

**Marshall Creek
Community Development District**

ANNUAL FINANCIAL REPORT

September 30, 2016

Marshall Creek Community Development District

ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2016

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REPORT OF INDEPENDENT AUDITORS

To the Board of Supervisors
Marshall Creek Community Development District
St. Johns County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Marshall Creek Community Development District as of and for the year ended September 30, 2016, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Accounting Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Fort Pierce / Stuart

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To the Board of Supervisors
Marshall Creek Community Development District

Opinion

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 Marshall Creek Community Development District, as of September 30, 2016, and the respective changes in financial position, cash flows for the Enterprise Fund and the budgetary comparison for the General and Special Revenue Funds for the year then ended in conformity 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 Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 6, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marshall Creek Community Development District's internal control over financial reporting and compliance.

*Berger, Toombs, Elam,
Gaines & Frank*

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

March 6, 2017

**Marshall Creek Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016**

Management's discussion and analysis of Marshall Creek Community Development District's (the "District") financial performance provides an objective and easily readable analysis of the District's financial activities. The analysis provides summary financial information for the District and should be read in conjunction with the District's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's basic financial statements comprise three components; 1) *Government-wide financial statements*, 2) *Fund financial statements*, and 3) *Notes to financial statements*. The *Government-wide financial statements* present an overall picture of the District's financial position and results of operations. The *Fund financial statements* present financial information for the District's major funds. The *Notes to financial statements* provide additional information concerning the District's finances.

The *Government-wide financial statements* are the **statement of net position** and the **statement of activities**. These statements use accounting methods similar to those used by the private-sector. Emphasis is placed on the net position of governmental activities and the change in net position. Governmental activities are primarily supported by special assessments.

The **statement of net position** presents information on all assets and liabilities of the District, with the difference between assets and liabilities reported as net position. Net position is reported in three categories; 1) net investment in capital assets, 2) restricted and 3) unrestricted. Assets, liabilities, and net position are reported for all Governmental activities.

The statement of activities presents information on all revenues and expenses of the District and the change in net position. Expenses are reported by major function and program revenues relating to those functions are reported, providing the net cost of all functions provided by the District. To assist in understanding the District's operations, expenses have been reported as governmental activities. Governmental activities funded by the District include general government, physical environment, culture and recreation, transportation and interest on long-term debt.

Fund financial statements present financial information for governmental funds. These statements provide financial information for the major funds of the District. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures), and current available resources.

**Marshall Creek Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund financial statements include a **balance sheet** and a **statement of revenues, expenditures and changes in fund balances** for all governmental funds. A **statement of revenues, expenditures, and changes in fund balances – budget and actual**, is provided for the District's General Fund. *Fund financial statements* provide more detailed information about the District's activities. Individual funds are established by the District to track revenues that are restricted to certain uses or to comply with legal requirements.

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 balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government'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 statement of revenues, expenditures, and changes in fund balances provide reconciliations to facilitate this comparison between governmental funds and governmental activities.

Notes to financial statements provide additional detail concerning the financial activities and financial balances of the District. Additional information about the accounting practices of the District, investments of the District, capital assets, and long-term debt are some of the items included in the *notes to financial statements*.

Financial Highlights:

The following are the highlights of financial activity for the year ended September 30, 2016.

- The District's total assets exceeded total liabilities by \$4,152,088 (net position). Net investment in capital assets was \$3,437,816. Unrestricted net position was \$714,272.
- Governmental activities revenues and gain on refunding totaled \$6,934,159 while governmental activities expenses totaled \$6,172,698.

**Marshall Creek Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District

The following schedule provides a summary of the assets, liabilities and net position of the District.

Net Position

	Governmental Activities	
	2016	2015
Current assets	\$ 1,914,535	\$ 1,492,451
Restricted assets	2,498,682	2,816,393
Capital assets	<u>24,327,112</u>	<u>25,487,847</u>
Total Assets	<u>28,740,329</u>	<u>29,796,691</u>
 Deferred Outflows of Resources	 <u>331,535</u>	 <u>352,810</u>
Total Assets and Deferred Outflows of Resources	<u>29,071,864</u>	<u>30,149,501</u>
 Current liabilities	 1,722,072	 2,251,879
Non-current liabilities	<u>23,197,704</u>	<u>24,506,995</u>
Total Liabilities	<u>24,919,776</u>	<u>26,758,874</u>
 Net position-net investment in capital assets	 3,437,816	 2,386,371
Net position-unrestricted	<u>714,272</u>	<u>1,004,256</u>
Total Net Position	<u>\$ 4,152,088</u>	<u>\$ 3,390,627</u>

The increase in current assets is the result of revenues in excess of expenditures at the fund level.

The decrease in restricted assets and current liabilities is primarily due to the decrease in matured bonds payable.

The decrease in capital assets is due to current year depreciation in excess of capital additions.

The decrease in non-current liabilities is the result of principal payments on bonds and the extinguishment of debt.

**Marshall Creek Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District (Continued)

The following schedule provides a summary of the changes in net position of the District.

Change in Net Position

	Governmental Activities	
	2016	2015
Program Revenues		
Charges for services	\$ 5,484,142	\$ 5,455,940
Grants and contributions	542,132	438,139
General Revenues		
Investment earnings	8,571	5,477
Miscellaneous revenues	139,314	92,391
Gain on extinguishment of debt / bond refunding	760,000	45,000
Total Revenues	<u>6,934,159</u>	<u>6,036,947</u>
Expenses		
General government	614,514	590,534
Physical environment	2,924,530	3,504,003
Culture and recreation	1,077,765	1,005,754
Interest on long-term debt	1,555,889	1,687,606
Total Expenses	<u>6,172,698</u>	<u>6,787,897</u>
Change in Net Position	761,461	(750,950)
Net Position - Beginning of Year	<u>3,390,627</u>	<u>4,141,577</u>
Net Position - End of year	<u>\$ 4,152,088</u>	<u>\$ 3,390,627</u>

The decrease in physical environment is related to a demolition project that occurred in the prior year.

**Marshall Creek Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Capital Assets Activity

The following schedule provides a summary of the District's capital assets as of September 30, 2016 and 2015.

<u>Description</u>	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Land	\$ 1,964,522	\$ 1,964,522
Construction in progress	83,539	19,259
Buildings	7,604,571	7,640,941
Improvements other than buildings	1,059,218	1,059,218
Infrastructure	29,408,288	29,408,288
Furniture and equipment	287,422	143,148
Accumulated depreciation	<u>(16,080,448)</u>	<u>(14,747,529)</u>
Total Capital Assets (Net)	<u>\$ 24,327,112</u>	<u>\$ 25,487,847</u>

During the year, depreciation was \$1,388,892, additions to capital assets were \$255,839 and disposal of capital assets, net of accumulated depreciation was \$27,682.

General Fund Budgetary Highlights

The budget exceeded governmental expenditures primarily because of lower shared expenses and use of reserves than was expected.

There were no amendments to the budget for the year ending September 30, 2016.

Debt Management

Governmental Activities debt includes the following:

- In December 2002, the District issued \$18,615,000 Series 2002 Special Assessment Bonds. The bonds were issued to fund the 2002 project as well as retire the Bond Anticipation Note. The balance outstanding at September 30, 2016 was \$12,370,000.
- In March 2015, the District issued \$11,205,000 Series 2015A Capital Improvement and Refunding Special Assessment Bonds to refund the Series 2000A Series Bonds and pay a portion of the 2015A Project. At September 30, 2016 the outstanding balance is \$10,735,000.

**Marshall Creek Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Debt Management (Continued)

- In May 2016, the District issued \$800,000 Series 2016 Special Assessment Bonds. The bonds were issued in exchange for \$800,000 of the Series 2002 Special Assessments Bonds. The balance outstanding at September 30, 2016 was \$800,000.

Economic Factors and Next Year's Budget

Marshall Creek Community Development District is still trying to ensure the collection of adequate special assessments to pay all required debt service. The District defaulted on the November 1, 2016 scheduled interest payment for the Series 2002 Bonds.

Request for Information

The financial report is designed to provide a general overview of Marshall Creek Community Development District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Marshall Creek Community Development District, Severn Trent Management Services, Inc., 210 North University Drive, Suite 702, Coral Springs, Florida 33071.

Marshall Creek Community Development District
STATEMENT OF NET POSITION
September 30, 2016

	Governmental Activities
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,795,917
Accounts receivable	1,847
Assessments receivable, net	17,723
Prepaid expenses	1,427
Due from other governments	97,621
Total Current Assets	1,914,535
Non-Current Assets	
Restricted assets	
Investments	2,498,682
Capital assets, not being depreciated	
Land	1,964,522
Construction in progress	83,539
Capital assets, being depreciated	
Buildings	7,604,571
Improvements other than buildings	1,059,218
Infrastructure	29,408,288
Furniture and equipment	287,422
Less: accumulated depreciation	(16,080,448)
Total Non-Current Assets	26,825,794
Total Assets	28,740,329
Deferred Outflows of Resources	
Deferred amount on refunding	331,535
Total Assets and Deferred Outflows of Resources	29,071,864
LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	218,920
Accrued interest	573,152
Bonds payable	930,000
Total Current Liabilities	1,722,072
Non-Current Liabilities	
Bonds payable	23,197,704
Total Liabilities	24,919,776
NET POSITION	
Net investment in capital assets	3,437,816
Unrestricted	714,272
Total Net Position	\$ 4,152,088

See accompanying notes.

Marshall Creek Community Development District
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position Governmental Activities	Component Unit
		Charges for Services	Operating Contributions		
Primary government					
Governmental Activities					
General government	\$ (614,514)	\$ 731,541	\$ -	\$ 117,027	\$ -
Physical environment	(2,924,530)	1,460,619	542,132	(921,779)	-
Culture and recreation	(1,077,765)	949,599	-	(128,166)	-
Interest on long-term debt	(1,555,889)	2,342,383	-	786,494	-
Total Governmental Activities	<u>\$ (6,172,698)</u>	<u>\$ 5,484,142</u>	<u>\$ 542,132</u>	<u>(146,424)</u>	<u>-</u>
Component unit:					
Marshall Creek SPE Holdings, LLC	<u>\$ (83,748)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(83,748)</u>
		General Revenues			
				8,571	-
				139,314	-
				<u>147,885</u>	<u>-</u>
				760,000	-
				761,461	(83,748)
				3,390,627	83,748
				<u>\$ 4,152,088</u>	<u>\$ -</u>

See accompanying notes.

Marshall Creek Community Development District
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2016

	General	2002 Debt Service	2015A Debt Service	2016 Debt Service	2015A Capital Project	Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 1,795,917	\$ -	\$ -	\$ -	\$ -	\$ 1,795,917
Accounts receivable	1,347	-	-	-	-	1,347
Assessments receivable, net	17,723	-	-	-	-	17,723
Due from other funds	-	11,133	24,516	-	-	35,649
Due from other governments	80,580	8,593	8,448	-	-	97,621
Due from developer	500	-	-	-	-	500
Prepaid expenses	1,427	-	-	-	-	1,427
Restricted assets						
Investments, at fair value	-	246,101	778,696	37,856	1,436,029	2,498,682
Total Assets	<u>\$ 1,897,494</u>	<u>\$ 265,827</u>	<u>\$ 811,660</u>	<u>\$ 37,856</u>	<u>\$ 1,436,029</u>	<u>\$ 4,448,866</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued expenses	\$ 202,059	\$ 3,788	\$ -	\$ 5,500	\$ 7,573	\$ 218,920
Due to other funds	35,649	-	-	-	-	35,649
Total Liabilities	<u>237,708</u>	<u>3,788</u>	<u>-</u>	<u>5,500</u>	<u>7,573</u>	<u>254,569</u>
Fund Balances:						
Nonspendable - prepaid expenses	1,427	-	-	-	-	1,427
Restricted						
Debt service	-	262,039	811,660	32,356	-	1,106,055
Capital projects	-	-	-	-	1,428,456	1,428,456
Assigned						
Operating reserves	588,766	-	-	-	-	588,766
Capital projects	451,967	-	-	-	-	451,967
Unassigned	617,626	-	-	-	-	617,626
Total Fund Balances	<u>1,659,786</u>	<u>262,039</u>	<u>811,660</u>	<u>32,356</u>	<u>1,428,456</u>	<u>4,194,297</u>
Total Liabilities and Fund Balances	<u>\$ 1,897,494</u>	<u>\$ 265,827</u>	<u>\$ 811,660</u>	<u>\$ 37,856</u>	<u>\$ 1,436,029</u>	<u>\$ 4,448,866</u>

See accompanying notes.

Marshall Creek Community Development District
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2016

Total Governmental Fund Balances	\$	4,194,297
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets (land (\$1,964,522), construction in progress (\$83,539) buildings (\$7,604,571), improvements other than buildings (\$1,059,218) infrastructure (\$29,408,288), and furniture and equipment (\$287,422), net of accumulated depreciation (\$16,080,448)) used in governmental activities are not financial resources and; therefore, are not reported at the fund statement level.		24,327,112
Deferred outflows of resources, deferred amount on refunding, net, are not financial resources, and therefore, are not reported at the fund statement level.		331,535
Long-term liabilities, including bonds payable (\$23,905,000), and bond premium, net(\$222,704) are not due and payable in the current period therefore, are not reported at the fund statement level.		(24,127,704)
Accrued interest expense for long-term debt is not a financial use and; therefore, is not reported in the funds.		<u>(573,152)</u>
Net Position of Governmental Activities	\$	<u><u>4,152,088</u></u>

See accompanying notes.

Marshall Creek Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2016

	General	2002 Debt Service	2015A Debt Service	2016 Debt Service	2015A Capital Projects	Totals Governmental Funds
Revenues						
Special assessments	\$2,926,397	\$ 1,338,466	\$ 1,003,917	\$ -	\$ -	\$ 5,268,780
Intergovernmental revenues	542,132	-	-	-	-	542,132
Charges for services	215,362	-	-	-	-	215,362
Investment earnings	6,236	282	785	26	1,242	8,571
Miscellaneous revenues	139,314	-	-	-	-	139,314
Total Revenues	<u>3,829,441</u>	<u>1,338,748</u>	<u>1,004,702</u>	<u>26</u>	<u>1,242</u>	<u>6,174,159</u>
Expenditures						
Current						
General government	614,514	-	-	-	-	614,514
Physical environment	1,769,091	-	-	-	-	1,769,091
Culture and recreation	832,141	-	-	-	-	832,141
Capital outlay	191,559	-	-	-	64,280	255,839
Debt service						
Principal	-	860,000	470,000	-	-	1,330,000
Interest	-	956,650	523,575	-	-	1,480,225
Other	-	33,234	11,435	67,640	-	112,309
Total Expenditures	<u>3,407,305</u>	<u>1,849,884</u>	<u>1,005,010</u>	<u>67,640</u>	<u>64,280</u>	<u>6,394,119</u>
Excess of revenues over expenditures	<u>422,136</u>	<u>(511,136)</u>	<u>(308)</u>	<u>(67,614)</u>	<u>(63,038)</u>	<u>(219,960)</u>
Other financing sources (uses)						
Operating transfers in	-	800,000	-	99,970	410	900,380
Operating transfers out	-	(99,970)	(410)	(800,000)	-	(900,380)
Proceeds from sale of capital asset	15,511	-	-	-	-	15,511
Proceeds from refunding debt	-	-	-	800,000	-	800,000
Total Other Financing Sources (Uses)	<u>15,511</u>	<u>700,030</u>	<u>(410)</u>	<u>99,970</u>	<u>410</u>	<u>815,511</u>
Net change in fund balances	437,647	188,894	(718)	32,356	(62,628)	595,551
Fund Balances - October 1, 2015	<u>1,222,139</u>	<u>73,145</u>	<u>812,378</u>	<u>-</u>	<u>1,491,084</u>	<u>3,598,746</u>
Fund Balances - September 30, 2016	<u>\$1,659,786</u>	<u>\$ 262,039</u>	<u>\$ 811,660</u>	<u>\$ 32,356</u>	<u>\$ 1,428,456</u>	<u>\$ 4,194,297</u>

See accompanying notes.

Marshall Creek Community Development District
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2016

Net Change in Fund Balances -Total Governmental Funds	\$ 595,551
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation. This is the amount that depreciation (\$1,388,892) exceeded capital additions (\$255,839).	(1,133,053)
Governmental funds report the proceeds from the sale of capital assets as revenues. However, in the Statement of Activities, the gain or loss is reported. This is the amount of loss on the disposal of capital assets in the current period.	(27,682)
Repayments of bond principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position.	1,330,000
Bond proceeds are reported as an other financing source at the fund statement level, but increase long-term liabilities in the Statement of Net Position.	(800,000)
Gain on extinguishment of long-term liabilities are not reported in the governmental funds, but reduced liabilities in the Statement of Net Position.	760,000
Deferred outflows of resources for refunding debt is recognized as a component of interest on long term debt in the Statement of Activities, but not in the governmental funds. This is the amount of current year period.	(21,275)
Amortization of bond premium does not require the use of current resources and therefore is not reported in the governmental funds. This is the amount of amortization in the current period.	14,291
In the Statement of Activities, interest is accrued on outstanding bonds; whereas in governmental funds, interest expenditures are reported when due. This is the change in accrued interest in the current period.	<u>43,629</u>
Change in Net Position of Governmental Activities	<u><u>\$ 761,461</u></u>

See accompanying notes.

Marshall Creek Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended September 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Special assessments	\$ 2,926,554	\$ 2,926,554	\$ 2,926,397	\$ (157)
Intergovernmental revenues	559,792	559,792	542,132	(17,660)
Charges for services	180,650	180,650	215,362	34,712
Investment earnings	3,000	3,000	6,236	3,236
Miscellaneous revenues	17,500	17,500	139,314	121,814
Total Revenues	<u>3,687,496</u>	<u>3,687,496</u>	<u>3,829,441</u>	<u>141,945</u>
Expenditures				
Current				
General government	702,043	702,043	614,514	87,529
Physical environment	1,791,220	1,791,220	1,769,091	22,129
Culture and recreation	879,372	879,372	832,141	47,231
Capital outlay	314,861	314,861	191,559	123,302
Total Expenditures	<u>3,687,496</u>	<u>3,687,496</u>	<u>3,407,305</u>	<u>280,191</u>
Excess of revenues over expenditures	-	-	422,136	422,136
Other financing sources (uses)				
Proceeds from sale of capital asset	-	-	15,511	15,511
Net change in fund balances	-	-	437,647	437,647
Fund Balances - October 1, 2015	<u>920,260</u>	<u>920,260</u>	<u>1,222,139</u>	<u>301,879</u>
Fund Balances - September 30, 2016	<u>\$ 920,260</u>	<u>\$ 920,260</u>	<u>\$ 1,659,786</u>	<u>\$ 739,526</u>

See accompanying notes.

Marshall Creek Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

1. Reporting Entity

The District was created on October 28, 1999, by Ordinance 99-54 of St. Johns County, Florida, pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of the infrastructure necessary for community development within its jurisdiction. The District is authorized to issue bonds for the purpose, among others, of financing, funding, planning, establishing, acquiring, constructing or re-constructing, enlarging or extending, equipping, operating and maintaining water management, bridges or culverts, district roads, landscaping, street lights and other basic infrastructure projects within or without the boundaries of the Marshall Creek Community Development District. The District is governed by a five-member Board of Supervisors who are elected for four year terms. The District operates within the criteria established by Chapter 190, Florida Statutes.

As required by GAAP, these financial statements present the Marshall Creek Community Development District (the primary government) as a local unit of special purpose government. The reporting entity for the District includes all functions of government in which the District's Board exercises oversight responsibility including, but not limited to, financial interdependency, selection of governing authority, designation of management, significant ability to influence operations and accountability for fiscal matters.

Based upon the application of the above-mentioned criteria, the District has identified one discretely-presented component unit, Marshall Creek SPE Holdings, LLC. The discretely-presented component unit is a legally separate entity which did not meet the criteria for blending. It is reported in separate columns to emphasize that it is legally separate from the District.

2. Measurement Focus and Basis of Accounting

The basic financial statements of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

Marshall Creek Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

a. Government-wide Financial Statements

Government-wide financial statements report all non-fiduciary information about the reporting government as a whole. These statements include all the governmental activities of the primary government. The effect of interfund activity has been removed from these statements.

Governmental activities are supported by special assessments, developer contributions, intergovernmental revenues and interest. Program revenues are netted with program expenses in the Statement of Activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source.

Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

b. Fund Financial Statements

The underlying accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually.

Marshall Creek Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds

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

The District has various policies governing the fund balance classifications.

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

Restricted Fund Balance – This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Assigned Fund Balance – This classification consists of the Board of Supervisors' intent to be used for specific purposes, but are neither restricted nor committed. The assigned fund balances can also be assigned by the District's management company.

Unassigned Fund Balance – This classification is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Unassigned fund balance is considered to be utilized first when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Fund Balance Spending Hierarchy - For all governmental funds except special revenue funds, when restricted, committed, assigned, and unassigned fund balances are combined in a fund, qualified expenditures are paid first from restricted or committed fund balance, as appropriate, then assigned and finally unassigned fund balances.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Interest associated with the current fiscal period is considered to be an accrual item and so has been recognized as revenue of the current fiscal period.

Marshall Creek Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of “available spendable resources”. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources are expended, rather than as fund assets. In addition, the proceeds of long-term debt are recorded as an other financing source rather than as a fund liability.

Debt service expenditures are recorded only when payment is due.

3. Basis of Presentation

a. Governmental Major Funds

General Fund - The General Fund is the District’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

2002 Debt Service Fund - Accounts for debt service requirements to retire the special assessment bonds which were used to finance the construction of District infrastructure improvements. The bond series is secured by a pledge of all available special assessment revenues in any fiscal year related to the improvements and a first lien on the special assessment revenues from the District lien on all acreage of benefited land.

2015A Debt Service Fund - Accounts for debt service requirements to retire the Series 2015A Capital Improvement and Refunding Special Assessment Bonds.

2016 Debt Service Fund - Accounts for debt service requirements to retire the Series 2016 Special Assessment Bonds.

Marshall Creek Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of Presentation (Continued)

a. Governmental Major Funds (Continued)

2015A Capital Projects Fund - Accounts for the capital improvements expenditures related to the proceeds received from the 2015A Series Bonds.

b. Non-current Governmental Assets/Liabilities

GASB Statement 34 requires that non-current governmental assets, such as infrastructure and improvements, and non-current governmental liabilities, such as general obligation bonds, be reported in the governmental activities column in the government-wide Statement of Net Position.

4. Assets, Liabilities, and Net Position or Equity

a. Cash and Investments

Florida Statutes require state and local governmental units to deposit monies with financial institutions classified as "Qualified Public Depositories," a multiple financial institution pool whereby groups of securities pledged by the various financial institutions provide common collateral from their deposits of public funds. This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions, providing full insurance for public deposits.

The District is authorized to invest in those financial instruments as established by Section 218.415, Florida Statutes. The authorized investments consist of:

1. Direct obligations of the United States Treasury;
2. The Local Government Surplus Funds Trust or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperative Act of 1969;
3. Interest-bearing time deposits or savings accounts in authorized qualified public depositories;
4. Securities and Exchange Commission, registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

For purposes of the statement of cash flows, cash equivalents include time deposits and certificates of deposit with original maturities of three months or less and held in a qualified public depository as defined by Section 280.02, Florida Statutes.

Marshall Creek Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities, and Net Position or Equity (Continued)

b. Restricted Net Position

Certain net position of the District are classified as restricted on the statement of net position because their use is limited either by law through constitutional provisions or enabling legislation, or by restrictions imposed externally by creditors. In a fund with both restricted and unrestricted net position, qualified expenses are considered to be paid first from restricted net position and then from unrestricted net position.

c. Capital Assets

Capital assets, which include land and improvements, are reported in the governmental activities column in the government-wide statements.

The District defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. The valuation basis for all assets is historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of capital assets is computed and recorded by utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Infrastructure	15-30 years
Buildings	20-30 years
Improvements other than buildings	20-30 years
Furniture and equipment	2-10 years

d. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position/fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred amount on refunding reported on the Statement of Net Position. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Marshall Creek Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities, and Net Position or Equity (Continued)

e. Unamortized Bond Discounts and Premiums

Bond premiums are presented on the government-wide financial statements. The costs are amortized over the life of the bonds using the straight line method of accounting. For financial reporting, the unamortized premiums are netted against the applicable long-term debt.

f. Budgets

Budgets are prepared and adopted after public hearings for the governmental funds, pursuant to Chapter 190 and Section 200.065, Florida Statutes. The District utilizes the same basis of accounting for budgets as it does for revenues and expenditures in its various funds. The legal level of budgetary control is at the fund level. All budgeted appropriations lapse at year end. Formal budgets are adopted for the general and debt service funds.

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

“Total fund balances” of the District’s governmental funds (\$4,194,297) differs from “net position” of governmental activities (\$4,152,088) reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the Governmental Fund Balance Sheet. The effect of the differences is illustrated on the next page.

Marshall Creek Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position (Continued)

Capital related items

When capital assets (infrastructure and improvements that are to be used in governmental activities) are purchased or constructed, the cost of those assets is reported as expenditures in governmental funds. However, the Statement of Net Position included those capital assets among the assets of the District as a whole.

Land	\$ 1,964,522
Construction in progress	83,539
Buildings	7,604,571
Improvements other than buildings	1,059,218
Infrastructure	29,408,288
Furniture and equipment	287,422
Accumulated depreciation	<u>(16,080,448)</u>
Total	<u>\$ 24,327,112</u>

Deferred outflows of resources

Deferred outflows of resources are not financial resources, and therefore, are not recognized at the fund level.

Deferred amount on refunding, net	<u>\$ 331,535</u>
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Long-term debt transactions

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position.

Balances at September 30, 2016 were:

Bonds payable	\$ (23,905,000)
Bond premium, net	<u>(222,704)</u>
Total	<u>\$ (24,127,704)</u>

Marshall Creek Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position (Continued)

Accrued interest

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

Accrued interest	<u>\$ (573,152)</u>
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2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities

The “net change in fund balances” for government funds (\$595,551) differs from the “change in net position” for governmental activities (\$761,461) reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation. The following is the amount of depreciation, capital asset additions, proceeds and loss from the sale of capital assets.

Depreciation	\$ (1,388,892)
Capital asset additions	255,839
Loss on disposal of capital assets	<u>(27,682)</u>
Total	<u>\$ (1,160,735)</u>

Long-term debt transactions

Repayments of bond principal are reported as expenditures in the governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used.

Bond principal payments	<u>\$ 1,330,000</u>
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**Marshall Creek Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016**

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities (Continued)

Long-term debt transactions (Continued)

Issuance of new debt provides current financial resources to governmental funds, but increase long-term liabilities in the Statement of Net Position.

Proceeds from bond issuance	\$ <u>(800,000)</u>
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Gain on extinguishment of long-term liabilities is not reported in the governmental fund statements, but reduces liabilities in the Statement of Net Position.

Gain on extinguishment of long-term liabilities	\$ <u>760,000</u>
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Amortization of the bond premium does not require the use of current resources and therefore is not reported in governmental funds.

Amortization of bond premium	\$ <u>14,291</u>
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Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

Net change in accrued interest payable	\$ 43,629
Decrease in deferred amount on refunding	<u>(21,275)</u>
Total	<u>\$ 22,354</u>

NOTE C – CASH AND INVESTMENTS

All deposits are held in qualified public depositories and are included on the accompanying balance sheet and statement of net position as cash and investments.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The investment policy of the District follows the provisions of Chapter 280, Florida Statutes regarding deposits and investments. As of September 30, 2016, the District's bank balance was \$1,823,627 and the carrying value was \$1,795,917. The District controls its exposure to custodial credit risk because it maintains all deposits in a qualified public depository in accordance with the provisions of Chapter 280, Florida Statutes, which means that all deposits are fully insured by Federal Depositors Insurance or collateralized under Chapter 280, Florida Statutes.

Marshall Creek Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE C – CASH AND INVESTMENTS (CONTINUED)

As of September 30, 2016, the District had the following investments and maturities.

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Book Value</u>
First American Government Obligation Fund CI Y	N/A	\$ 37,856	\$ 37,856
Money Market	N/A	246,101	246,101
Commercial Paper	N/A	2,214,725	2,214,725
Total		<u>\$ 2,498,682</u>	<u>\$ 2,498,682</u>

The District categorizes its fair value measurements within the fair value hierarchy recently established by generally accepted accounting principles. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The District uses a market approach in measuring fair value that uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities, or groups of assets and liabilities.

Assets or liabilities are classified into one of three levels. Level 1 is the most reliable and is based on quoted price for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtaining quoted prices for identical or similar assets, or liabilities, in markets that are not active. Level 3 is the least reliable and uses significant unobservable inputs that uses the best information available under the circumstances, which includes the District's own data in measuring unobservable inputs.

Based on the criteria in the preceding paragraph, the investment listed above is a Level 1 asset.

Interest Rate Risk

The District monitors investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's investments government loans are limited by state statutory requirements and bond compliance. As of September 30, 2016, the District's investment in the First American Government Obligation Fund Class Y was rated AAAM by Standard & Poor's. As of September 30, 2016, the District's investment in Commercial Paper Manual Sweep was rated A-1+ by Standard & Poor's.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one issuer. Of the District's total investments, 89% are invested in Commercial Paper, 10% are invested in Money Markets and 1% are invested in First American Government Obligation Fund Class Y.

Marshall Creek Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE C – CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk (Continued)

The types of deposits and investments and their level of risk exposure as of September 30, 2016 were typical of these items during the fiscal year then ended. The District considers any decline in fair value for certain investments to be temporary. In addition, the District has the ability to hold investments to maturity that have fair values less than cost. The District's investments are recorded at fair value.

NOTE D – SPECIAL ASSESSMENT REVENUES

Special assessment revenues recognized for the 2015-2016 fiscal year were levied in October 2015. All assessments are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Per Section 197.162, Florida Statutes, discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Assessments paid in March are without discount. All unpaid assessments become delinquent as of April 1. Virtually all unpaid assessments that were on the assessment roll certified and delivered to the Tax Collector are collected via the sale of tax certificates on or prior to June 1. For certain parcels, the District bills and collects the annual assessments. See Note I for further information.

NOTE E – CAPITAL ASSETS

Capital Asset activity for the year ended September 30, 2016 was as follows:

	Balance October 1, 2015	Additions	Deletions	Balance September 30, 2016
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 1,964,522	\$ -	\$ -	\$ 1,964,522
Construction in progress	19,259	64,280	-	83,539
Total Capital Assets, Not Being Depreciated	<u>1,983,781</u>	<u>64,280</u>	<u>-</u>	<u>2,048,061</u>
Capital assets, being depreciated:				
Buildings	7,640,941	-	(36,370)	7,604,571
Improvements other than buildings	1,059,218	-	-	1,059,218
Infrastructure	29,408,288	-	-	29,408,288
Furniture and equipment	143,148	191,559	(47,285)	287,422
Total Capital Assets Being Depreciated	<u>38,251,595</u>	<u>191,559</u>	<u>(83,655)</u>	<u>38,359,499</u>
Less accumulated depreciation for:				
Buildings	(3,107,250)	(255,697)	8,688	(3,354,259)
Improvements other than buildings	(159,229)	(42,772)	-	(202,001)
Infrastructure	(11,410,667)	(1,073,161)	-	(12,483,828)
Furniture and equipment	(70,383)	(17,262)	47,285	(40,360)
Total Accumulated Depreciation	<u>(14,747,529)</u>	<u>(1,388,892)</u>	<u>55,973</u>	<u>(16,080,448)</u>
Governmental Activities Capital Assets	<u>\$ 25,487,847</u>	<u>\$ (1,133,053)</u>	<u>\$ (27,682)</u>	<u>\$ 24,327,112</u>

Depreciation in the amount of \$1,143,268 was charged to physical environment and \$245,624 was charged to culture and recreation.

Marshall Creek Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE F –SPECIAL PURPOSE ENTITY

During a prior fiscal year, the Majority of the Bondholders and the trustee requested that the District form an SPE to own, manage, maintain and dispose of certain properties and Marshall Creek SPE Holdings, LLC (“SPE”) was created.

By a tri-party agreement between the District, the trustee and the SPE (“the Parties”), the Parties acknowledge that the sole source of funds necessary to operate the SPE and to own, operate and maintain the Foreclosed Property will be provided by the District through the funding from the Trustee, who agrees to pay the actual expenses of the SPE from the available amounts on deposit in the funds and accounts comprising the trust estate, including any proceeds received from the sale of all or a portion of the Foreclosed Property. Should funding from the Trustee not occur, cease or otherwise become delinquent for a period of sixty (60) days from the date of receipt of the funding request, the Parties agreed that the District may (1) impose maintenance assessments upon the Foreclosed Property and take all actions necessary to collect such maintenance assessments, or (2) direct the SPE to sell the Foreclosed Property, transfer to the District the amount of unpaid funding requests and distribute the balance of the sale proceeds in accordance with the terms of the Agreement, which determination will be the exclusive right of the District.

In the current period, the dissolution of the SPE occurred as all foreclosed property was sold and the tri-party agreement was accomplished.

NOTE G – LONG-TERM DEBT

The following is a summary of activity in the long-term debt of the District for the year ended September 30, 2016:

Long-term debt at October 1, 2015	\$ 25,195,000
Principal payments	(1,330,000)
Gain on refunding	(760,000)
Bond proceeds	<u>800,000</u>
Long-term debt at September 30, 2016	23,905,000
Plus bond premium, net	<u>222,704</u>
Total long-term debt, September 30, 2016	<u><u>\$ 24,127,704</u></u>

Marshall Creek Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE G – LONG-TERM DEBT (CONTINUED)

Long-term debt is comprised of the following:

Special Assessment and Capital Improvement Revenue Bonds

\$18,615,000 Series 2002 Special Assessment Bonds due in annual principal installments beginning May 2004 and maturing May 1, 2032. Interest at a rate of 6.625% is due May and November beginning November 2003.	\$ 12,370,000
\$11,205,000 Series 2015A Capital Improvement and Refunding Special Assessment Bonds due in annual installments beginning in May 2015 through May 2032. Interest from 3.5% to 5% due in May and November starting in May 2015.	10,735,000
\$800,000 Series 2016 Special Assessment Bonds due in annual installments beginning in May 2017 through May 2045. Interest at a rate of 6.32% is due May and November beginning November 2016.	<u>800,000</u>
	<u>\$ 23,905,000</u>

The issuance of the Series 2015A bonds resulted in a deferred amount of refunding which is reported as a deferred outflow in the statement of financial position.

The annual requirements to amortize the principal and interest of long-term debt outstanding as of September 30, 2016 are as follows:

Year Ending September 30,	Principal	Interest	Total
2017	\$ 930,000	\$ 1,376,270	\$ 2,306,270
2018	980,000	1,330,078	2,310,078
2019	1,030,000	1,280,496	2,310,496
2020	1,080,000	1,228,070	2,308,070
2021	1,145,000	1,172,957	2,317,957
2022-2026	6,855,000	4,773,578	11,628,578
2027-2031	9,185,000	2,500,390	11,685,390
2032-2036	2,290,000	285,626	2,575,626
2037-2041	195,000	106,492	301,492
2042-2045	<u>215,000</u>	<u>35,076</u>	<u>250,076</u>
Totals	<u>\$ 23,905,000</u>	<u>\$ 14,089,033</u>	<u>\$ 37,994,033</u>

Marshall Creek Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE G – LONG-TERM DEBT (CONTINUED)

Special Assessment Revenue Bonds, Series 2002

Depository Funds - The bond resolution establishes certain funds and determines the order in which revenues are to be deposited into these funds. A description of the significant funds, including their purposes, is as follows:

1. Reserve Fund - The 2002 Reserve Account is funded from the proceeds of the Bonds in an amount equal to 7.77% of the aggregate principal amount outstanding. Monies held in the reserve accounts will be used only for the purposes established in the Trust Indenture.

	Bonds	
	Reserve Balance	Reserve Requirement
Series 2002 Special Assessment Bonds	\$ 69,808	\$ 961,149

The reserve balance for the Series 2002 Bond is less than the reserve requirement because funds were used in a prior year to make a scheduled payment.

In May 2016, the District issued \$800,000 of Series 2016 Special Assessment Revenue Bonds, which was exchanged for \$800,000 of the Series 2002 Special Assessment Revenue Bonds. As a result of this transaction, the District increases its aggregate debt payment for Series 2016 Bonds by \$447,299 over the next 29 years and realized an economic gain of approximately \$90,760.

Special Assessment Revenue Bonds, Series 2015A

Depository Funds - The bond resolution establishes certain funds and determines the order in which revenues are to be deposited into these funds. A description of the significant funds, including their purposes, is as follows:

1. Reserve Fund - The 2015A Reserve Account is funded from the proceeds of the Bonds in an amount equal to 50% of the maximum annual debt service requirement. Monies held in the reserve accounts will be used only for the purposes established in the Trust Indenture.

	Bonds	
	Reserve Balance	Reserve Requirement
Series 2015A Special Assessment Bonds	\$ 486,625	\$ 486,250

**Marshall Creek Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016**

NOTE G – LONG-TERM DEBT (CONTINUED)

Special Assessment Revenue Bonds, Series 2016

Depository Funds - The bond resolution establishes certain funds and determines the order in which revenues are to be deposited into these funds. A description of the significant funds, including their purposes, is as follows:

1. Reserve Fund - The 2016 Reserve Account is funded from legally available funds in an amount equal to 50% of the maximum annual debt service requirement. Monies held in the reserve accounts will be used only for the purposes established in the Trust Indenture.

	Bonds	
	Reserve Balance	Reserve Requirement
Series 2016 Special Assessment Bonds	\$ 31,330	\$ 31,330

NOTE H – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

NOTE I - INTERLOCAL AGREEMENT

Under an Interlocal Agreement, Sweetwater Creek Community Development District (“SCCDD”) and the District are sharing the use of certain amenities and certain costs of those amenities. To avoid closing the Sweetwater Creek Amenity Center and security facilities (collectively with the Sweetwater Creek Amenity Center, the “Sweetwater Facilities”) to both District’s landowners, residents and fee payers, the agreement was amended a third time whereby, amongst other terms, the District agreed to operate and maintain the Sweetwater Facilities at its direct cost in a prior year. Certain end users within SCCDD contribute towards the cost of operating and maintaining the facilities. In June 2014, the District entered into the Restated and amended Interlocal Agreement with SCCDD whereby, amongst other conditions, the Districts agreed to each pay a percentage of the costs associated with the operation of the reciprocally used facilities. Also, the Districts agreed that the staffing needs for the facilities will be provided by the District and SCCDD will reimburse the District \$23,352 per month.

NOTE J – SUBSEQUENT EVENT

The District defaulted on the November 1, 2016 scheduled interest payment for the Series 2002 Special Assessment Bonds.



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

To the Board of Supervisors
Marshall Creek Community Development District
St. Johns 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 Marshall Creek Community Development District, as of and for the year ended September 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated March 6, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marshall Creek Community Development District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marshall Creek Community Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of Marshall Creek Community Development 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Supervisors
Marshall Creek Community Development District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marshall Creek Community Development District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Certain compliance issues are noted in our separate letter dated March 6, 2017 included on pages 35-37.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Berger, Toombs, Elam,
Gaines & Frank*

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

March 6, 2017



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MANAGEMENT LETTER

To the Board of Supervisors
Marshall Creek Community Development District
St. Johns County, Florida

Report on the Financial Statements

We have audited the financial statements of the Marshall Creek Community Development District as of and for the year ended September 30, 2016, and have issued our report thereon dated March 6, 2017.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Auditor's Report on an examination conducted in accordance with AICPA Professionals Standards, Section 601 regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in that report, which is dated March 6, 2017, should be considered in conjunction with this Management Letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we address in the Management Letter, if not already addressed in the auditor's report on compliance and internal controls, whether or not recommendations made in the preceding annual financial report have been followed. The status of the prior audit findings is as follows:

To the Board of Supervisors
Marshall Creek Community Development District

Finding 2012/2013/2014-02

Finding:

The Reserve Requirement for the Series 2002 Bonds was not met. The reserve requirement was still not met at September 30, 2016.

Recommendation:

The District should take the necessary steps to replenish the reserve account to meet the reserve requirement.

Response:

The District is trying to refinance the Series 2002 Bonds and in doing so, expects to correct this matter. In the current year, the District exchanged a portion of the Series 2002 Bonds; however, the exchange was not sufficient to cover the reserve requirement.

Financial Condition

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

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Marshall Creek Community Development District for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

To the Board of Supervisors
Marshall Creek Community Development District

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the Management Letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our Management Letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Supervisors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Berger, Toombs, Elam,
Gaines & Frank*

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Fort Pierce, Florida

March 6, 2017



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

To the Board of Supervisors
Marshall Creek Community Development District
St. Johns County, Florida

We have examined Marshall Creek Community Development District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2016. Management is responsible for Marshall Creek Community Development District's compliance with those requirements. Our responsibility is to express an opinion on Marshall Creek Community Development 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 Marshall Creek Community Development 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 Marshall Creek Community Development District's compliance with the specified requirements.

In our opinion, Marshall Creek Community Development District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2016.

*Berger, Toombs, Elam,
Gaines & Frank*

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March 6, 2017