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 to the required supplementary information in accordance with governmental auditing standards generally accepted in the United States of America, which consisted principally of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 7, 2018 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 Winston Trails Community Development District (East)'s internal control over financial reporting and compliance.

*Berger Toombs Elam
Gaines & Frank*

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

June 7, 2018

Winston Trails Community Development District (East)
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

Management's discussion and analysis of Winston Trails Community Development District (East)'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 governmental 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.

Winston Trails Community Development District (East)
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

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 capital assets, are reported in the **statement of net position**. All liabilities obligated but not paid by the District, are included. In the **statement of activities** transactions between the different functions of the District are 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 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 is also included in the *notes to financial statements*.

Financial Highlights

The following are the highlights of financial activity for the year ended September 30, 2017:

- The District's total liabilities exceeded total assets by \$(711,036) (net position). Unrestricted net position for Governmental Activities was \$53,111. Restricted net position for Governmental Activities was \$24,049. Net investment in capital assets for Governmental Activities was \$(788,196). When the District was formed, assets exceeded liabilities and subsequently infrastructure was deeded to Palm Beach County creating the negative net position. The reason for the transfer of infrastructure was that the County is better able to maintain the infrastructure than the District. Further, financial condition assessment procedures have been applied and no deteriorating financial conditions were noted.
- Governmental activities revenues totaled \$290,525 while governmental activities expenses totaled \$258,600.

Winston Trails Community Development District (East)
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District

The following tables present condensed, government-wide current year and prior year data about net position and changes in net position. Comparative year data is shown based on the Government financial reporting model under the Governmental Accounting Standards Board Statement No.34.

	Governmental Activities	
	2017	2016
Net Position		
Current assets	\$ 62,010	\$ 46,008
Restricted assets	83,826	84,673
Capital assets, net	1,045,000	1,155,000
Total Assets	<u>1,190,836</u>	<u>1,285,681</u>
Deferred outflows of resources	<u>64,020</u>	<u>69,840</u>
Current liabilities	180,892	178,482
Non-current liabilities	1,785,000	1,920,000
Total Liabilities	<u>1,965,892</u>	<u>2,098,482</u>
Net investment in capital assets	(788,196)	(802,376)
Net position - restricted	24,049	20,327
Net position - unrestricted	53,111	39,088
Total Net Position	<u>\$ (711,036)</u>	<u>\$ (742,961)</u>

The decrease in capital assets was due to depreciation in the current year.

The decrease in non-current liabilities was primarily related to current year principal payments.

Winston Trails Community Development District (East)
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

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.

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Change in Net Position		
Program Revenues		
Charges for services	\$ 290,083	\$ 291,173
General Revenues		
Investment earnings	442	34
Total Revenues	<u>290,525</u>	<u>291,207</u>
Expenses		
General government	46,481	48,464
Physical environment	110,000	110,000
Interest	102,119	108,542
Total Expenses	<u>258,600</u>	<u>267,006</u>
Change in Net Position	31,925	24,201
Net Position – beginning	<u>(742,961)</u>	<u>(767,162)</u>
Net Position – ending	<u>\$ (711,036)</u>	<u>\$ (742,961)</u>

The reduction in interest expense is related to the reduction in bonds payable.

Winston Trails Community Development District (East)
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Capital Assets Activity

The following schedule provides a summary of the District's capital assets as of 2017 and 2016.

<u>Description</u>	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Building and improvements	\$ 2,750,000	\$ 2,750,000
Less: accumulated depreciation	(1,705,000)	(1,595,000)
Capital Assets, net	<u>\$ 1,045,000</u>	<u>\$ 1,155,000</u>

The only capital asset activity was depreciation of \$110,000.

Budgetary Highlights

The budget exceeded actual expenditures primarily because budgeted contingencies were not utilized and supervisor fees and legal fees were less than anticipated.

The September 30, 2017 budget was amended to reflect lower legal fees, insurance and supervisor fees than were originally anticipated.

Economic Factors

The District does not expect any economic factors to have any significant effect on the financial position or results of operations of the District in the subsequent fiscal year.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest. If you have any questions about this report or need additional financial information, contact Winston Trails Community Development District (East), District Manager, Special District Services, Inc., 2501A Burns Road, Palm Beach Gardens, Florida 33410 or telephone (561) 630-4922.

Winston Trails Community Development District (East)
STATEMENT OF NET POSITION
September 30, 2017

	Governmental Activities
ASSETS	
Current Assets	
Cash and equivalents	\$ 60,257
Due from other governments	1,753
Total Current Assets	62,010
Non-Current Assets	
Restricted assets	
Investments	83,826
Capital assets being depreciated:	
Infrastructure	2,750,000
Less: accumulated depreciation	(1,705,000)
Total Non-Current Assets	1,128,826
Total Assets	1,190,836
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	64,020
 LIABILITIES	
Current Liabilities	
Accounts payable	6,966
Accrued interest payable	38,926
Bond payable - current portion	135,000
Total Current Liabilities	180,892
Non-Current Liabilities	
Bond payable	1,785,000
Total Liabilities	1,965,892
 NET POSITION	
Net investment in capital assets	(788,196)
Restricted for debt service	24,049
Unrestricted	53,111
Total Net Position	\$ (711,036)

See accompanying notes to financial statements.

Winston Trails Community Development District (East)
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenues and Changes in Net Position Governmental Activities
General government	\$ (46,481)	\$ 60,402	\$ 13,921
Physical environment	(110,000)	-	(110,000)
Interest on long-term debt	(102,119)	229,681	127,562
Total Governmental Activities	\$ (258,600)	\$ 290,083	31,483
	General Revenues		
	Investment earnings		442
	Change in Net Position		31,925
	Net Position - October 1, 2016		(742,961)
	Net Position - September 30, 2017		\$ (711,036)

See accompanying notes to financial statements.

Winston Trails Community Development District (East)
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2017

	General	Debt Service	Total Governmental Funds
Assets			
Cash and equivalents	\$ 60,257	\$ -	\$ 60,257
Due from other funds	-	1,933	1,933
Due from other governments	1,753	-	1,753
Restricted assets			
Investments, at fair value	-	83,826	83,826
Total Assets	\$ 62,010	\$ 85,759	\$ 147,769
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 6,966	\$ -	\$ 6,966
Due to other funds	1,933	-	1,933
Total Liabilities	8,899	-	8,899
Fund Balances:			
Restricted for:			
Debt service	-	85,759	85,759
Unassigned	53,111	-	53,111
Total Fund Balances	53,111	85,759	138,870
Total Liabilities and Fund Balances	\$ 62,010	\$ 85,759	\$ 147,769

See accompanying notes to financial statements.

Winston Trails Community Development District (East)
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
For the Year Ended September 30, 2017

Total Governmental Fund Balances	\$	138,870
Capital assets being depreciated, infrastructure, \$2,750,000, net of accumulated depreciation, \$(1,705,000), used in governmental activities are not current financial resources and; therefore, are not reported at the fund level.		1,045,000
Deferred charges on refunding of long-term debt net of accumulated are shown as deferred outflow of resources in the government-wide financial statements, which are not current financial resources and therefore, are not reported at the fund level.		64,020
Bonds payable are not due and payable in the current period; and therefore, are not reported at the fund level.		(1,920,000)
Accrued interest expense for long-term debt is not a current financial use; and, therefore, it is not reported at the fund level.		<u>(38,926)</u>
Net Position of Governmental Activities	\$	<u><u>(711,036)</u></u>

See accompanying notes to financial statements.

Winston Trails Community Development District (East)
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the year ended September 30, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Revenues			
Special assessments	\$ 60,402	\$ 229,681	\$ 290,083
Investment earnings	102	340	442
Total Revenues	<u>60,504</u>	<u>230,021</u>	<u>290,525</u>
Expenditures			
Current:			
General government	46,481	-	46,481
Debt Service:			
Principal	-	130,000	130,000
Interest	-	98,935	98,935
Total Expenditures	<u>46,481</u>	<u>228,935</u>	<u>275,416</u>
Net change in fund balances	14,023	1,086	15,109
Fund Balances - October 1, 2016	<u>39,088</u>	<u>84,673</u>	<u>123,761</u>
Fund Balances - September 30, 2017	<u>\$ 53,111</u>	<u>\$ 85,759</u>	<u>\$ 138,870</u>

See accompanying notes to financial statements.

Winston Trails Community Development District (East)
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, 2017

Net Change in Fund Balances - Total Governmental Funds	\$ 15,109
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation. This is the amount of depreciation in the current period.</p>	(110,000)
<p>Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the Statement of Net Position.</p>	130,000
<p>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 amount between the prior year and current year accruals.</p>	2,636
<p>The deferred outflow of resources for refundings of debt is recognized as a component of interest expense in the Statement of Activities, but not in the governmental funds. This is the amount of current year interest.</p>	<u>(5,820)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 31,925</u></u>

See accompanying notes to financial statements.

Winston Trails Community Development District (East)
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND
For the Year Ended September 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Special assessments	\$ 59,360	\$ 60,852	\$ 60,402	\$ (450)
Investment earnings	60	102	102	-
Total Revenues	<u>59,420</u>	<u>60,954</u>	<u>60,504</u>	<u>(450)</u>
Expenditures				
Current				
General government	59,420	55,412	46,481	8,931
Total Expenditures	<u>59,420</u>	<u>55,412</u>	<u>46,481</u>	<u>8,931</u>
Net change in fund balances	-	5,542	14,023	8,481
Fund Balances - October 1, 2016	<u>-</u>	<u>39,088</u>	<u>39,088</u>	<u>-</u>
Fund Balances - September 30, 2017	<u>\$ -</u>	<u>\$ 44,630</u>	<u>\$ 53,111</u>	<u>\$ 8,481</u>

See accompanying notes to financial statements.

Winston Trails Community Development District (East)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Winston Trails Community Development District (East) (the "District") was established on August 26, 1998 by Ordinance 98-31 of Palm Beach County, Florida, pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. The Act provides among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District was established for the purposes 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 governed by the Board of Supervisors (the "Board"), which is composed of five members. The Supervisors are elected on an at large basis by the owners of the property within the District. Ownership of land within the District entitles the owner to one vote per acre. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes. At September 30, 2017 all of the Board members are residents of the District.

The Board has the final responsibility for:

1. Assessing 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. 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.

Winston Trails Community Development District (East)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

The basic 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 (Operating-type special assessments for maintenance and debt service are treated as charges for services.) and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. 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 to be recognized as revenue 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Winston Trails Community Development District (East)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The District reports the following major governmental funds:

General Fund

The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt.

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 government's policy to use restricted resources first for qualifying expenditures, then unrestricted resources as they are needed.

Assets, Liabilities and Net Position or Equity

Restricted Assets

These assets represent cash and investments set aside pursuant to Bond covenants or other contractual restrictions

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due.

The District records all interest revenue related to investment activities in the respective funds and reports investments at fair value.

Winston Trails Community Development District (East)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position or Equity (Continued)

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) 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 estimated fair market 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.

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure improvements – drainage system and other	25

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

Winston Trails Community Development District (East)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position or Equity (Continued)

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. Bonds payable are reported net of applicable premiums or discounts. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as 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 debt service expenditures.

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. Formal budgets are adopted for the general fund. The legal level of budgetary control is at the fund level. As a result, deficits in the budget columns of the accompanying financial statements may occur. All budgeted appropriations lapse at year end.

Deferred Outflows of Resources

The statement of net position reports, as applicable, a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. For example, the District would record deferred outflows of resources related to debit amounts resulting from current and advance refundings resulting in the defeasance of debt (i.e. when there are differences between the reacquisition price and the net carrying amount of the old debt). The statement of net position reports, as applicable, a separate section for deferred inflows of resources.

Fund Equity/Net Position

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

Winston Trails Community Development District (East)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position or Equity (Continued)

The District can establish limitations on the use of fund balance as follows:

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

The District has various policies governing the fund balance classifications.

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

Restricted Fund Balance – This classification includes amounts that can be spent only for specific purposes stipulated by 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.

Winston Trails Community Development District (East)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

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, \$138,870, differs from “net position” of governmental activities, \$(711,036), 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 (improvements and infrastructure that are to be used in governmental activities) are purchased or constructed, the cost of those assets is reported as expenditures in governmental funds. However, the Statement of Net Position included those capital assets among the assets of the District as a whole.

Buildings and Improvements	\$ 2,750,000
Accumulated depreciation	<u>(1,705,000)</u>
Total	<u>\$ 1,045,000</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, 2017 were:

Bonds payable	<u>\$ (1,920,000)</u>
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Deferred outflow of resources

Deferred outflow of resources applicable to the District’s governmental activities are not financial resources and therefore, are not reported as fund deferred outflow of resources:

Deferred amount on refunding, net	<u>\$ 64,020</u>
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Accrued interest

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

Accrued interest	<u>\$ (38,926)</u>
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Winston Trails Community Development District (East)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

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, \$15,109, differs from the “change in net position” for governmental activities, \$31,925, reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

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

Depreciation	\$ <u>(110,000)</u>
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Long-term debt transactions

Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.

Debt principal payments	\$ <u>130,000</u>
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Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

Net decrease in accrued interest	\$ <u>2,636</u>
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Net decrease in deferred outflow of resources	\$ <u>(5,820)</u>
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Winston Trails Community Development District (East)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE C – DEPOSITS 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, 2017, the District's bank balance and carrying value were \$60,527. 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.

Investments

The District's investments were held as follows at September 30, 2017:

Investment	Maturity	Fair Value
First American Government Obligation Fund CI Y	N/A	\$ 83,826

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 use 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 investment listed above is a Level 1 asset.

Winston Trails Community Development District (East)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE C – 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. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the First American Government Obligation Fund CI Y was rated AAAM by Standard & Poor's at September 30, 2017.

Concentration Risk

The District places no limit on the amount it may invest in any one. The investment in First American Government Obligation Fund Class Y are 100% of the District's total investments.

The types of deposits and investments and their level of risk exposure as of September 30, 2017 were typical of these items during the fiscal year then ended. The District considers any decline in fair value for certain investments to be temporary.

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 Bond Indenture limits the type of investments held using unspent Bond proceeds.

Winston Trails Community Development District (East)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE D – CAPITAL ASSETS

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

	Balance October 1, 2016	Additions	Deletions	Balance September 30, 2017
Capital assets, being depreciated				
Infrastructure Improvements	\$ 2,750,000	\$ -	\$ -	\$ 2,750,000
Less accumulated depreciation for:				
Infrastructure improvements	(1,595,000)	(110,000)	-	(1,705,000)
Total Capital Assets Depreciated, Net	<u>\$ 1,155,000</u>	<u>\$ (110,000)</u>	<u>\$ -</u>	<u>\$ 1,045,000</u>

Depreciation expense was charged to physical environment.

NOTE E – LONG-TERM LIABILITIES

Special Assessment Revenue Refunding Bonds Series 2008

On September 11, 2008, the District issued \$2,890,000 of Special Assessment Refunding Bonds, Series 2008 due on May 1, 2028 with a fixed interest rate of 4.76%. The Bonds were issued to refund the District's outstanding Special Assessment Revenue Bonds, Series 1999. Interest on the Series 2008 Bonds is to be paid semiannually on each May 1 and November 1, commencing November 1, 2008. Principal on the Bonds is to be paid serially commencing May 1, 2009 through May 1, 2028.

The Series 2008 Bonds are subject to optional and extraordinary mandatory redemption prior to the due date of the Bonds as outlined in the Bond Indenture.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirement as defined in the Indenture. In addition, 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 agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District was in compliance with the requirements at September 30, 2017.

Winston Trails Community Development District (East)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE E – LONG TERM LIABILITIES (CONTINUED)

Special Assessment Revenue Refunding Bonds Series 2008 (Continued)

The following is a summary of activity of the long-term debt of the District for the year ended September 30, 2017:

Long-term debt at October 1, 2016	\$ 2,050,000
Principal payments	<u>(130,000)</u>
Long-term debt at September 30, 2017	<u>\$ 1,920,000</u>

District debt is comprised of the following at September 30, 2017:

Special Assessment Refunding Bonds

\$2,890,000 Series 2008 Term Bonds maturing through 2028, interest at 4.76%, collateralized by the pledged revenues of special assessments levied against the benefited property owners, payable May 1 and November 1.

\$ 1,920,000

At September 30, 2017, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 135,000	\$ 92,661	\$ 227,661
2019	140,000	86,146	226,146
2020	150,000	79,607	229,607
2021	155,000	72,150	227,150
2022	165,000	64,670	229,670
2023-2027	955,000	195,831	1,150,831
2028	220,000	10,647	230,647
	<u>\$ 1,920,000</u>	<u>\$ 601,712</u>	<u>\$ 2,521,712</u>

Winston Trails Community Development District (East)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE F – SPECIAL ASSESSMENT REVENUES

Assessments are non-ad valorem assessments on all platted lots within the District. Assessments are levied each November 1 on property as of the previous January 1 to pay for operations and maintenance of the District. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. For debt service assessments, amounts collected as advance payments are used to prepay a portion of the Bonds outstanding. Otherwise, assessments are collected annually to provide funds for the debt service on the portion of the Bonds which are not paid with prepaid assessments. The Tax Collector's Office bills and collects the annual assessments on behalf of the District.

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 government.

NOTE G – MANAGEMENT COMPANY

The District has contracted with a management company to perform management advisory services, which include financial and accounting advisory services. Certain employees of the management company also serve as officers of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, computer and other administrative costs.

NOTE H – 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; natural disasters; and environmental remediation. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.



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

To the Board of Supervisors
Winston Trails Community Development District (East)
Palm Beach County, Florida

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 Winston Trails Community Development District (East), as of and for the year ended September 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated June 7, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Winston Trails Community Development District (East)'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 Winston Trails Community Development District (East)'s internal control. Accordingly, we do not express an opinion on the effectiveness of Winston Trails Community Development District (East)'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.



Board of Supervisors
Winston Trails Community Development District (East)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Winston Trails Community Development District (East)'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
Certified Public Accountants
Fort Pierce, Florida

June 7, 2018



Berger, Toombs, Elam, Gaines & Frank

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MANAGEMENT LETTER

To the Board of Supervisors
Winston Trails Community Development District (East)
Palm Beach County, Florida

Report on the Financial Statements

We have audited the financial statements of the Winston Trails Community Development District (East) as of and for the year ended September 30, 2017, and have issued our report thereon dated June 7, 2018.

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 Reporting Requirements

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* and our Independent Auditor's Report on an examination conducted in accordance with *AICPA Professionals 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 7, 2018, 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 determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. There were no findings or recommendations in the preceding audit.

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 Winston Trails Community Development District (East) has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions met. In connection with our audit, we determined that Winston Trails Community Development District (East) did not meet any of the conditions described in Section 218.503(1) Florida Statutes.



To the Board of Supervisors
Winston Trails Community Development District (East)

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 Winston Trails Community Development District (East). It is management's responsibility to monitor the Winston Trails Community Development District (East)'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 as of September 30, 2017.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate 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 Winston Trails Community Development District (East) 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 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.

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

June 7, 2018



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

Winston Trails Community Development District (East)
Palm Beach County, Florida

We have examined Winston Trails Community Development District (East)'s compliance with Section 218.415, Florida Statutes during the year ended September 30, 2017. Management is responsible for Winston Trails Community Development District (East)'s compliance with those requirements. Our responsibility is to express an opinion on Winston Trails Community Development District (East)'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 Winston Trails Community Development District (East)'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 Winston Trails Community Development District (East)'s compliance with the specified requirements.

In our opinion, Winston Trails Community Development District (East) complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2017.

*Berger Toombs Elam
Gaines & Frank*

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

June 7, 2018