

TWO CREEKS  
COMMUNITY DEVELOPMENT DISTRICT

BOARD OF SUPERVISORS  
SPECIAL MEETING

June 20, 2016

# TWO CREEKS COMMUNITY DEVELOPMENT DISTRICT AGENDA June 20, 2016 at 5:00 p.m.

Courtyard by Marriott, 610 Wells Road, Orange Park, FL 32073

<b>District Board of Supervisors</b>	Kenneth Johns Karen Burt Carl McMichael Lan Nguyen Michael Jones	Chairman Vice Chairman Assistant Secretary Assistant Secretary Assistant Secretary
<b>District Manager</b>	Lesley Gallagher	Rizzetta & Company, Inc.
<b>District Counsel</b>	Jonathan Johnson Wes Haber	Hopping Green & Sams, P.A. Hopping Green & Sams, P.A.
<b>Amenity Manager</b>	Brian Parks	ASG, Inc.
<b>Interim District Engineer</b>	D. Glynn Taylor	Taylor & White.

**All Cellular phones and pagers must be turned off while in the meeting room.  
The District Agenda is comprised of five different sections:**

The meeting will begin promptly at 5:00 p.m. with the first section which is called **Audience Comments on Agenda Items**. The Audience Comment portion of the agenda is where individuals may comment on matters that concern the District. Each individual is limited to three (3) minutes for such comment. The Board of Supervisors or Staff is not obligated to provide a response until sufficient time for research or action is warranted. IF THE COMMENT CONCERNS A MAINTENANCE RELATED ITEM, THE ITEM WILL NEED TO BE ADDRESSED BY THE DISTRICT MANAGER OUTSIDE THE CONTEXT OF THIS MEETING. The second section is called **Business Administration**. The Business Administration section contains items that require the review and approval of the District Board of Supervisors as a normal course of business. The third section is called **Staff Reports**. This section allows the District Manager, Engineer, and Attorney to update the Board of Supervisors on any pending issues that are being researched for Board action. The fourth section is called **Business Items**. The business items section contains items for approval by the District Board of Supervisors that may require discussion, motion and votes on an item-by-item basis. If any member of the audience would like to speak on one of the business items, they will need to register with the District Manager prior to the presentation of that agenda item. Occasionally, certain items for decision within this section are required by Florida Statute to be held as a Public Hearing. During the Public Hearing portion of the agenda item, each member of the public will be permitted to provide one comment on the issue, prior to the Board of Supervisors' discussion, motion and vote. Agendas can be reviewed by contacting the Manager's office at (904) 436-6270 at least seven days in advance of the scheduled meeting. Requests to place items on the agenda must be submitted in writing with an explanation to the District Manager at least fourteen (14) days prior to the date of the meeting. The final section is called **Supervisor Requests and Audience Comments**. This is the section in which the Supervisors may request Staff to prepare certain items in an effort to meet residential needs and provides members of the audience the opportunity to comment on matters of concern to them that were not addressed during the meeting.

Public workshops sessions may be advertised and held in an effort to provide informational services. These sessions allow staff or consultants to discuss a policy or business matter in a more informal manner and allow for lengthy presentations prior to scheduling the item for approval. Typically no motions or votes are made during these sessions.

Pursuant to provisions of the Americans with Disabilities Act, any person requiring special accommodations to participate in this meeting is asked to advise the District Office at (904) 436-6270, at least 48 hours before the meeting. If you are hearing or speech impaired, please contact the Florida Relay Service at 1 (800) 955-8770, who can aid you in contacting the District Office.

Any person who decides to appeal any decision made by the Board with respect to any matter considered at the meeting is advised that this same person will need a record of the proceedings and that accordingly, the person may need to ensure that a verbatim record of the proceedings is made, including the testimony and evidence upon which the appeal is to be based.

June 13, 2016

**Board of Supervisors**  
**Two Creeks Community**  
**Development District**

**AGENDA**

Dear Board Members:

The **special** meeting of the Board of Supervisors of the Two Creeks Community Development District will be held on **Monday, June 20, 2016 at 5:00 p.m.** at the Courtyard by Marriott, located at 610 Wells Road (I-295 and US 17), Orange Park, Florida 32073. Following is the **final** agenda for the meeting.

- 1. CALL TO ORDER/ROLL CALL**
- 2. AUDIENCE COMMENTS ON AGENDA ITEMS**
- 3. BUSINESS ADMINISTRATION**
  - A. Consideration of the Minutes of the Board of Supervisors' Audit Committee Meeting held May 18, 2016..... Tab 1
  - B. Consideration of the Minutes of the Board of Supervisors' Regular Committee Meeting held May 18, 2016..... Tab 2
- 4. BUSINESS ITEMS**
  - A. Consideration of Audited Financial Statements for the year Ended September 30, 2015..... Tab 3
  - B. Updated Presentation by MBS Capital Markets LLC Regarding Refinancing the Series 2006 Bonds
- 5. SUPERVISOR REQUESTS AND AUDIENCE COMMENTS**
- 6. ADJOURNMENT**

I look forward to seeing you at the meeting. In the meantime, if you have any questions, please do not hesitate to contact me at (904) 436-6270.

Very truly yours,

*Lesley Gallagher*

Lesley Gallagher  
Two Creeks Community Development District

**CALL TO ORDER / ROLL CALL**

**AUDIENCE COMMENTS  
ON AGENDA ITEMS**

# **BUSINESS ADMINISTRATION**

# **Tab 1**

**MINUTES OF MEETING**

*Each person who decides to appeal any decision made by the Board with respect to any matter considered at the meeting is advised that the person may need to ensure that a verbatim record of the proceedings is made, including the testimony and evidence upon which such appeal is to be based.*

**TWO CREEKS  
COMMUNITY DEVELOPMENT DISTRICT**

The **Audit** meeting of the Board of Supervisors of Two Creeks Community Development District was held on **Wednesday, May 18 2016 at 6:00 p.m.** at the Courtyard by Marriott, located at 610 Wells Road (I-295 and US 17), Orange Park, Florida 32073.

Present and constituting a quorum:

Kenny Johns	<b>Board Supervisor, Chairman</b>
Lan Nguyen	<b>Board Supervisor, Assistant Secretary</b>
Carl McMichael	<b>Board Supervisor, Assistant Secretary</b>
Michael Jones	<b>Board Supervisor, Assistant Secretary</b>

Also present were:

Melissa Dobbins	<b>District Manager, Rizzetta &amp; Company, Inc.</b>
Lesley Gallagher	<b>District Manager, Rizzetta &amp; Company, Inc.</b>
Wes Haber	<b>District Counsel, Hopping Green &amp; Sams</b>
Brian Parks	<b>Vesta Property Services (ASG)</b>
Kyle Kubik	<b>Austin Outdoors</b>

Audience present.

**FIRST ORDER OF BUSINESS**

**Call to Order**

Mr. Johns called the meeting to order at 6:00 p.m. and read roll call.

**SECOND ORDER OF BUSINESS**

**Audience Comments on Agenda Items**

There were no audience comments.

**THIRD ORDER OF BUSINESS**

**Review, Discuss and Evaluate the Proposals  
Received**

The Committee reviewed and rated the proposals (exhibit A).

Discussion ensued.

On a motion by Mr. Johns, seconded by Mr. Jones, with all in favor, the Committee selected Grau and Associates to recommend to the Board for Two Creeks Community Development District.

**FOURTH ORDER OF BUSINESS**

**Audience Comments and Supervisor Requests**

**Audience Comments**

There were no audience comments.

**Supervisor Requests**

There were no supervisor comments.

**FIFTH ORDER OF BUSINESS**

**Adjournment**

On a motion by Mr. Johns, seconded by Mr. Jones, with all in favor, the Committee adjourned the Board of Supervisors' meeting at 6:17 p.m. for Two Creeks Community Development District.

\_\_\_\_\_  
Secretary/Assistant Secretary

\_\_\_\_\_  
Chairman/Vice Chairman

# Exhibit "A"

Two Creeks CDD  
 Audit Proposal Review Committee Evaluation Spread Sheet  
 5-18-16

Bidder's Name	Total Audit Price	Ability of Personnel (20 Points)	Proposer's Experience (20 Points)	Understanding Scope of Work (15 Points)	Furnish Required Services (20 Points)	Price (25 Points)	Total Points
Grau & Associates (Current Auditor)	2016 - \$3,600 2017 - \$3,700 2018 - \$3,800	15	20	15	20	25	95
McDermittDavis	2016 - \$4,100 2017 - \$4,200 2018 - \$4,300	20	17	15	20	22	94
Committee Member's Names: Kenny Johns, Carl McMichael, Michael Jones, Lan Nguyen							

## **Tab 2**

**MINUTES OF MEETING**

*Each person who decides to appeal any decision made by the Board with respect to any matter considered at the meeting is advised that the person may need to ensure that a verbatim record of the proceedings is made, including the testimony and evidence upon which such appeal is to be based.*

**TWO CREEKS  
COMMUNITY DEVELOPMENT DISTRICT**

The **Regular** meeting of the Board of Supervisors of Two Creeks Community Development District was held on **Wednesday, May 18, 2016**, at the Courtyard by Marriott, located at 610 Wells Road (I-295 and US 17), Orange Park, Florida 32073.

Present and constituting a quorum:

Kenny Johns	<b>Board Supervisor, Chairman</b>
Lan Nguyen	<b>Board Supervisor, Assistant Secretary</b>
Carl McMichael	<b>Board Supervisor, Assistant Secretary</b>
Michael Jones	<b>Board Supervisor, Assistant Secretary</b>

Also present were:

Melissa Dobbins	<b>District Manager, Rizzetta &amp; Company, Inc.</b>
Lesley Gallagher	<b>District Manager, Rizzetta &amp; Company, Inc.</b>
Wes Haber	<b>District Counsel, Hopping Green &amp; Sams</b>
Brian Parks	<b>Vesta Property Services (ASG)</b>
Kyle Kubik	<b>Austin Outdoors</b>
Robbie Cox	<b>MBS Capital Markets</b>

Audience present.

**FIRST ORDER OF BUSINESS**

**Call to Order**

Mr. Johns called the meeting to order at 6:17 p.m. and read roll call.

**SECOND ORDER OF BUSINESS**

**Audience Comments on Agenda  
Items**

There were no comments on agenda items.

**THIRD ORDER OF BUSINESS**

**Consideration of the Minutes of the  
Audit Committee Meeting held  
February 17, 2016**

On a motion by Mr. Jones, seconded by Mr. McMichael, with all in favor, the Board approved the minutes of the Audit Committee meeting held February 17, 2016 for Two Creeks Community Development District.

**FOURTH ORDER OF BUSINESS**

**Consideration of the Minutes of the  
Board of Supervisors' Regular  
Meeting held February 17, 2016**

On a motion by Mr. Jones, seconded by Ms. Nguyen, with all in favor, the Board approved the minutes of the Board of Supervisors' regular meeting held February 17, 2016 for Two Creeks Community Development District.

**FIFTH ORDER OF BUSINESS**

**Ratification of the Operation and  
Maintenance Expenditures for  
January 2016, February 2016 and  
March 2016**

On a motion by Mr. McMichael, seconded by Mr. Jones, with all in favor, the Board ratified the operations and maintenance expenditures for January 2016 in the amount of \$33,850.69, February 2016 in the amount of \$30,646.71 and for March 2016 in the amount of \$38,824.30 for Two Creeks Community Development District.

**SIXTH ORDER OF BUSINESS**

**Staff Reports**

- A. District Counsel  
Mr. Haber updated the Board that the Clay County Utility easement documents are being reviewed by the water management district
  
- B. District Engineer  
Not present.
  
- C. Amenity Manager
  - i.) Facility Maintenance Report  
Mr. Parks reviewed his Facility Maintenance Report under Tab 4.

ii.) Update on Basketball Survey Results

Mr. Parks updated the Board regarding the results of the basketball survey.

Discussion ensued.

It was decided to continue with a new survey until the next meeting and add leaving the basketball court “as is” as an option on the survey.

D. Landscape

i.) Landscape Report, May 2016

Mr. Kubik reviewed his landscape report under Tab 5.

A resident noted concern regarding the condition of the sod that was placed along the new sidewalks installed and Mr. Kubik expected to see improvement.

E. District Manager

i.) Update on Number of Registered Voters

Ms. Gallagher updated the Board that the district office received notification from the Clay County Supervisor of Elections office that there were 877 registered voters as of April 15, 2016 in the district.

**SEVENTH ORDER OF BUSINESS**

**Consideration of Audit Committee  
Recommendation**

The Audit Committee made the recommendation of Grau and Associates for Audit Services. The Board accepted this recommendation.

On a motion by Mr. Jones, seconded by Mr. McMichael, with all in favor, the Board of Supervisors accepted the Audit Committee recommendation of Grau and Associates for audit services for Two Creeks Community Development District.

**EIGHTH ORDER OF BUSINESS**

**Presentation by MBS Capital  
Markets, LLC Regarding  
Refinancing the Series 2006 Bonds**

i.) Consideration of MBS Capital Markets, LLC Proposals

Mr. Cox, MBS Capital Markets LLC Representative, presented an underwriting agreement with the district. He noted that the agreement is for the purpose of refunding the District’s outstanding Series 2006 bonds.

After discussion, the Board of Supervisors approved the agreement.

On a motion by Mr. Jones, seconded by Ms. Nguyen, with all in favor, the Board of Supervisors approved the MBS Capital Markets, LLC underwriting agreement for Two Creeks Community Development District.

Mr. Cox presented the refinancing opportunity, dated May 18, 2016, which showed numbers per the market today but requested authorization from the Board to put a credit package together to bring back an updated report for the Board to approve or not approve proceeding with the refinance transaction. He also noted MBS Capital Markets, LLC and Bond Counsel fees are only paid if the refinance takes place. Mr. Haber noted that his fees are not contingent.

Discussion ensued.

The Board of Supervisors authorized MBS Capital Markets, LLC to proceed with the credit package.

On a motion by Mr. McMichael, seconded by Mr. Jones, with all in favor, the Board of Supervisors authorized to proceed with the credit package from MBS Capital Markets, LLC for Two Creeks Community Development District.

**NINTH ORDER OF BUSINESS**

**Consideration of Surveillance Camera Proposals**

The Board reviewed proposals from Kentronix and Web Watchdogs.

Discussion ensued.

On a motion by Mr. McMichael, seconded by Mr. Jones, with all in favor, the Board approved the proposal from Web Watchdogs in the amount of \$5,200.00 for Two Creeks Community Development District.

**TENTH ORDER OF BUSINESS**

**Consideration of Awning Proposals**

The Board reviewed proposals from Thompson Awning, Shutter Company and First Coast Awning.

On a motion by Mr. Jones, seconded by Mr. McMichael, with all in favor, the Board approved the proposal from First Coast Awning to recover two (2) in pool area, two (2) awnings in the tennis court area and one (1) awning in the basketball area for a total cost of \$5,300.00 for Two Creeks Community Development District.

**ELEVENTH ORDER OF BUSINESS**

**Consideration of Resolution 2016-03, Approving the Proposed Budget for Fiscal Year 2016/2017 and Setting the Public Hearing**

The Board approved the proposed budget and set the Public Hearing date for August 10, 2016 at 6:00 p.m. at the Courtyard Marriott, 610 Wells Road, Orange Park, FL 32073.

On a motion by Mr. Johns, seconded by Mr. Jones, with all in favor, the Board adopted Resolution 2016-03, Approving the Proposed Budget for Fiscal Year 2016/2017 and set the Public Hearing date for August 10, 2016 at 6:00 p.m. at the Courtyard Marriott, 610 Wells Road, Orange Park, FL 32073 for Two Creeks Community Development District.

**TWELFTH ORDER OF BUSINESS**

**Audience Comments and Supervisor Requests**

**Audience Comments**

An audience member had a concern regarding the height of the volleyball nets, Mr. Parks is adjusting.

Audience member had concerns regarding the sidewalk installations and picnic tables

Audience member had questions regarding keycards.

**Supervisor Requests**

There were no supervisor comments.

**THIRTEENTH ORDER OF BUSINESS**

**Adjournment**

On a motion by Mr. Johns, seconded by Mr. Jones, with all in favor, the Board adjourned the Board of Supervisors' meeting at 8:35 p.m. for Two Creeks Community Development District.

# **BUSINESS ITEMS**

## **Tab 3**

**TWO CREEKS COMMUNITY DEVELOPMENT DISTRICT  
CLAY COUNTY, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2015**

**TWO CREEKS COMMUNITY DEVELOPMENT DISTRICT  
CLAY COUNTY, FLORIDA**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
Two Creeks Community Development District  
Clay County, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Two Creeks Community Development District, Clay County, Florida ("District") as of and for the fiscal year ended September 30, 2015, 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, 2015, 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.

## **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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2016, 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, grant 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

### **Report on Other Legal and Regulatory Requirements**

We have also issued our report dated May 18, 2016, on our consideration of the District's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.



May 18, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Two Creeks Community Development District, Clay County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2015. 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 liabilities of the District exceeded its assets at the close of the most recent fiscal year resulting in a net position deficit balance of (\$7,481,984).
- The change in the District's total net position in comparison with the prior year was \$233,060 an increase. 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, 2015, the District's governmental funds reported combined ending fund balances of \$1,491,632, an increase of \$57,139 in comparison with the prior fiscal year. A portion of the fund balance is non-spendable for deposits and prepaids, restricted for debt service, assigned to reserves, and the remainder is unassigned fund balance which is available for spending at the District's discretion.

### 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, deferred outflows of resources, liabilities and deferred inflows of resources, 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 assessments. The District does not have any business-type activities. The governmental activities of the District include the general government (management), parks and recreation, 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 outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two governmental funds for external reporting. 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 and debt service fund. Both funds are considered to be major funds.

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

### Notes to 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, liabilities exceeded assets at the close of the most recent fiscal year.

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

	NET POSITION	
	SEPTEMBER 30,	
	2015	2014
Current and other assets	\$ 1,528,071	\$ 1,456,786
Capital assets, net of depreciation	3,238,018	3,373,769
Total assets	<u>4,766,089</u>	<u>4,830,555</u>
Current liabilities	1,053,073	1,045,599
Long-term liabilities	11,195,000	11,500,000
Total liabilities	<u>12,248,073</u>	<u>12,545,599</u>
Net position		
Net investment in capital assets	779,156	1,017,422
Restricted for debt service	352,397	359,722
Unrestricted	(8,613,537)	(9,092,188)
Total net position	<u>\$ (7,481,984)</u>	<u>\$ (7,715,044)</u>

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 landowners; 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 position represents resources that are subject to external restrictions on how they may be used.

The District's net position increased during the current fiscal year. The increase is the result of program revenues exceeding the cost of operations and depreciation expense.

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

	CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED SEPTEMBER 30,	
	2015	2014
Revenues:		
Program revenues		
Charges for services	\$ 1,341,697	\$ 1,277,304
General revenues		
Unrestricted investment earnings	268	235
Miscellaneous revenue	475	945
Total revenues	<u>1,342,440</u>	<u>1,278,484</u>
Expenses:		
General government	80,299	97,450
Maintenance and operations	313,171	308,101
Infrastructure costs	-	771,743
Parks and recreation	119,882	100,149
Interest on long-term debt	596,028	611,560
Total expenses	<u>1,109,380</u>	<u>1,889,003</u>
Change in net position	233,060	(610,519)
Net position - beginning	(7,715,044)	(7,104,525)
Net position - ending	<u>\$ (7,481,984)</u>	<u>\$ (7,715,044)</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2015 was \$1,109,380. The costs of the District's activities were primarily funded by program revenues. Program revenues, consisting primarily of assessments, increased during the fiscal year as a result of an increase in the per unit operations and maintenance assessments. In total, expenses, including depreciation, decreased from the prior fiscal year mainly as a result of no additional deferred costs reported in the current year.

## GENERAL FUND 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, 2015.

The variance between budgeted and actual general fund revenues for the current fiscal year is the result of fewer homeowners taking advantage of the discount than anticipated. Actual general fund expenditures for the fiscal year ended September 30, 2015 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, 2015, the District had \$4,197,486 invested in the stormwater system and recreational amenities for its governmental activities. In the government-wide financial statements, depreciation of \$959,468 has been taken, which resulted in a net book value of \$3,238,018. More detailed information about the District's capital assets is presented in the notes to the financial statements.

### Capital Debt

At September 30, 2015, the District had \$11,195,000 in Bonds outstanding for its governmental activities. In addition, the District owes the Developer \$771,743 for deferred costs. More detailed information about the District's capital debt is presented in the notes to the financial statements.

## ECONOMIC FACTORS AND NEXT YEARS BUDGET

The District does not anticipate any major projects or significant changes in its infrastructure maintenance program for the next fiscal year. In addition, it is anticipated that the general operations of the District will remain fairly constant.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide landowners, 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 Two Creeks Community Development District's Finance Department at 3434 Colwell Avenue, Suite 200, Tampa, Florida 33614.

## **FINANCIAL STATEMENTS**

**TWO CREEKS COMMUNITY DEVELOPMENT DISTRICT  
CLAY COUNTY, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015**

	Governmental Activities
<b>ASSETS</b>	
Cash and equivalents	\$ 138,737
Deposits and prepaids	6,074
Restricted assets:	
Investments	1,383,260
Capital assets	
Depreciable assets, net	3,238,018
Total assets	4,766,089
 <b>LIABILITIES</b>	
Accounts payable and accrued expenses	36,439
Accrued interest payable	244,891
Non-current liabilities:	
Deferred cost obligation	771,743
Due within one year	280,000
Due in more than one year	10,915,000
Total liabilities	12,248,073
 <b>NET POSITION</b>	
Net investment in capital assets	779,156
Restricted for debt service	352,397
Unrestricted	(8,613,537)
Total net position	\$ (7,481,984)

See notes to the financial statements

**TWO CREEKS COMMUNITY DEVELOPMENT DISTRICT  
CLAY COUNTY, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Primary government:			
Governmental activities:			
General government	\$ 80,299	\$ 80,299	\$ -
Maintenance and operations	313,171	247,813	(65,358)
Parks and recreation	119,882	119,882	-
Interest on long-term debt	596,028	893,703	297,675
Total governmental activities	1,109,380	1,341,697	232,317
General revenues:			
Unrestricted investment earnings			268
Miscellaneous revenue			475
Total general revenues			743
Change in net position			233,060
Net position - beginning			(7,715,044)
Net position - ending			\$ (7,481,984)

See notes to the financial statements

**TWO CREEKS COMMUNITY DEVELOPMENT DISTRICT  
CLAY COUNTY, FLORIDA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2015**

	Major Funds		Total Governmental Funds
	General	Debt Service	
<b>ASSETS</b>			
Cash and equivalents	\$ 138,737	\$ -	\$ 138,737
Investments	-	1,383,260	1,383,260
Deposits and prepaids	6,074	-	6,074
Total assets	<u>\$ 144,811</u>	<u>\$ 1,383,260</u>	<u>\$ 1,528,071</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued expenses	\$ 22,210	\$ 14,229	\$ 36,439
Total liabilities	<u>22,210</u>	<u>14,229</u>	<u>36,439</u>
Fund balances:			
Nonspendable:			
Deposits and prepaids	6,074	-	6,074
Restricted for:			
Debt service	-	1,369,031	1,369,031
Assigned to:			
Future repair and replacement	33,011	-	33,011
Unassigned	83,516	-	83,516
Total fund balances	<u>122,601</u>	<u>1,369,031</u>	<u>1,491,632</u>
Total liabilities and fund balances	<u>\$ 144,811</u>	<u>\$ 1,383,260</u>	<u>\$ 1,528,071</u>

See notes to the financial statements

**TWO CREEKS COMMUNITY DEVELOPMENT DISTRICT  
CLAY COUNTY, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET-  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015**

Fund balance - governmental funds \$ 1,491,632

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

Capital assets used in governmental activities are not financial resources; therefore, they are not reported as assets in the governmental funds. The statement of net position includes those capital assets, net of any accumulated depreciation, in the net position of the government as a whole.

Cost of capital assets	4,197,486	
Accumulated depreciation	<u>(959,468)</u>	3,238,018

Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.

Deferred cost obligation	(771,743)	
Accrued interest payable	(244,891)	
Bonds payable	<u>(11,195,000)</u>	<u>(12,211,634)</u>

Net position of governmental activities		<u><u>\$(7,481,984)</u></u>
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See notes to the financial statements

**TWO CREEKS COMMUNITY DEVELOPMENT DISTRICT  
CLAY COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	Major Funds		Total Governmental Funds
	General	Debt Service	
<b>REVENUES</b>			
Assessments	\$ 447,994	\$ 893,703	\$ 1,341,697
Interest	268	-	268
Miscellaneous income	475	-	475
Total revenues	<u>448,737</u>	<u>893,703</u>	<u>1,342,440</u>
<b>EXPENDITURES</b>			
Current:			
General government	80,299	-	80,299
Maintenance and operations	209,568	-	209,568
Parks and recreation	87,734	-	87,734
Debt Service:			
Principal	-	305,000	305,000
Interest	-	602,700	602,700
Total expenditures	<u>377,601</u>	<u>907,700</u>	<u>1,285,301</u>
Excess (deficiency) of revenues over (under) expenditures	71,136	(13,997)	57,139
Fund balances - beginning	51,465	1,383,028	1,434,493
Fund balances - ending	<u>\$ 122,601</u>	<u>\$ 1,369,031</u>	<u>\$ 1,491,632</u>

See notes to the financial statements

**TWO CREEKS COMMUNITY DEVELOPMENT DISTRICT  
CLAY 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, 2015**

Net change in fund balances - total governmental funds	\$ 57,139
Amounts reported for governmental activities in the statement of activities are different because:	
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.	6,672
Depreciation on capital assets is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.	(135,751)
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.	<u>305,000</u>
Change in net position of governmental activities	<u><u>\$ 233,060</u></u>

See notes to the financial statements

**TWO CREEKS COMMUNITY DEVELOPMENT DISTRICT  
CLAY COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY**

Two Creeks Community Development District ("District") was established June 13, 2006 by the Board of County Commissioners of Clay County, Clay County Ordinance 2006-27, 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 ("the Board"), which is composed of five members, three of which as of September 30, 2015 were affiliated with Two Creeks, LLC (the "Developer"). Three Supervisors are elected on an at large basis by landowners of the District. Two Supervisors are elected on an at large basis by qualified electors that reside within the District. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the responsibility for, among other things:

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

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District 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. 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 District 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, including debt service assessments and operations and maintenance assessments, are non-ad valorem assessments imposed on all lands located within the District and benefitted by the District's activities. Operation and maintenance assessments are levied by the District prior to the start of the fiscal year which begins October 1<sup>st</sup> and ends on September 30<sup>th</sup>. Operation and maintenance special assessments are imposed upon all benefitted lands within the District. Debt service assessments are imposed upon certain lots and lands described in each resolution imposing the special assessment for each of the series of Bonds issued by the District.

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

The District reports the following major governmental funds:

### **General Fund**

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

### **Debt Service Fund**

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first for qualifying expenditures, then unrestricted resources as they are needed.

### **Assets, Liabilities and Net Position or Equity**

#### **Restricted Assets**

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

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Assets, Liabilities and Net Position or Equity (Continued)

#### Deposits and Investments

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

The District has adopted a written investment policy, which complies with the requirements of Section 218.415, Florida Statutes. All investments comply with the requirements of the written investment policy. The District may invest any surplus public funds in the following:

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

In addition, surplus funds may be deposited into certificates of deposit which are insured. Any unspent 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.

#### Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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 governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Recreational amenities	50
Stormwater management	25

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

#### Unearned Revenue

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

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Assets, Liabilities and Net Position or Equity (Continued)

#### Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized 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

Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s). For example, the District would record deferred outflows of resources on the statement of net position 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).

Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s). For example, when an asset is recorded in the governmental fund financial statements, but the revenue is unavailable, the District reports a deferred inflow of resources on the balance sheet until such times as the revenue becomes available.

#### 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.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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) A public hearing is conducted to obtain 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, subject to the terms of the District's annual appropriation resolution.
- 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, 2015:

	Fair Value	Credit Risk	Weighted Average Maturities
First American Treasury Obligations Fund CL Z	\$ 1,383,260	S&P AAAm	43 days
Total Investments	<u>\$ 1,383,260</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.

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

## NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2015 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<u>Governmental activities</u>				
Capital assets, being depreciated				
Recreational amenities	\$ 1,607,400	\$ -	\$ -	\$ 1,607,400
Stormwater management	2,590,086	-	-	2,590,086
Total capital assets, being depreciated	<u>4,197,486</u>	<u>-</u>	<u>-</u>	<u>4,197,486</u>
Less accumulated depreciation for:				
Recreational amenities	98,496	32,148	-	130,644
Stormwater management	725,221	103,603	-	828,824
Total accumulated depreciation	<u>823,717</u>	<u>135,751</u>	<u>-</u>	<u>959,468</u>
Total capital assets, being depreciated, net	<u>3,373,769</u>	<u>(135,751)</u>	<u>-</u>	<u>3,238,018</u>
Governmental activities capital assets, net	<u>\$ 3,373,769</u>	<u>\$ (135,751)</u>	<u>\$ -</u>	<u>\$ 3,238,018</u>

Depreciation expense was charged to the following programs/functions:

Parks and recreation	\$ 32,148
Maintenance and operations	103,603
Total	<u>\$ 135,751</u>

In connection with the 2006 project, the interest earnings and the excess reserve balances are transferred to the construction account and the prepayment account, respectively. However, if funds in the account are not needed for that purpose they are to be used to redeem outstanding related debt. In the prior fiscal year, the 2006 project was certified complete and the District determined that a liability of \$1,193,868 exists for deferred costs. Pursuant to the Indenture, since amounts are repaid from excess reserves and it is uncertain when and if such payments will be made, a liability of \$771,743 has been recorded on the government-wide statements. There were no amounts paid to the Developer during the current fiscal year.

## NOTE 6 – LONG TERM LIABILITIES

On or about October 27, 2006, the District issued \$13,110,000 of Capital Improvement Revenue Bonds with a fixed interest rate of 5.25%. The Bonds were issued to finance the acquisition and construction of certain improvements for the District. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Bonds is to be paid serially commencing May 1, 2008 through May 1, 2037.

The Series 2006 Bonds are subject to redemption at the option of the District prior to maturity. In addition, the Bonds are also 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. This occurred during the current fiscal year as the District collected prepaid assessments from lot closings and used excess reserves to prepay \$40,000 of the Series 2006 Bonds. See Note 12 – Subsequent Event for additional call amounts subsequent to year end.

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 agreed to levy special assessments, and collect annually, amounts adequate to provide payment of debt service and to meet the reserve requirements. The District was in compliance with the reserve requirements at year end.

**NOTE 6 – LONG TERM LIABILITIES (Continued)**

Changes in long-term liability activity for the fiscal year ended September 30, 2015 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2006	\$ 11,500,000	\$ -	\$ 305,000	\$ 11,195,000	\$ 280,000
Deferred costs	771,743	-	-	771,743	-
Total	\$ 12,271,743	\$ -	\$ 305,000	\$ 11,966,743	\$ 280,000

At September 30, 2015, the scheduled debt service requirements on the long-term debt were as follows:

	Governmental Activities		
	Principal	Interest	Total
2016	\$ 280,000	\$ 587,738	\$ 867,738
2017	295,000	573,038	868,038
2018	310,000	557,550	867,550
2019	325,000	541,275	866,275
2020	345,000	524,213	869,213
2021-2025	2,020,000	2,329,163	4,349,163
2026-2030	2,620,000	1,739,588	4,359,588
2031-2035	3,405,000	973,875	4,378,875
2036-2037	1,595,000	125,738	1,720,738
Total	\$ 11,195,000	\$ 7,952,178	\$ 19,147,178

**NOTE 7 – DEFICIT FUND EQUITY**

The District has a government-wide net position deficit of (\$7,481,984) as of September 30, 2015. There is no such deficit reflected in the governmental fund financial statements. The deficit in the government-wide statement of net position primarily relates to the excess of the amount of long-term debt outstanding over the amount of capital assets, net of accumulated depreciation. In a prior year, various infrastructure improvements of the District were financed through the issuance of long-term debt but were conveyed to other entities for maintenance. Those capital assets are not included in the assets of the District; however, the long-term debt associated with those assets remains a liability of the District.

**NOTE 8 – RELATED PARTY TRANSACTIONS**

The Developer owns a portion of land within the District; therefore, the assessment revenues in the general and debt service funds include the assessments levied on lots owned by the Developer.

Certain major Landowners own a significant portion of land within the District; therefore, the assessment revenues in the general and debt service funds include the assessments levied on lots owned by the major Landowners.

**NOTE 9 – CONCENTRATION**

A significant portion of the District's activity is dependent upon the continued involvement of major Landowners, the loss of which could have a material adverse effect on the District's operations.

**NOTE 10 – 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 (Board appointed non-voting positions) of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, and other administrative costs.

**NOTE 11 – 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. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. There have been no claims from these risks that exceeded commercial insurance coverage over the past three years.

**NOTE 12 – SUBSEQUENT EVENTS**

Subsequent to fiscal year end, the District prepaid \$20,000 of the Series 2006 Bonds. The prepayment was an extraordinary mandatory redemption as outlined in the Bond Indenture.

**TWO CREEKS COMMUNITY DEVELOPMENT DISTRICT  
CLAY COUNTY, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts Original & Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Assessments	\$ 442,265	\$ 447,994	\$ 5,729
Interest and other revenues	-	743	743
Total revenues	442,265	448,737	6,472
<b>EXPENDITURES</b>			
Current:			
General government	89,801	80,299	9,502
Maintenance and operations	236,950	209,568	27,382
Parks and recreation	115,514	87,734	27,780
Total expenditures	442,265	377,601	64,664
Excess (deficiency) of revenues over (under) expenditures	-	71,136	71,136
Net change in fund balances	\$ -	71,136	\$ 71,136
Fund balance - beginning		51,465	
Fund balance - ending		\$ 122,601	

See notes to required supplementary information

**TWO CREEKS COMMUNITY DEVELOPMENT DISTRICT  
CLAY 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, 2015.

The variance between budgeted and actual general fund revenues for the current fiscal year is the result of fewer homeowners taking advantage of the discount than anticipated. Actual general fund expenditures for the fiscal year ended September 30, 2015 were less than appropriations 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  
Two Creeks Community Development District  
Clay 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 Two Creeks Community Development District, Clay County, Florida ("District") as of and for the fiscal year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 18, 2016.

**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.

**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 and 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 a matter that we reported to management of the District in a separate letter dated May 18, 2016.

The District's response to the finding identified in our audit is described in the accompanying Management Letter. We did not audit the District's response and, accordingly, we express no opinion on it.

**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.



May 18, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE  
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY  
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Supervisors  
Two Creeks Community Development District  
Clay County, Florida

We have examined Two Creeks Community Development District, Clay County, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2015. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2015, except that the individual assigned to make investment decisions did not have the required hours of continuing education for the year. The District should adopt the alternative guidelines for investments according to Florida Statute 218.415 or ensure the investment officer obtains the required hours.

This report 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, management, and the Board of Supervisors of Two Creeks Community Development District, Clay County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Grau & Associates*

May 18, 2016



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

To the Board of Supervisors  
Two Creeks Community Development District  
Clay County, Florida

**Report on the Financial Statements**

We have audited the accompanying basic financial statements of Two Creeks Community Development District, Clay County, Florida (the "District") as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated May 18, 2016.

**Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General.

**Other Reports and Schedule**

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 Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 18, 2016, should be considered in conjunction with this management letter.

**Purpose of this Letter**

The purpose of this letter is to comment on those matters described in Chapter 10.550 of the Rules of the Auditor General of 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 Two Creeks Community Development District, Clay County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Two Creeks Community Development District, Clay 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*

May 18, 2016

## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

#### **2016-01 Bond Indenture Compliance**

Observation: During the current fiscal year and subsequent to year end, the trustee transferred excess reserves from the Series 2006 Bonds to the prepayment account instead of to the deferred cost account. As a result, the amounts were used to prepay the Bonds instead of the paying the Developer for deferred costs.

Recommendation: We recommend that excess reserves be placed in the deferred cost account and used to repay the Developer until such costs have been eliminated.

Management Response: As of September 30, 2015 the district had not reached substantial absorption of 75% therefore the transfer of funds from the reserve account to the prepayment account done by the trustee is in accordance with the trust indenture and should not result in a finding.

### II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

### 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, 2014.

2. 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, 2015, except as noted above.

3. 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, 2015.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.
5. 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, 2015 financial audit report.
6. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
7. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2015. 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.

**Updated Presentation by MBS Capital Markets LLC**

**SUPERVISOR REQUESTS  
AND  
AUDIENCE COMMENTS**

# ADJOURNMENT