

**Grove Resort  
Community  
Development District**

**FINANCIAL STATEMENTS**

**September 30, 2017**



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors

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**Grove Resort Community Development District**  
**Table of Contents**  
**September 30, 2017**

**REPORT**

Independent Auditors' Report	1
------------------------------	---

**FINANCIAL STATEMENTS**

Management's Discussion And Analysis (required supplemental information)	3
--	---

Basic Financial Statements

Government-Wide Financial Statements

Statement of Net Position	8
---------------------------	---

Statement of Activities	9
-------------------------	---

Fund Financial Statements

Balance Sheet – Governmental Funds	10
------------------------------------	----

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	11
--	----

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	12
---	----

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
---	----

Notes to Financial Statements	14
-------------------------------	----

Required Supplemental Information (other than MD&A)

Budget to Actual Comparison Schedule - General Fund	23
---	----

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	24
---	----

Management Letter	26
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Attestation Report on Compliance with Section 218.415 Florida Statutes	28
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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Supervisors  
Grove Resort Community Development District  
Orange County, Florida

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### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities and each major fund of Grove Resort Community Development District (hereinafter referred to as "District"), as of and for the year ended September 30, 2017, 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.

### ***Auditors' 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 auditors' 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, 2017, and the respective changes in financial position for the 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, as listed in the table of contents, 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 June 29, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida  
June 29, 2018



## **Management's Discussion And Analysis**

## Grove Resort Community Development District Management's Discussion and Analysis

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2017. Please read it in conjunction with the District's financial statements, which begin on page 8.

### FINANCIAL HIGHLIGHTS

- At September 30, 2017, the assets of the District exceeded its liabilities and deferred inflows of resources by approximately \$4.8 million.
- During the fiscal year ended September 30, 2017, the District issued Series 2017A and 2017B Bonds totaling \$13,300,000 and \$41,960,000, respectively. These funds will be used to acquire and construct all or a portion of the 2017 project. The District incurred \$1,544,748 of bond issue costs related to the Series 2017A and 2017B issue.
- During the fiscal year ended September 30, 2017, the District established infrastructure of approximately \$35.7 million, incurred approximately \$41,000 of interest expenditures and repaid principal of approximately \$2.5 million.

### USING THE ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities on pages 8 – 9 provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 10. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

#### ***Reporting the District as a Whole***

Our analysis of the District as a whole begins on page 4. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and related changes during the current year. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors; however, such as changes in the District's assessment base and the condition of the District's infrastructure, to assess the overall health of the District.

## Grove Resort Community Development District Management's Discussion and Analysis

### ***Reporting the District's Most Significant Funds***

Our analysis of the District's major funds begins on page 5. The fund financial statements begin on page 10 and provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. All of the District's funds are governmental fund-types.

- *Governmental funds* – All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

### **THE DISTRICT AS A WHOLE**

The following table reflects the condensed Statement of Net Position and is compared to the prior year.

<i>September 30,</i>	<b>2017</b>	<b>2016</b>	<b>Change</b>
<b>Assets</b>			
Current and other assets	\$ 21,834,178	\$ -	\$ 21,834,178
Construction in progress	35,711,180	-	35,711,180
<b>Total assets</b>	<b>\$ 57,545,358</b>	<b>\$ -</b>	<b>\$ 57,545,358</b>
<b>Liabilities</b>			
Current liabilities	\$ 11,296,531	\$ -	\$ 11,296,531
Other liabilities	41,300,390	-	41,300,390
<b>Total liabilities</b>	<b>52,596,921</b>	<b>-</b>	<b>52,596,921</b>
<b>Deferred inflows of resources</b>			
Deferred inflows of resources	108,489	-	108,489
<b>Net position</b>			
Net investment in capital assets	915,989	-	915,989
Restricted for:			
Debt service	3,876,948	-	3,876,948
Capital projects	17,717	-	17,717
Unrestricted	29,294	-	29,294
<b>Total net position</b>	<b>4,839,948</b>	<b>-</b>	<b>4,839,948</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 57,545,358</b>	<b>\$ -</b>	<b>\$ 57,545,358</b>

For more detailed information, see the accompanying Statement of Net Position.

## Grove Resort Community Development District Management's Discussion and Analysis

During the fiscal year ended September 30, 2017, total assets, liabilities, and deferred inflows of resources increased by approximately \$57.5 million, \$52.6 million, and \$108,000, respectively. The District has no comparative information for prior year due to the District's inception in the current year.

The following schedule compares the Statement of Activities for the current and previous fiscal year.

<i>Year ended September 30,</i>	<b>2017</b>	<b>2016</b>	<b>Change</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 7,300,229	\$ -	\$ 7,300,229
Grants and contributions	36,937	-	36,937
General revenues:			
Developer contributions	170,720	-	170,720
<b>Total revenues</b>	<b>7,507,886</b>	<b>-</b>	<b>7,507,886</b>
<b>Expenses:</b>			
General government	160,646	-	160,646
Bond issue costs	1,544,748	-	1,544,748
Interest	962,544	-	962,544
<b>Total expenses</b>	<b>2,667,938</b>	<b>-</b>	<b>2,667,938</b>
Change in net position	4,839,948	-	4,839,948
Net position, beginning	-	-	-
<b>Net position, ending</b>	<b>\$ 4,839,948</b>	<b>\$ -</b>	<b>\$ 4,839,948</b>

For more detailed information, see the accompanying Statement of Activities.

During the fiscal year ended September 30, 2017, total revenues and expenses increased by approximately \$7.5 million and \$2.7 million, respectively. The District has no comparative information from the prior year due to the District's inception in the current fiscal year. The majority of revenue received in the current year was from prepayment assessments associated with lot sales. The overall result was a \$4,839,948 increase in net position for fiscal year 2017.

### THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 10) reported a combined fund balance of approximately \$21.6 million. Significant transactions are disclosed below.



## Grove Resort Community Development District Management's Discussion and Analysis

- During the fiscal year ended September 30, 2017, the District issued Series 2017A and 2017B Bonds totaling \$13,300,000 and \$41,960,000, respectively. These funds will be used to acquire and construct all or a portion of the 2017 project. The District incurred \$1,544,748 of bond issue costs related to the Series 2017A and 2017B issue.
- During the fiscal year ended September 30, 2017, the District established infrastructure of approximately \$35.7 million, incurred approximately \$41,000 of interest expenditures and repaid principal of approximately \$2.5 million.

The overall increase in fund balance for the year ended September 30, 2017 totaled approximately \$21.6 million.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### **Capital Assets**

At September 30, 2017, the District had approximately \$35.7 million invested in capital assets. The District has no comparative information from the prior year, since the District's inception was in the current fiscal year. A listing of capital assets by major category for the current and prior year follows:

A listing of capital assets by major category for the current and prior year follows:

<i>September 30,</i>	<b>2017</b>	<b>2016</b>	<b>Change</b>
Capital assets not being depreciated	\$ 35,711,180	\$ -	\$ 35,711,180

More information about the District's capital assets is presented in Note 4 to the financial statements.

#### **Debt**

At September 30, 2017, the District had approximately \$52.7 million of bonds outstanding. The District has no comparative information from the prior year, since the District's inception was in the current fiscal year.

A listing of debt amounts outstanding for the current and prior year follows:

<i>September 30,</i>	<b>2017</b>	<b>2016</b>	<b>Change</b>
Series 2017A	\$ 13,300,000	\$ -	\$ 13,300,000
Series 2017B	39,440,000	-	39,440,000
	\$ 52,740,000	\$ -	\$ 52,740,000

More information about the District's long-term debt is presented in Note 5 to the financial statements.



## **Grove Resort Community Development District Management's Discussion and Analysis**

### **GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS**

An Operating budget was established by the governing board for the District pursuant to the requirements of Florida Statutes. The budget to actual comparison for the general fund, including the original budget and final adopted budget, is shown at page 23.

The District experienced a favorable variance in revenues of \$27,230 and an unfavorable variance of \$66,296 in expenditures, as compared to the budget. The variance in expenditures is primarily due to unanticipated legal and insurance expenditures that occurred in the current year. Revenues varied in a similar manner when the deferred revenue is also taken into account. The Developer currently funds the District generally to the extent it makes expenditures.

### **FUTURE FINANCIAL FACTORS**

Grove Resort Community Development District is an independent special district that operates under the provisions of Chapter 190, Florida Statutes. The District operates under an elected Board of Supervisors, which establishes policy and sets assessment rates. Assessment rates for fiscal year 2018 have been established to provide for the operations of the District.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. If you have questions about this report or need additional financial information, contact the Grove Resort Community Development District's management company at 12051 Corporate Blvd, Orlando, Florida 32817.



## **Basic Financial Statements**

**Grove Resort Community Development District  
Statement of Net Position**

<i>September 30,</i>	<b>2017</b>
	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,588,089
Investments	20,173,298
Due from Developer	67,523
Interest receivable	5,268
Capital Assets:	
Construction in progress	35,711,180
<b>Total assets</b>	<b>57,545,358</b>
<b>Liabilities</b>	
Accounts payable	96,605
Accrued expenses	859,926
Non-current liabilities:	
Due within one year	10,340,000
Due in more than one year	41,300,390
<b>Total liabilities</b>	<b>52,596,921</b>
<b>Deferred inflow of resources</b>	
Unearned revenue	108,489
<b>Total deferred inflow of resources</b>	<b>108,489</b>
<b>Net position</b>	
Net investment in capital assets	915,989
Restricted for:	
Debt service	3,876,948
Capital projects	17,717
Unrestricted	29,294
<b>Total net position</b>	<b>\$ 4,839,948</b>

*The accompanying notes are an integral part of these financial statements.*

**Grove Resort Community Development District  
Statement of Activities**

*Year ended September 30,*

**2017**

Functions/Programs	Expenses	Charges for Services	Program Revenues Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Primary government:				
Governmental activities:				
General government	\$ (160,646)	\$ -	\$ -	\$ (160,646)
Bond issuance costs	(1,544,748)	-	-	(1,544,748)
Interest	(962,544)	7,300,229	36,937	6,374,622
<b>Total governmental activities</b>	<b>\$ (2,667,938)</b>	<b>\$ 7,300,229</b>	<b>\$ 36,937</b>	<b>4,669,228</b>

**General revenues**

Developer contributions	170,720
<b>Total general revenues</b>	<b>170,720</b>
Change in net position	4,839,948
Net position - beginning of year	-
<b>Net position - end of year</b>	<b>\$ 4,839,948</b>

*The accompanying notes are an integral part of these financial statements.*

**Grove Resort Community Development District  
Balance Sheet – Governmental Funds**

September 30,

2017

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 1,588,089	\$ -	\$ -	\$ 1,588,089
Investments	-	8,752,301	11,420,997	20,173,298
Due from Developer	67,523	-	-	67,523
Interest receivable	-	1,592	3,676	5,268
Due from other funds	-	1,573,263	-	1,573,263
<b>Total assets</b>	<b>\$ 1,655,612</b>	<b>\$ 10,327,156</b>	<b>\$ 11,424,673</b>	<b>\$ 23,407,441</b>
<b>Liabilities, Deferred inflows of resources and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 67,522	\$ -	\$ 29,083	\$ 96,605
Due to other funds	1,573,263	-	-	1,573,263
<b>Total liabilities</b>	<b>1,640,785</b>	<b>-</b>	<b>29,083</b>	<b>1,669,868</b>
<b>Deferred inflows of resources</b>				
Deferred revenue	49,140	-	-	49,140
Unearned revenue	14,616	93,873	-	108,489
<b>Total deferred inflows of resources</b>	<b>63,756</b>	<b>93,873</b>	<b>-</b>	<b>157,629</b>
<b>Fund balance</b>				
Reserved for debt service	-	10,233,283	-	10,233,283
Reserved for capital projects	-	-	11,395,590	11,395,590
Unassigned	(48,929)	-	-	(48,929)
<b>Total fund balance (deficit)</b>	<b>(48,929)</b>	<b>10,233,283</b>	<b>11,395,590</b>	<b>21,579,944</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,655,612</b>	<b>\$ 10,327,156</b>	<b>\$ 11,424,673</b>	<b>\$ 23,407,441</b>

*The accompanying notes are an integral part of these financial statements.*

**Grove Resort Community Development District  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of  
Net Position**

<i>September 30,</i>	<b>2017</b>
Total fund balances, governmental funds	\$ 21,579,944
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.	35,711,180
Liabilities not due and payable from current resources are not reported in the fund level statements.	(52,500,316)
Certain revenues that do not represent current financial resources are deferred on the fund level financial statements but are recognized as revenue in the government-wide Statement of Activities.	49,140
Total net position - governmental activities	\$ 4,839,948

*The accompanying notes are an integral part of these financial statements.*

**Grove Resort Community Development District  
Statement of Revenues, Expenditures and Changes in Fund Balances –  
Governmental Funds**

Year ended September 30,

2017

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>Revenues</b>				
Developer contributions	\$ 121,580	\$ -	\$ -	\$ 121,580
Prepayment revenue	-	7,292,908	-	7,292,908
Interest and other revenues	-	7,321	36,937	44,258
<b>Total revenues</b>	<b>121,580</b>	<b>7,300,229</b>	<b>36,937</b>	<b>7,458,746</b>
<b>Expenditures</b>				
Current:				
General government	160,646	-	-	160,646
Debt Service:				
Principal	-	2,520,000	-	2,520,000
Interest	-	40,653	-	40,653
Bond issuance costs	-	-	1,544,748	1,544,748
Capital outlay	-	-	35,711,180	35,711,180
<b>Total expenditures</b>	<b>160,646</b>	<b>2,560,653</b>	<b>37,255,928</b>	<b>39,977,227</b>
Excess (deficit) revenues over expenditures	(39,066)	4,739,576	(37,218,991)	(32,518,481)
<b>Other Financing Sources (Uses)</b>				
Bond proceeds	-	6,655,282	48,604,718	55,260,000
Original issue discount	-	(1,161,575)	-	(1,161,575)
Transfer in	-	-	9,863	9,863
Transfer out	(9,863)	-	-	(9,863)
<b>Total other financing sources (uses)</b>	<b>(9,863)</b>	<b>5,493,707</b>	<b>48,614,581</b>	<b>54,098,425</b>
Net change in fund balances	(48,929)	10,233,283	11,395,590	21,579,944
Fund balance, beginning of year	-	-	-	-
<b>Fund balance (deficit), end of year</b>	<b>\$ (48,929)</b>	<b>\$ 10,233,283</b>	<b>\$ 11,395,590</b>	<b>\$ 21,579,944</b>

*The accompanying notes are an integral part of these financial statements.*



**Grove Resort Community Development District  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund  
Balances of Governmental Funds to the Statement of Activities**

<i>Year ended September 30,</i>	<b>2017</b>
Net change in fund balances - governmental funds	\$ 21,579,944
Capital outlay is an expenditure in the governmental funds but the amounts are treated as an increase in capital assets in the Statement of Net Position.	35,711,180
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.	2,520,000
The change in accrued interest between the current and prior year is recorded on the Statement of Activities but not on the fund financial statements.	(921,891)
Bond proceeds and original issue discount which are reported as other financing sources (uses) in the governmental funds are recognized as components of long-term liabilities in the Statement of Net Assets.	(54,098,425)
Certain revenues that do not represent current financial resources are deferred on the fund level financial statements but are recognized as revenue in the government-wide Statement of Activities.	49,140
Change in net position of governmental activities	\$ 4,839,948

*The accompanying notes are an integral part of these financial statements.*

## Grove Resort Community Development District Notes to Financial Statements

### NOTE 1: NATURE OF ORGANIZATION

The Grove Resort Community Development District (the “District”) was established on December 5, 2016 pursuant to Chapter 190, Florida Statutes, by Orange County Commission Ordinance 2016-29, Laws of Florida. The District has among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and the power to levy ad valorem taxes 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 a Board of Supervisors (“Board”), which is comprised of five members. The Supervisors are elected on an at large basis by the owners of the property within the District. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes. At September 30, 2017 certain Board members were affiliated with The Grove Resort and Spa, LLC. (“the Developer”).

The Board has the final responsibility for:

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.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth by Generally Accepted Accounting Principles (GAAP) as defined by the Governmental Accounting Standards Board (GASB). Based on the foregoing criteria, no potential component units were found.

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to GAAP as applicable to governments in accordance with those promulgated by GASB. The following is a summary of the more significant policies:

#### ***Government-wide and Fund Financial Statements***

The basic financial statements include both government-wide and fund financial statements.

## Grove Resort Community Development District Notes to Financial Statements

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by assessments, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The business-type activities are reported separately in government-wide financial statements; however, at September 30, 2017, the District did not have any significant business-type activities. Therefore, no business-type activities are reported. Assessments and other items not properly included as program revenues (i.e., charges to customers or applicants who purchase, use, or directly benefit from goods or services) are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### ***Measurement Focus, Basis of Accounting and Basis of 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 the related cash flows. Assessments are recognized as revenues in the year for which they are levied. Grants and other 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 generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Assessments, including debt service assessments along with operation and maintenance assessments, are non-ad valorem special assessments imposed on all lands located within the District and benefited by the District's activities. Assessments are levied and certified for collection by the District prior to the start of the fiscal year which begins on October 1<sup>st</sup> and ends on September 30<sup>th</sup>. Operation and maintenance special assessments are imposed upon all benefited lands located in the District. Debt service special assessments are imposed upon certain lots and lands as described in each resolution imposing the special assessment for each series on bonds issued by the District. Certain debt service assessments are collected upon the closing of those lots subject to short-term debt and are used to repay a portion of the bonds outstanding.

Assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

## Grove Resort Community Development District Notes to Financial Statements

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

The District reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt.

Capital Projects Fund - The Capital Projects Fund accounts for the financial resources to be used in the acquisition or construction of major infrastructure within the District financed with the bonds previously issued or other means.

For the year ended September 30, 2017, the District does not report any proprietary funds.

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 District's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use in the governmental fund financial statements, it is the government's policy to use committed resources first, followed by assigned resources, then unassigned resources as needed.

#### ***Cash, Deposits and Investments***

The District maintains deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida securities in accordance with collateral requirements determined by the State's Chief Financial Officer. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories.

Under this method, all the District's deposits are fully insured or collateralized at the highest level of security as defined by GASB, Statement Number 40, *Deposits and Investment Disclosures (An Amendment of GASB, Statement Number 3)*.

The District is authorized to invest in financial instruments as established by Section 218.415, Florida Statutes. The authorized investments include among others direct obligations of the U.S. Treasury; the Local Government Surplus Trust Funds as created by Section 218.405, Florida Statutes; SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and interest-bearing time deposits or savings accounts in authorized financial institutions.

## Grove Resort Community Development District Notes to Financial Statements

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

#### ***Capital Assets***

Capital assets, which include primarily infrastructure assets (e.g., roads, sidewalks, water management systems and similar items), are reported in the governmental activities column 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 and an estimated useful life in excess of two years. Such assets are recorded at historical cost and estimated historical cost if purchased or constructed. Donated 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 asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government will be depreciated using the straight-line method over the estimated useful lives at the time the assets are completed and placed in service.

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.

#### ***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position and balance sheet – governmental funds will sometimes include a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any of this type of item at September 30, 2017.

In addition to liabilities, the statement of net position and balance sheet – governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District only has one item, deferred revenues, which qualify for reporting in this category. The District's deferred revenues include Developer contributions that were collected after 60 days subsequent to year end, as well as fiscal year 2018 assessment payments received in advance.

#### ***Fund Equity***

Net position in the government-wide financial statements represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents assets related to infrastructure and property, plant and equipment, net of any related debt. Restricted net position represents the assets restricted by the District's bond covenants.

## Grove Resort Community Development District Notes to Financial Statements

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

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the District board through approval of resolutions. Assigned fund balance is a limitation imposed by a designee of the District board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

#### ***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### ***Budgets***

The District is required to establish a budgetary system and an approved annual budget. Annual budgets are legally adopted on a basis consistent with GAAP for the General Fund. Any revision to the budget must be approved by the District Board. The budgets are compared to actual expenditures. In instances where budget appropriations and estimated revenues have been revised during the year, budget data presented in the financial statements represent final authorization amounts. For the year ended September 30, 2017, actual expenditures exceeded budget appropriations due to unanticipated legal and insurance expenditures.

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.
- E. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

## Grove Resort Community Development District Notes to Financial Statements

### NOTE 3: INVESTMENTS

The District's investments consist of money market funds in which shares are owned in the fund rather than the underlying investments and certificates of deposits, which are considered non-participating interest-earning investment contracts. In accordance with GAAP, these amounts are reported at amortized cost.

The following is a summary of the District's investments:

<i>September 30,</i>	<b>2017</b>	<b>Credit Risk</b>	<b>Maturities</b>
Short-term Money Market Funds	\$ 11,809,447	S&P AAAM	23 days
Certificate of Deposit	8,363,851	N/A	N/A
	<u>\$ 20,173,298</u>		

*Custodial credit risk* – For an investment, custodial credit risk is the risk that the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District has no formal policy for custodial risk. At September 30, 2017, the money market funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

*Concentration risk* – The District's investment policy requires diversification, but does not specify limits on types of investments.

*Interest rate risk* – The District does not have a formal policy for addressing interest rate risk; however, investments are made with discretion, to seek reasonable returns, preserve capital, and in general, avoid speculative investments. The District manages its exposure to declines in fair values from interest rate changes by reviewing the portfolio on an ongoing basis for changes in effective yield amounts.

### NOTE 4: CAPITAL ASSETS

The following is a summary of changes in the capital assets for the year ended September 30, 2017:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Transfers and Conveyances</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated</i>				
Infrastructure under construction	\$ -	\$35,711,180	\$ -	\$35,711,180
Total capital assets, not being depreciated	-	35,711,180	-	35,711,180
Governmental activities capital assets, net	\$ -	\$35,711,180	\$ -	\$35,711,180

## Grove Resort Community Development District Notes to Financial Statements

### **NOTE 4: CAPITAL ASSETS (Continued)**

The total projected cost of the infrastructure improvements has been estimated at \$53.1 million and will be completed in phases. A portion of the proceeds from the Series 2017A and 2017B Bonds will be used to purchase the project from the Developer and finance additional construction of the project.

### **NOTE 5: BONDS PAYABLE**

On April 10, 2017, the District issued \$13,300,000 of Special Assessment Bonds, Series 2017A consisting of \$2,650,000 Term Bonds due on November 1, 2028 with a fixed interest rate of 5.00% and \$10,650,000 Term Bonds due on November 1, 2047 with a fixed interest rate of 5.88%. The Bonds were issued to provide funding to pay all or a portion of the costs of the planning, financing, acquisition, construction, equipping and installation of the Series 2017A project. Interest is to be paid semiannually on each May 1 and November 1, commencing November 1, 2017. Principal is to be paid annually on each November 1, commencing November 1, 2018. The Series 2017A Bonds are subject to redemption at the option of the District prior to their maturity.

On April 10, 2017, the District issued \$41,960,000 of Special Assessment Bonds, Series 2017B consisting of \$17,515,000 Term Bonds due on April 15, 2022 with a fixed interest rate of 5.75% and \$24,445,000 Term Bonds due on April 15, 2022 with a fixed interest rate of 6.00%. The Bonds were issued to provide funding to pay all or a portion of the costs of the planning, financing, acquisition, construction, equipping and installation of the Series 2017B project. Interest is to be paid semiannually on each May 1 and November 1, commencing November 1, 2017. The Series 2017B bonds will mature in full on April 15, 2022.

The Bond Indentures require that the District maintain adequate funds in the reserve accounts to meet the debt service reserve requirements as defined in the Indentures. The reserve requirements have been met for the fiscal year ended September 30, 2017.

The Bond Indentures have established debt service reserve requirements as well as other restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District is in compliance with those requirements of the Bond Indentures at September 30, 2017.



## Grove Resort Community Development District Notes to Financial Statements

Long-term liability activity for the year ended September 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities</i>					
Bonds Payable:					
Series 2017A	\$ -	\$ 13,300,000	\$ -	\$ 13,300,000	\$ -
Series 2017B	-	41,960,000	(2,520,000)	39,440,000	10,340,000*
	\$ -	\$ 55,260,000	\$ (2,520,000)	\$ 52,740,000	\$ 10,340,000

\* Amount was paid subsequent to year end, and is therefore included in "Due Within One Year"

The balance of the long-term bonds at September 30, 2017 is summarized as follows:

Bond principal balance	\$ 52,740,000
Less unamortized bond discount	(1,099,610)
Net balance	\$ 51,640,390

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

<i>Year Ending September 30,</i>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2018	\$ 10,340,000	\$ 2,773,064	\$ 13,113,064
2019	185,000	2,602,719	2,787,719
2020	195,000	2,593,219	2,788,219
2021	29,305,000	2,583,219	31,888,219
2022	215,000	723,563	938,563
2023-2027	1,255,000	3,440,313	4,695,313
2028-2032	1,615,000	3,071,025	4,686,025
2033-2037	2,130,000	2,530,069	4,660,069
2038-2042	2,840,000	1,805,094	4,645,094
2043-2047	3,770,000	840,713	4,610,713
2048	890,000	26,144	916,144
	\$ 52,740,000	\$ 22,989,142	\$ 75,729,142

## Grove Resort Community Development District Notes to Financial Statements

### **NOTE 6: 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 maintains commercial insurance coverage to mitigate the risk of loss. Coverage may not extend to all situations. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage since inception and there have been no such claims.

### **NOTE 7: 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.

### **NOTED 8: INTERFUND ACTIVITY**

At September 30, 2017, the General Fund owed the Debt Service Fund \$1,573,263. The outstanding balances results primarily from timing of receipts and transfers to the Debt Service Fund.

### **NOTE 9: CONCENTRATION**

A significant portion of the District's activity is dependent upon the continued involvement of the Developer, The Grove Resort and Spa, LLC. The loss of significant involvement could have a material adverse effect on the District's operations.

The Developer has agreed to fund the general operations of the District. For the year ended September 30, 2017, the Developer contributed \$121,580, of which \$67,523 is recorded as Due from developer on the accompanying Statement of Net Position and Balance Sheet – Governmental Funds. A portion of that receivable was not received within 60 days of year-end and was deferred on the fund-level statements.



**Required Supplemental Information  
(Other Than MD&A)**

**Grove Resort Community Development District  
Budget to Actual Comparison Schedule – General Fund**

*Year ended September 30,*

**2017**

	<b>Original and Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Revenues</b>			
Developer contributions	\$ 94,350	\$ 121,580	\$ 27,230
Total revenues	94,350	121,580	27,230
<b>Expenditures</b>			
General government	94,350	160,646	(66,296)
Total expenditures	94,350	160,646	(66,296)
Excess (deficit) of revenues over expenditures	\$ -	\$ (39,066)	\$ (39,066)



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**INDEPENDENT AUDITORS' 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  
Grove Resort Community Development District  
Orange 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 Grove Resort Community Development District (hereinafter referred to as the "District"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 29, 2018.

**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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described as IC2017-001 on the following page, that we consider to be a material weakness.

### **IC2017-001: Bond discount and underwriters costs**

- Condition: As part of our audit procedures, we identified approximately \$1.2 million of bond discount and approximately \$1.1 million of underwriter's discount that was not recorded on the District's financial statements as of September 30, 2017.
- Criteria: Internal controls relating to the annual financial close process should be in place to provide reasonable assurance that bond issuance related costs are properly recorded.
- Cause: The bond discount and underwriter's discount are not direct expenses paid through the District's financial accounting system.
- Effect: Bond issuance costs and long-term debt proceeds on the financial statements were understated by approximately \$2.3 million.
- Recommendation: We recommend the District record the full bond proceeds and related issuance costs.

The District's response to finding IC2017-001 is described below. We did not audit the District's response and, accordingly we express no opinion on it.

- Management Response: The District has already taken further steps to ensure that this oversight is avoided in the future.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida  
June 29, 2018



Carr, Riggs & Ingram, LLC  
Certified Public Accountants  
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## MANAGEMENT LETTER

To the Board of Supervisors  
Grove Resort Community Development District  
Orange County, Florida

### Report on the Financial Statements

We have audited the financial statements of the Grove Resort Community Development District (“District”) as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated June 29, 2018.

### Auditors’ 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 Auditor General.

### Other Reports and Schedules

We have issued our Independent Auditors’ 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 Accountant’s Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 29, 2018, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. This is the District’s first annual audit report.

### Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The information required is disclosed in the notes to the financial statements.

## **Financial Condition**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the District did not meet any 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 condition assessment procedures for the District. It is management's responsibility to monitor the District's 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.

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

## **Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

## **Other Matters**

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

## **Purpose of this Letter**

Our management letter is intended solely for the information and use of 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.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida  
June 29, 2018





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## INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Supervisors  
Grove Resort Community Development District  
Orange County, Florida

We have examined Grove Resort Community Development District's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2017. Management of the District is responsible for the District's compliance with the specified 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. Those standards require that we plan and performed the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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 year ended September 30, 2017.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida  
June 29, 2018