

**CROSS CREEK
COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2013**

**CROSS CREEK COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA**

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Grau & Associates
CERTIFIED PUBLIC ACCOUNTANTS

2700 North Military Trail • Suite 350
Boca Raton, Florida 33431
(561) 994-9299 • (800) 299-4728
Fax (561) 994-5823
www.graucpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Cross Creek Community Development District
Manatee County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Cross Creek Community Development District, Manatee County, Florida ("District") as of and for the fiscal year ended September 30, 2013, 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

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 opinions 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 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 opinions.

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, 2013, and the respective changes in financial position, thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 7 and other notes to the basic financial statements, the District's financial conditions are deteriorating. The general fund and the debt service fund had deficit fund balances of (\$189,615) and (\$2,250,560) respectively at September 30, 2013. Due to the Developer's failure to pay contributions and assessments for prior and current fiscal years and subsequent to year end, the District did not have sufficient funds to make certain scheduled debt service payments and as a result, the payments were not made. The District's failures to make its scheduled debt service payments when they are due are considered events of default. The District is economically dependent on the Developer.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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.

Bhav & Associates

November 3, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Cross Creek Community Development District, Manatee County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2013. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the fiscal year ended September 30, 2013 by \$1,729,487.
- The net change in the District's total net position in comparison with the prior fiscal year was \$(851,461), a decrease. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2013, the District's governmental funds reported a combined ending fund balance of (\$551,075), a decrease of (\$1,004,695) in comparison with the fiscal year. The fund balance is restricted for capital projects and the remainder is unassigned deficit fund balance in both the general and debt service funds.
- During fiscal year 2013, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board ("FASB") and American Institute of Certified Public Accountants ("AICPA") Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Please see New Accounting Standards Adopted in Note 2 of the financial statements for additional information.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as the introduction to the District's basic financial statements.

The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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 the District's assets, liabilities, and with the residual amount being 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 only result in cash flows in future fiscal periods.

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

OVERVIEW OF FINANCIAL STATEMENTS (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 outflow 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 District'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, which are all considered 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 the 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

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities at the close of the most recent fiscal year.

Key components of the District's net assets are reflected in the following table:

	NET POSITION	
	SEPTEMBER 30,	
	2013	2012
Assets, excluding capital assets	\$ 2,399,433	\$ 2,896,126
Capital assets	19,285,716	19,285,716
Total assets	<u>21,685,149</u>	<u>22,181,842</u>
Liabilities, excluding long-term liabilities	3,345,662	2,331,933
Long-term liabilities	16,610,000	16,770,000
Total liabilities	<u>19,955,662</u>	<u>19,101,933</u>
Net Position		
Net investment in capital assets	6,470,952	4,621,644
Unrestricted	(4,741,465)	(1,541,735)
Total net position	<u>\$ 1,729,487</u>	<u>\$ 3,079,909</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The District's net position reflects its investment in capital assets (e.g. land, land improvements, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's net position decreased during the most recent fiscal year. The majority of the decrease is due to the nonpayment of assessments by the Developer.

Key elements of the change in net assets are reflected in the following table:

CHANGES IN NET POSITION		
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,		
	2013	2012
Revenues:		
Program revenues		
Charges for services	\$ 222,703	\$ 40,037
Operating grants and contributions	-	91
Capital grants and contributions	-	354
General revenues		
Miscellaneous	3,304	-
Total revenues	<u>226,007</u>	<u>40,482</u>
Expenses:		
General government	114,111	94,063
Maintenance and operations	8,221	864
Interest	955,136	968,654
Total expenses	<u>1,077,468</u>	<u>1,063,581</u>
Change in net position	<u>(851,461)</u>	<u>(1,023,099)</u>
Net position - beginning, previously stated	<u>3,079,909</u>	-
Effect of adoption of GASB No. 65 (Note 2)	<u>(498,961)</u>	-
Net position - beginning, as restated	<u>2,580,948</u>	<u>4,103,008</u>
Net position - ending	<u>\$ 1,729,487</u>	<u>\$ 3,079,909</u>

The costs of the District's activities for the fiscal year ended September 30, 2013 were \$1,077,468. Program revenues increased as a result of partial collection of assessments from sale of tax certificates. Due to the Developer's failure of paying assessments there were insufficient funds to pay the debt service on the Bonds and to completely fund the District's operations.

GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. 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, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors.

Actual general fund expenditures for the fiscal year ended September 30, 2013 were less than appropriations due primarily to anticipated costs which were not incurred in the current fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2013, the District had \$19,285,716 invested in infrastructure under construction. No depreciation has been taken as the depreciable assets have not been completed or placed in service. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Capital Debt

At September 30, 2013, the District had \$17,060,000 in Bonds outstanding. More detailed information about the District's capital debt is presented in the notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

As discussed in Note 7 and other notes to the basic financial statements, the District's financial conditions are deteriorating. The general fund and the debt service fund had deficit fund balances of (\$189,615) and (\$2,250,560) respectively at September 30, 2013. Due to the Developer's failure to pay contributions and assessments for prior and current fiscal years and subsequent to year end, the District did not have sufficient funds to make certain scheduled debt service payments and as a result, the payments were not made. The District's failures to make its scheduled debt service payments when they are due are considered events of default. The District is economically dependent on the Developer.

CONTACTING THE DISTRICTS FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, land owners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Cross Creek Community Development District's Finance Department at 1060 Maitland Center Commons, Suite 340 Maitland, FL 32751.

**CROSS CREEK COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

	Governmental Activities
ASSETS	
Cash	\$ 11,768
Assessments receivable	31,093
Prepays and other	436
Restricted assets:	
Investments	2,356,136
Capital assets	
Nondepreciable	19,285,716
Total assets	21,685,149
 LIABILITIES	
Accounts payable	120,445
Contracts/retainage payable	8,981
Accrued interest payable	395,154
Due to Bondholders:	
Principal	450,000
Interest	2,371,082
Non-current liabilities:	
Due within one year *	170,000
Due in more than one year	16,440,000
Total liabilities	19,955,662
 NET POSITION	
Net investment in capital assets	6,470,952
Unrestricted	(4,741,465)
Total net position	\$ 1,729,487

* The missed debt service payment due for the Series 2007A Bonds is reflected in the due to Bondholders account balance.

See notes to the financial statements

**CROSS CREEK COMMUNITY DEVELOPMENT DISTRICT
 MANATEE COUNTY, FLORIDA
 STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Primary government:					
Governmental activities:					
General government	\$ 114,111	\$ -		\$ 64,055	
Maintenance and operations	8,221	-	706	(7,515)	
Interest on long-term debt	955,136	43,675	156	(911,305)	
Total governmental activities	1,077,468	221,841	706	(854,765)	
General revenues:					
Miscellaneous				3,304	
Total general revenues				3,304	
Change in net position				(851,461)	
Net position - beginning, previously stated				3,079,909	
Effect of adoption of GASB No. 65 (Note 2)				(498,961)	
Net position - beginning, as restated				2,580,948	
Net position - ending				\$ 1,729,487	

See notes to the financial statements

**CROSS CREEK COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
ASSETS				
Cash	\$ 11,768	\$ -	\$ -	\$ 11,768
Investments	-	457,916	1,898,220	2,356,136
Due from other funds	-	94,706	-	94,706
Assessments receivable	13,193	17,900	-	31,093
Prepays and other	436	-	-	436
Total assets	<u>\$ 25,397</u>	<u>\$ 570,522</u>	<u>\$ 1,898,220</u>	<u>\$ 2,494,139</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	120,445	-	-	120,445
Contracts/retainage payable	-	-	8,981	8,981
Due to other funds	94,567	-	139	94,706
Due to Bondholders:				
Principal	-	450,000	-	450,000
Interest	-	2,371,082	-	2,371,082
Total liabilities	<u>215,012</u>	<u>2,821,082</u>	<u>9,120</u>	<u>3,045,214</u>
Fund balances:				
Nonspendable:	436	-	-	436
Restricted for:				
Capital projects	-	-	1,889,100	1,889,100
Unassigned, reported in:				
General fund	(190,051)	-	-	(190,051)
Debt service	-	(2,250,560)	-	(2,250,560)
Total fund balances	<u>(189,615)</u>	<u>(2,250,560)</u>	<u>1,889,100</u>	<u>(551,075)</u>
Total liabilities and fund balances	<u>\$ 25,397</u>	<u>\$ 570,522</u>	<u>\$ 1,898,220</u>	<u>\$ 2,494,139</u>

See notes to the financial statements

**CROSS CREEK COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

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

Fund balances - governmental funds	\$ (551,075)
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net position includes those capital assets, net of accumulated depreciation, in the assets of the government as a whole.</p>	
Cost of capital assets	19,285,716
<p>Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements.</p>	
Accrued interest payable	(395,154)
Bonds payable *	<u>(16,610,000)</u>
Net position of governmental activities	<u>\$ 1,729,487</u>

* The missed debt service payment due for the Series 2007A Bonds is reflected in the due to Bondholders account balance.

See notes to the financial statements

**CROSS CREEK COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
REVENUES				
Assessments	\$ 178,166	\$ 43,675	\$ -	\$ 221,841
Interest	-	156	706	862
Miscellaneous revenue	3,304	-	-	3,304
Total revenues	<u>181,470</u>	<u>43,831</u>	<u>706</u>	<u>226,007</u>
EXPENDITURES				
Current:				
General government	114,111	-	-	114,111
Maintenance and operations	8,221	-	-	8,221
Debt Service:				
Principal	-	160,000	-	160,000
Interest	-	948,370	-	948,370
Total expenditures	<u>122,332</u>	<u>1,108,370</u>	<u>-</u>	<u>1,230,702</u>
Excess (deficiency) of revenues over (under) expenditures	59,138	(1,064,539)	706	(1,004,695)
OTHER FINANCING SOURCES				
Transfer in	8,664	-	-	8,664
Transfer out	-	(91)	(8,573)	(8,664)
Total other financing sources	<u>8,664</u>	<u>(91)</u>	<u>(8,573)</u>	<u>-</u>
Net change in fund balances	67,802	(1,064,630)	(7,867)	(1,004,695)
Fund balances - beginning	<u>(257,417)</u>	<u>(1,185,930)</u>	<u>1,896,967</u>	<u>453,620</u>
Fund balances - ending	<u>\$ (189,615)</u>	<u>\$ (2,250,560)</u>	<u>\$ 1,889,100</u>	<u>\$ (551,075)</u>

See notes to the financial statements

**CROSS CREEK COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

Net change in fund balances - total governmental funds \$ (1,004,695)

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

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. 160,000

The change in accrued interest on long-term liabilities between the
current and prior fiscal years is recorded in the statement of activities,
but not in the governmental fund financial statements. (6,766)

Change in net position of governmental activities \$ (851,461)

See notes to the financial statements

**CROSS CREEK COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Cross Creek Community Development District ("the District") was created on January 24, 2006 pursuant to Ordinance 06-21 enacted by the Board of County Commissioners of the Manatee County, Florida, under 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 ("Board"), which is composed of five members. The Supervisors are elected by the owners of the property within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes. At September 30, 2013, there are two vacant seats on the Board. The remaining Board members are affiliated with Cross Creek Development of Parrish LLC ("Developer") or WHC at Gamble Creek LLC ("major landowner").

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 Board ("GASB"). 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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*.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Assessments

Assessments are non-ad valorem assessments on benefited lands within the District. Assessments are levied to pay for the 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. The District's annual assessments for operations and debt service are billed and collected by the County Tax Assessor/Collector. The amounts remitted to the District are net of applicable discounts or fees and include interest on monies held from the day of collection to the day of distribution.

Assessments and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

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.

Capital Projects Fund

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

New Accounting Standards Adopted

During fiscal year 2013, the District adopted three new accounting standards as follows:

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Standards Adopted (Continued)

This Statement incorporates into the GASB's authoritative literature certain guidance that previously could only be found in certain FASB and AICPA pronouncements issued on or before November 30, 1989 and eliminates the selection to apply post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources (previously reported as assets and liabilities) into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

The implementation of GASB 65 resulted in the write off of Bond issuance costs and the effect of adoption of GASB 65 is the reduction of beginning net position by \$498,961 of the governmental activities. The effect on fiscal year 2012 had the implementation of GASB 65 occurred earlier would have resulted in a decrease in expenses of the governmental activities by \$27,050.

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.

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 Inter-local 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. In addition, surplus funds may be deposited into certificates of deposit which are insured and any unspent Bond proceeds are required to be held in investments as specified in the Bond Indenture.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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.

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. No depreciation has been taken in the current year as the District's infrastructure and other capital assets are under construction.

Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

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, as well as issuance costs, are deferred and amortized ratably 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.

Deferred Outflows/Inflows 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. Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For example, when an asset is recorded in the governmental fund financial statements, but the revenue is not available, the District reports a deferred inflow of resources until such times as the revenue becomes available.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

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.

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

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance – Includes spendable fund balance amounts established by the Board of Supervisors that are intended to be used for specific purposes that are neither considered restricted nor committed. The Board may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

The District first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the District's Bond covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

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.

NOTE 3 – BUDGETARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end. The District follows these procedures in establishing the budgetary data reflected in the financial statements.

- a) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain public comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

NOTE 4 – 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.

Investments

The District's investments were held as follows at September 30, 2013:

	Fair Value	Maturities	Credit Risk
US Bank Money Market Account Managed	\$ 2,356,136	N/A	S&P AAAM
	<u>\$ 2,356,136</u>		

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. Investment ratings by investment type are included in the preceding summary of investments.

Concentration 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.

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

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

Interfund receivables and payables at September 30, 2013 were as follows:

Fund	Receivable	Payable
General	\$ -	\$ 94,567
Debt service	94,706	-
Capital projects	-	139
Total	<u>\$ 94,706</u>	<u>\$ 94,706</u>

The outstanding balances between funds result primarily from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. In the case of the District, the balances between the general fund and the debt service fund, relate to funds needed to finance remedial expenditures of the general fund as a result of delinquent assessments.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land and land improvements	\$ 1,096,000	\$ -	\$ -	\$ 1,096,000
Infrastructure under construction	18,189,716	-	-	18,189,716
Total capital assets, not being depreciated	19,285,716	-	-	19,285,716
Governmental activities capital assets	\$ 19,285,716	\$ -	\$ -	\$ 19,285,716

The District's Revised and Restated Engineer's Report, dated February 7, 2007, contemplated \$53,633,000 in public infrastructure improvements including earthwork, roadways, landscaping, irrigation, storm water management facilities, and water/sewer facilities. The costs comprising the CIP are segmented into two phases of construction, with the Series 2007 Project (the "2007 Project") designated as Phase I of construction. Common area infrastructure costs are apportioned across all benefiting properties, with a proportionate share of costs levied against properties contained within Phase I of the development. Additionally, neighborhood infrastructure costs specific to the construction of Phase I are captured as a component of the 2007 Project.

On July 22, 2009, the Cross Creek CDD Engineer's Report Supplement # 2 (the "Supplemental Engineer's Report") was prepared to restructure and modify the scope of the 2007 Project ("Amended 2007 Project"). The Supplemental Engineer's Report provides for a reduction in the overall cost of the 2007 Project, which is achieved through the elimination of planned infrastructure improvements to support the townhome and villa parcels. Costs associated with infrastructure required to support the addition of these parcels is quantified within the Supplemental Engineer's Report, as future Bond issuances may finance contemplated improvements.

There is no estimate available for the erosion or loss of value related to the infrastructure that cannot be maintained to optimal standards due to limited available funds. Further, due to the uncertainty as to the completion of the project within a reasonable period of time, the infrastructure may not be able to be used for its intended purpose as anticipated in the original project description. There is no estimate at this time for the additional funding that might be required if there is another change to the project.

NOTE 7 - LONG TERM LIABILITIES

During fiscal year 2007, the District issued \$10,105,000 of Special Assessment Revenue Bonds, Series 2007 consisting of \$10,205,000 Term Bonds Series 2007A due on May 1, 2039 with a fixed interest rate of 5.6% and \$28,385,000 Term Bonds Series 2007B due on May 1, 2017 with a fixed interest rate of 5.5%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal on the 2007A Bonds is to be paid serially commencing May 1, 2009 through May 1, 2039.

The Series 2007A Bonds are subject to redemption at the option of the District prior to maturity in whole or in part on any interest payment date on or after May 1, 2017. The Series 2007B Bonds are not subject to redemption at the option of the District prior to maturity. The Series 2007A and 2007B Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

NOTE 7 - LONG TERM LIABILITIES (Continued)

On October 30, 2009, the District tendered a portion of their outstanding Bonds through a tender offer program with the consent and approval of the majority of the bondholders. With this program, the District has purchased at a discount and then cancelled \$21,200,000 of Series 2007B Bonds outstanding. The tender offer resulted in a gain on the retirement of long-term debt of \$10,081,934. The funds used for the tender offer became available due to a change in the scope of the 2007 project. See Note 6 for more information.

The Bond Indenture established a debt service reserve requirement as well as other 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.

During the current, prior and subsequent fiscal years, the Developer failed to make payment on the special assessments which ultimately secure the Bonds. As a result, certain scheduled debt service payments were made, in part, by draws on the Debt Service Reserve Account and certain payments were not made. The amount of missed debt service payments has been accrued on the fund financial statements as due to Bondholders and reflects \$450,000 due for principal and \$2,371,082 due for interest. The failure by the District to pay its debt service is considered an event of default. Additionally, as a result of the delinquent assessments, the District did not have sufficient funds in the general fund to fully finance operations during the current and prior fiscal years; therefore, the funds needed to finance remedial expenditures and operations of the general fund were transferred or advanced from the Debt Service Reserve Accounts to cover the costs of the District's operations. As a result of these payments, there are deficits of approximately \$432,000 and \$226,000, respectively, in the 2007A and 2007B Debt Service Reserve Accounts at September 30, 2013.

Changes in long-term liability activity for the fiscal year ended September 30, 2013 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
2007A	\$ 10,070,000		\$ -	\$ 10,070,000	\$ 620,000 *
2007B	6,990,000		-	6,990,000	-
Total	\$ 17,060,000	\$ -	\$ -	\$ 17,060,000	\$ 620,000

* Includes the missed debt service payments due for the Series 2007A Bonds which were not paid.

At September 30, 2013, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2014	\$ 620,000 *	\$ 3,319,295 *	\$ 3,939,295
2015	180,000	913,650	1,093,650
2016	190,000	903,570	1,093,570
2017	7,190,000	892,930	8,082,930
2018	210,000	497,280	707,280
2019-2023	1,255,000	2,294,880	3,549,880
2024-2028	1,655,000	1,901,480	3,556,480
2029-2033	2,185,000	1,382,080	3,567,080
2034-2038	2,890,000	695,520	3,585,520
2039	685,000	38,360	723,360
Total	\$ 17,060,000	\$ 12,839,045	\$ 29,899,045

* Includes the missed debt service payments due for the Series 2007A and 2007B Bonds which were not paid.

NOTE 8 –DEFICIT FUND EQUITY

The general fund and debt service funds had deficit fund balance of (\$189,615) and \$(2,250,560) at September 30, 2013. It is unclear how the deficits will be covered as the District has not collected the majority of assessments in the subsequent period to date.

NOTE 9 – DEVELOPER TRANSACTIONS

The Developer owns a significant portion of land within the District; therefore, therefore, the assessments levied in the general and debt service funds during fiscal year 2013 are primarily assessments levied on the land owned by the Developer. However, the Developer did not pay fiscal year 2013 or certain prior year assessments as collectability was deemed both uncertain and unlikely, this revenue has not been recognized in the government-wide financial statements.

NOTE 10 – CONCENTRATION

The District's activity is dependent upon the continued involvement of the Developer. As such, the nonpayment of contributions and assessments by the Developer during the current, prior and subsequent fiscal years has resulted in the deterioration of the District's financial conditions.

NOTE 11 - 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 12 - 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 were not covered by commercial insurance for a fiscal year 2013.

NOTE 13- LITIGATION

Foreclosure Proceedings

Due to the delinquent debt service payments, the district authorized foreclosure proceedings and the foreclosure was filed on February 24, 2012. Currently the matter is unresolved as the bondholders requested to delay the completion of the foreclosure.

NOTE 14 - SUBSEQUENT EVENTS

Events of Default

Subsequent to fiscal year end, certain scheduled debt service payments were due on the Series 2007A and 2007B Bonds. However, shortfalls in the collection of special assessments caused there to be insufficient amounts available to fund the scheduled debt service payments. As a result, certain scheduled debt service payments were not made. The failure by the District to pay its debt service is considered an event of default.

Additionally, as a result of the delinquent assessments, the District did not have sufficient funds in the general fund to fully finance remedial expenditures and operations of the general fund subsequent to September 30, 2013; therefore, the funds needed to finance remedial actions and operations were paid from the Debt Service Reserve Accounts. Also, the Series 2007A and 2007B Debt Service Reserve Accounts have not been replenished; therefore, the District is not in compliance with the requirements of the Bond Indenture.

NOTE 14 - SUBSEQUENT EVENTS (Continued)

Complaint Filed

Subsequent to fiscal year end, the District filed a complaint against the former management company. The complaint alleged the former management company paid amounts to itself without approval from the District. The case is currently in the discovery phase. No adjustment has been made to the financial statements as the impact on the District cannot be determined at this time since it is unclear how events will unfold.

**CROSS CREEK COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original & Final			
REVENUES				
Assessments	\$ 317,824	\$	178,166	\$ (139,658)
Miscellaneous revenue	-		3,304	3,304
Total revenues	317,824		181,470	(136,354)
EXPENDITURES				
Current:				
General government	98,920		114,111	(15,191)
Maintenance and operations	156,204		8,221	147,983
Parks and recreation	62,700		-	62,700
Total expenditures	317,824		122,332	195,492
Excess (deficiency) of revenues over (under) expenditures	-		59,138	59,138
OTHER FINANCING SOURCES (USES)				
Transfer in	-		8,664	8,664
Total other financing sources (uses)	-		8,664	8,664
Net change in fund balances	\$ -		67,802	\$ 67,802
Fund balance - beginning			(257,417)	
Fund balance - ending			\$ (189,615)	

See notes to required supplementary information

**CROSS CREEK COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

The District is required to establish a budgetary system and an approved Annual Budget for the general fund. The District's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Board. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2013. The actual general fund expenditures for the 2013 fiscal year were lower than budgeted amounts due primarily to anticipated costs which were not incurred in the current fiscal year.



**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
Cross Creek Community Development District
Manatee 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 the governmental activities and each major fund of Cross Creek Community Development District, Manatee County, Florida ("District") as of and for the fiscal year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated November 3, 2016, which includes an emphasis of matter paragraph.

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 our 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 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. As discussed in the accompanying report to management dated November 3, 2016, we considered deficiency 2013-01 to be a significant deficiency in internal controls over financial reporting.

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 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*.

We noted certain matters that we reported to management of the District in a separate letter dated November 3, 2016.

The District's responses to the findings identified in our audit are described in the accompanying Management Letter. We did not audit the District's responses and, accordingly, we express no opinion on them.

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.



November 3, 2016



**MANAGEMENT LETTER PURSUANT TO THE RULES OF
THE AUDITOR GENERAL FOR THE STATE OF FLORIDA**

To the Board of Supervisors
Cross Creek Community Development District
Manatee County, Florida

We have audited the accompanying basic financial statements of Cross Creek Community Development District, Manatee County, Florida ("District") as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated November 3, 2016, which includes an emphasis of matter paragraph.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In addition, we have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards* and Chapter 10.550, Rules of the Florida Auditor General dated November 3, 2016. Disclosures in that report should be considered in conjunction with this management letter.

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

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, as applicable, management, and the Board of Supervisors of Cross Creek Community Development District, Manatee County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Cross Creek Community Development District, Manatee County, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

Grau & Associates

November 3, 2016

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Significant Deficiency

2013-01 Adjusting Journal Entries

Observation: During the course of conducting procedures for the audit of the fiscal year ended September 30, 2013, we proposed numerous adjusting journal entries to correct bookkeeping errors and to make adjustments to various revenue, expenditure, liability and equity accounts that should have been reconciled prior to the start of the audit.

Recommendation: We believe that stricter oversight of the review process and a closer evaluation by management of transactions recorded by accounting personnel would help ensure that proper monthly and year end closing procedures are being performed and that transactions have been recorded correctly. This should be evidenced by a sign-off as support of the review process.

Management Response: The District Management company responsible for correcting the errors and making the adjustments was terminated in 2014. The current District Manager has corrected these issues.

Other Findings

2013-02 Financial Condition Assessment

Observation: The District's financial conditions are deteriorating. The Developer failed to pay contributions and assessments during the current, prior and subsequent fiscal years. As a result, certain scheduled debt service payments were made, in part, by draws on the Debt Service Reserve Account. Also, certain scheduled debt service payments were not made resulting in events of default. In addition, the general fund and debt service fund reported a deficit fund balances of (\$189,615) and (\$2,250,560), respectively, at September 30, 2013.

Recommendation: The District should take the necessary steps to alleviate the deteriorating financial condition.

Management Response: The District has been in communication with the Trustee since the default occurred, and has followed direction of the Trustee with respect to collection efforts. The District has attempted to correct its financial condition, as recommended by the auditor.

2013-03 Audit Report and Annual Financial Report Filing

Observation: The District has not filed copies of the audit reports and annual financial reports for the fiscal year ended September 30, 2013 required to be submitted pursuant to Florida Statutes with the Auditor General of the State of Florida.

Recommendation: The District should take the necessary steps to ensure that audit reports and annual financial reports are submitted within the statutory time frames.

Management Response: The District intends to follow the recommendation, subject to receipt of sufficient funding.

REPORT TO MANAGEMENT (Continued)

2013-04 Reserve Requirement:

Observation: As a result of unscheduled draws on the Series 2007A and 2007B Debt Service Reserve Accounts to make certain scheduled debt service payments and to pay for remedial expenditures and operating expenditures, the reserve requirement was not met at September 30, 2013.

Recommendation: The District should take the necessary steps to replenish the reserve account.

Management Response: The District is in communication with the Trustee, and is working with the Trustee with respect to collection efforts.

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

2011-01, 2012-01 Adjusting Journal Entries – See finding 2013-01

2011-02, 2012-02 Financial Condition Assessment – See finding 2013-02

2011-03, 2012-03 Audit Report and Annual Financial Report Filing – See finding 2013-03

2011-04, 2012-04 Reserve Requirement – See finding 2013-04

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2012, except as noted above.

2. A statement as to whether or not the local governmental entity complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

The District complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

3. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2013, except as noted above.

4. 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.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2013, except as noted above.

5. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.

REPORT TO MANAGEMENT (Continued)

6. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2013 financial audit report.
7. In connection with our audit, we determined that the District has met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes. The District failed to make the November 1, 2012 and May 1, 2013 debt service payments due on the Series 2007 Bonds, as a result of a lack of funds. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and determined that a deteriorating financial condition was noted. See Findings section above for additional information. It is management's responsibility to monitor 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.