CROSSCREEK
COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2012

CROSSCREEK COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund, of CrossCreek Community Development District, Manatee County, Florida (the "District") as of and for the fiscal year ended September 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position thereof for the fiscal year ended September 30, 2012 in conformity with accounting principles generally accepted in the United States of America.

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 ($257,417) and ($1,185,930) respectively at September 30, 2012. 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2015, 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, contracts, agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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.



August 4, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of CrossCreek Community Development District, Manatee County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2012. 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, 2012 by $3,079,909.

- The net change in the District's total net assets for the fiscal year ended September 30, 2012 was $(1,023,099), a decrease. The key components of the District's net assets and change in net assets are reflected in the table in the government-wide financial analysis section.

- At September 30, 2012, the District's governmental funds reported a combined ending fund balance of $453,620, a decrease of ($1,152,815) in comparison with the prior fiscal year. A portion of fund balance is restricted for capital projects, non-spendable for deposits, ($1,185,930) is unassigned deficit debt service fund balance and ($257,853) is unassigned, deficit general fund balance.

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 assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 and Developer revenues. The District does not have any business-type activities. The governmental activities of the District include the general government (management) and maintenance functions.

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.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

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 assets 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 ASSETS
SEPTEMBER 30,

	2012	2011
Assets, excluding capital assets	$ 2,896,126	$ 2,925,918
Capital assets	19,285,716	19,285,716
Total assets	22,181,842	22,211,634
Liabilities, excluding long-term liabilities	2,331,933	1,188,626
Long-term liabilities	16,770,000	16,920,000
Total liabilities	19,101,933	18,108,626
Net Assets		
Invested in capital assets, net of related debt	4,621,644	4,648,284
Unrestricted	(1,541,735)	(545,276)
Total net asset (deficit)	$ 3,079,909	$ 4,103,008

The District's net assets 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The restricted portion of the District's net asset represents resources that are subject to external restrictions on how they may be used.

The District's net assets decreased $(1,023,099) during the fiscal year ended September 30, 2012. 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 ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,

	2012	2011
Revenues:		
Program revenues		
Charges for services	$ 40,037	$ 5,023
Operating grants and contributions	91	-
Capital grants and contributions	354	-
General revenues		
Miscellaneous	-	12,914
Total revenues	40,482	17,937
Expenses:		
General government	94,063	128,690
Maintenance and operations	864	11,440
Interest	968,654	1,011,820
Total expenses	1,063,581	1,151,950
Change in net assets	(1,023,099)	(1,134,013)
Net assets - beginning	4,103,008	5,237,021
Net assets - ending	$ 3,079,909	$ 4,103,008

The costs of the District's activities for the fiscal year ended September 30, 2012 were $1,063,581. 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 did not exceed appropriations for the fiscal year ended September 30, 2012.

The variance between budgeted and actual general fund revenues for the fiscal year ended September 30, 2012 is the result of the non-payment of assessments by the Developer. The actual general fund expenditures for the fiscal year ended September 30, 2012 were lower than budgeted amounts due primarily to anticipated costs which were not incurred.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2012, the District had $19,285,716 invested in Land, Land improvements, and 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, 2011, 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 ($257,417) and ($1,185,930) respectively at September 30, 2012. Due to the Developer's failure to pay contributions and assessments for prior and current fiscal years and sub sequent 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 CrossCreek Community Development District's Finance Department at 1060 Maitland Center Commons Blvd, Suite 340, Maitland, FL 33751.

CROSSCREEK COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	Governmental Activities
ASSETS	
Cash	$ 17,211
Assessments receivable	15,571
Deposits	436
Restricted assets:	
Investments	2,363,947
Deferred charges	498,961
Capital assets	
Nondepreciable	19,285,716
Total assets	22,181,842
LIABILITIES	
Accounts payable	230,990
Accrued interest payable	388,388
Due to Bondholders:	
Principal	290,000
Interest	1,422,555
Non-current liabilities:	
Due within one year *	150,000
Due in more than one year	16,620,000
Total liabilities	19,101,933
NET ASSETS	
Invested in capital assets, net of related debt	4,621,644
Unrestricted	(1,541,735)
Total net assets	$ 3,079,909

* 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

CROSSCREEK COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Primary government:					
Governmental activities:					
General government	$ 94,063	$ 32,878	$ -	$ -	$ (61,185)
Maintenance and operations	864	-	-	354	(510)
Interest on long-term debt	968,654	7,159	91	-	(961,404)
Total governmental activities	1,063,581	40,037	91	354	(1,023,099)
Change in net assets					(1,023,099)
Net assets - beginning					4,103,008
Net assets - ending					$ 3,079,909

See notes to the financial statements

CROSSCREEK COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	Major Funds			Total
	General	Debt Service	Capital Projects	Governmental Funds
ASSETS				
Cash	$ 17,211	$ -	$ -	$ 17,211
Investments	-	457,860	1,906,087	2,363,947
Due from other funds	139	68,765	-	68,904
Assessments receivable	15,571	-	-	15,571
Deposits	436	-	-	436
Total assets	$ 33,357	$ 526,625	$ 1,906,087	$ 2,466,069
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 222,009	$ -	$ 8,981	$ 230,990
Due to other funds	68,765	-	139	68,904
Due to Bondholders:				
Principal	-	290,000	-	290,000
Interest	-	1,422,555	-	1,422,555
Total liabilities	290,774	1,712,555	9,120	2,012,449
Fund balances:				
Nonspendable	436	-	-	436
Restricted for:				
Capital projects	-	-	1,896,967	1,896,967
Unassigned, reported in:				
General fund	(257,853)	-	-	(257,853)
Debt service	-	(1,185,930)	-	(1,185,930)
Total fund balances	(257,417)	(1,185,930)	1,896,967	453,620
Total liabilities and fund balances	$ 33,357	$ 526,625	$ 1,906,087	$ 2,466,069

See notes to the financial statements

CROSSCREEK COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

Amounts reported for governmental activities in the statement of net assets are different because:	
Fund balances - governmental funds	$ 453,620
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 asset includes those capital assets, net of accumulated depreciation, in the assets of the government as a whole.	
Cost of capital assets	19,285,716
Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements.	
Accrued interest payable	(388,388)
Bonds payable *	(16,770,000)
Bond issuance costs are not financial resources and therefore are not reported as assets in the governmental funds. The statement of net assets includes these costs net of any amortization.	
Bond issuance costs	811,485
Accumulated amortization	(312,524)
Net assets of governmental activities	$ 3,079,909

* 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

CROSSCREEK COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Major Funds			Total
	General	Debt Service	Capital Projects	Governmental Funds
REVENUES				
Assessments	$ 32,878	$ 7,159	$ -	$ 40,037
Interest	-	91	354	445
Total revenues	32,878	7,250	354	40,482
EXPENDITURES				
Current:				
General government	93,906	157	-	94,063
Maintenance and operations	864	-	-	864
Debt Service:				
Principal	-	150,000	-	150,000
Interest	-	948,370	-	948,370
Total expenditures	94,770	1,098,527	-	1,193,297
Excess (deficiency) of revenues over (under) expenditures	(61,892)	(1,091,277)	354	(1,152,815)
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	56	56
Transfer out	-	(56)	-	(56)
Total other financing sources (uses)	-	(56)	56	-
Net change in fund balances	(61,892)	(1,091,333)	410	(1,152,815)
Fund balances - beginning	(195,525)	(94,597)	1,896,557	1,606,435
Fund balances - ending	$ (257,417)	$ (1,185,930)	$ 1,896,967	$ 453,620

See notes to the financial statements

CROSSCREEK 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, 2012

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	$ (1,152,815)
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.	150,000
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds. The details of the differences are as follows:	
Amortization of deferred charges	(27,050)
The change in accrued interest on long-term liabilities between the current and prior fiscal year is recorded in the statement of activities but not in the fund financial statements.	6,766
Change in net assets of governmental activities	$ (1,023,099)

See notes to the financial statements

CROSSCREEK COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

CrossCreek 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, 2012, there are two vacant seats on the Board. The remaining Board members are affiliated with Medallion Homes (“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”) Statement 14, and Statement 39, an amendment of GASB Statement 14. 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 assets 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 certain land and all platted lots within the District. Assessments are levied each November 1 on property of record as of the previous January. 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

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Asset 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.

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. Depreciation expense is not reported in the governmental fund financial statements. No depreciation has been taken as all depreciable capital assets are considered under construction.

Deferred Charges
In a prior year, in connection with the issuance of certain debt, the District incurred costs totaling $811,485. In the government-wide financial statements that amount has been capitalized and amortized over the estimated life of the Bonds. At September 30, 2012, the District reported accumulated amortization of $312,524.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Asset or Equity (Continued)

Deferred Revenue
Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition 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 assets. 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.

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.

Fund Equity/Net Assets
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. Under GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances are required to be reported according to the following classifications:

Non-spendable fund balance – Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. “Not in spendable form” includes items that are not expected to be converted to cash (such as inventories and prepaid amounts) and items such as long-term amount of loans and notes receivable, as well as property acquired for resale. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

Restricted fund balance – Amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

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.

Unassigned fund balance – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Asset or Equity (Continued)

Fund Equity/Net Asset (Continued)
Net assets in the government-wide financial statements are categorized as invested in capital assets, net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt represents net assets related to infrastructure and property, plant and equipment, net of any related debt. Restricted net assets represent the assets restricted by the District's Bond covenants or other contractual restrictions.

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, 2012:

	Fair Value	Maturities	Credit Risk
US Bank Money Market Account Managed	$ 2,363,947	N/A	S&P AAAm
	$ 2,363,947		

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

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. 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

Interfund receivables and payables at September 30, 2012 were as follows:

Fund	Receivable	Payable
General	$ 139	$ 68,765
Debt service	68,765	-
Capital projects	-	139
Total	$ 68,904	$ 68,904

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 and operations of the general fund as a result of delinquent assessments.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
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.

NOTE 6 – CAPITAL ASSETS (Continued)

On July 22, 2009, the CrossCreek 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 $38,590,000 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.

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 $290,000 due for principal and $1,422,555 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 $413,000 and $218,000, respectively, in the 2007A and 2007B Debt Service Reserve Accounts at September 30, 2012.

NOTE 7 - LONG TERM LIABILITIES (Continued)

Changes in long-term liability activity for the fiscal year ended September 30, 2012 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
2007A	$ 10,070,000	$ -	$ -	$ 10,070,000	$ 440,000 *
2007B	6,990,000	-	-	6,990,000	-
Total	$ 17,060,000	$ -	$ -	$ 17,060,000	$ 440,000

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

At September 30, 2012, the scheduled debt service requirements on the long-term debt were as follows:

	Governmental Activities		
Year ending September 30:	Principal	Interest	Total
2013	$ 440,000 *	$ 2,370,925 *	$ 2,810,925
2014	170,000	923,170	1,093,170
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
2018-2022	1,185,000	2,361,240	3,546,240
2023-2027	1,565,000	1,989,120	3,554,120
2028-2032	2,065,000	1,497,720	3,562,720
2033-2037	2,735,000	848,680	3,583,680
2038-2039	1,340,000	112,840	1,452,840
Total	$ 17,060,000	$ 12,813,845	$ 29,873,845

* 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 balances of ($257,417) and ($1,185,930) at September 30, 2012, respectively. 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 2012 are primarily assessments levied on the land owned by the Developer. However, the Developer did not pay fiscal year 2012 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 the fiscal year ended September 30, 2012.

NOTE 13 - 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, 2012; therefore, the funds needed to finance remedial actions 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.

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.

CROSSCREEK 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, 2012

	Budgeted Amounts Original & Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Assessments	$ 317,824	$ 32,878	$ (284,946)
Total revenues	317,824	32,878	(284,946)
EXPENDITURES			
Current:			
General government	102,731	93,906	8,825
Maintenance and operations	180,893	864	180,029
Parks and recreation	34,200	-	34,200
Total expenditures	317,824	94,770	223,054
Excess (deficiency) of revenues over (under) expenditures	$ -	(61,892)	$ (61,892)
Fund balance - beginning		(195,525)	
Fund balance - ending		$ (257,417)	

See notes to required supplementary information

CROSSCREEK 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, 2012.

The variance between budgeted and actual general fund revenues for the fiscal year ended September 30, 2012 is the result of the non-payment of assessments by the Developer. The actual general fund expenditures for the fiscal year ended September 30, 2012 were lower than budgeted amounts due primarily to anticipated costs which were not incurred.

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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
CrossCreek 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 CrossCreek Community Development District, Manatee County, Florida ("District") as of and for the fiscal year ended September 30, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated August 4, 2015, which includes an emphasis of matter paragraph.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, as discussed in the accompanying report to management dated August 4, 2015, we considered deficiency 2012-01 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 of 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 August 4, 2015.

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.

This report is intended for the information and use of the management, Board of Supervisors of CrossCreek Community Development District, Manatee County, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties



August 4, 2015

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

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

We have audited the accompanying basic financial statements of CrossCreek Community Development District, Manatee County, Florida ("District") as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated August 4, 2015, 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 G*overnment 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 Report on Internal Control over Financial Reporting and Compliance and Other Matters dated August 4, 2015. 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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. This letter is intended for the information and use of management, Board of Supervisors of CrossCreek Community Development District, Manatee County, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank CrossCreek 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

August 4, 2015

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Significant Deficiency

2012-01 Adjusting Journal Entries

Observation: During the course of conducting procedures for the audit of the fiscal year ended September 30, 2012, we proposed numerous adjusting journal entries to correct bookkeeping errors and to make adjustments to various revenue, expenditure, and liability 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

2012-02 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 ($257,417) and ($1,185,930), respectively, at September 30, 2012.

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.

2012-03 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, 2012 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.

2012-04 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, the reserve requirement was not met at September 30, 2012.

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 in foreclosure on the delinquent assessments.

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

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

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

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

2011-04 Reserve Requirement – See finding 2012-04

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, 2011, 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, 2012, 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, 2012, 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.

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, 2012 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 debt service payments due on the Series 2007A and 2007B Bonds, as a result of a lack of funds. In addition, during the period from December 2, 2009 to September 30, 2012 the District failed to pay uncontested claims from creditors within 90 days after the claim was presented, 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.