

**Marshall Creek
Community Development District**

ANNUAL FINANCIAL REPORT

September 30, 2018

Marshall Creek Community Development District

ANNUAL FINANCIAL REPORT

September 30, 2018

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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, 2018, 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 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 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

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, 2018, and the respective changes in financial position, and the budgetary comparison for the General Fund 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 June 28, 2019 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
Certified Public Accountants PL
Fort Pierce, Florida

June 28, 2019

**Marshall Creek Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2018**

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, 2018**

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, 2018.

- The District's total assets exceeded total liabilities by \$4,250,767 (net position). Net investment in capital assets was \$1,858,826. Restricted net position was \$393,901. Unrestricted net position was \$1,998,040.
- Governmental activities revenues and totaled \$7,463,129 while governmental activities expenses totaled \$7,438,082.

**Marshall Creek Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2018**

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	
	2018	2017
Current assets	\$ 2,237,009	\$ 2,146,952
Restricted assets	1,595,938	2,554,475
Capital assets	<u>23,047,739</u>	<u>23,256,460</u>
Total Assets	<u>26,880,686</u>	<u>27,957,887</u>
 Deferred Outflows of Resources	 <u>288,985</u>	 <u>310,260</u>
Total Assets and Deferred Outflows of Resources	<u>27,169,671</u>	<u>28,268,147</u>
 Current liabilities	 1,853,398	 1,768,191
Non-current liabilities	<u>21,065,506</u>	<u>22,274,236</u>
Total Liabilities	<u>22,918,904</u>	<u>24,042,427</u>
 Net position-net investment in capital assets	 1,858,826	 2,013,380
Net position-restricted	393,901	1,225,546
Net position-unrestricted	<u>1,998,040</u>	<u>986,794</u>
Total Net Position	<u>\$ 4,250,767</u>	<u>\$ 4,225,720</u>

The increase in current assets is the result of the increase in the amount due from other governments, net of the reduction in cash as a result of the FEMA grant expenditures for the hurricane damage.

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 the debt outstanding in the current year.

**Marshall Creek Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2018**

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	
	2018	2017
Program Revenues		
Charges for services	\$ 5,875,561	\$ 5,737,310
Grants and contributions	1,482,837	621,559
General Revenues		
Investment earnings	29,063	14,729
Miscellaneous revenues	75,668	46,828
Gain on extinguishment of debt	-	82,715
Total Revenues	<u>7,463,129</u>	<u>6,503,141</u>
Expenses		
General government	734,563	779,362
Physical environment	4,233,094	3,069,507
Culture and recreation	1,291,709	1,246,605
Interest on long-term debt	<u>1,178,716</u>	<u>1,334,035</u>
Total Expenses	<u>7,438,082</u>	<u>6,429,509</u>
Change in Net Position	25,047	73,632
Net Position - Beginning of Year	<u>4,225,720</u>	<u>4,152,088</u>
Net Position - End of year	<u>\$ 4,250,767</u>	<u>\$ 4,225,720</u>

The increase in grants and contributions is related to FEMA grants and an increase in revenues from interlocal agreements in the current year.

The increase in physical environment is related to the cost of hurricane repairs in the current year.

The decrease in interest is the result of lower bonds outstanding in the current year.

**Marshall Creek Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2018**

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, 2018 and 2017.

<u>Description</u>	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Land	\$ 1,964,522	\$ 1,964,522
Construction in progress	1,370,862	279,865
Buildings	7,604,571	7,604,571
Improvements other than buildings	1,059,218	1,059,218
Infrastructure	29,408,288	29,408,288
Furniture and equipment	444,383	422,915
Accumulated depreciation	<u>(18,804,105)</u>	<u>(17,482,919)</u>
Total Capital Assets (Net)	<u>\$ 23,047,739</u>	<u>\$ 23,256,460</u>

During the year, depreciation was \$1,321,186 and additions to capital assets were \$1,112,465.

General Fund Budgetary Highlights

The budget exceeded governmental expenditures primarily because payroll expenditures were less than was expected.

The budget for the year ending September 30, 2018 was amended for the increased FEMA related expenditures.

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, 2018 was \$11,425,000.
- 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, 2018 the outstanding balance was \$9,750,000.

**Marshall Creek Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2018**

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, 2018 was \$780,000.
- In February 2017, the District entered into a capital lease for a equipment. The balance outstanding at September 30, 2018 was \$42,866.

Economic Factors and Next Year's Budget

Marshall Creek Community Development District does not expect any economic factors to effect operations in 2019.

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, Inframark Infrastructure Management Services, 210 North University Drive, Suite 702, Coral Springs, Florida 33071.

Marshall Creek Community Development District
STATEMENT OF NET POSITION
September 30, 2018

	Governmental Activities
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,521,930
Accounts receivable	337
Assessments receivable, net	66,986
Due from other governments	634,560
Prepaid expenses	13,196
Total Current Assets	2,237,009
Non-Current Assets	
Restricted assets	
Investments	1,595,938
Capital assets, not being depreciated	
Land	1,964,522
Construction in progress	1,370,862
Capital assets, being depreciated	
Buildings	7,604,571
Improvements other than buildings	1,059,218
Infrastructure	29,408,288
Furniture and equipment	444,383
Less: accumulated depreciation	(18,804,105)
Total Non-Current Assets	24,643,677
Total Assets	26,880,686
Deferred Outflows of Resources	
Deferred amount on refunding	288,985
	288,985
Total Assets and Deferred Outflows of Resources	27,169,671
LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	272,313
Accrued interest	454,603
Lease payable	31,482
Bonds payable	1,095,000
Total Current Liabilities	1,853,398
Non-Current Liabilities	
Lease payable	11,384
Bonds payable, net	21,054,122
Total Non-Current Liabilities	21,065,506
Total Liabilities	22,918,904
NET POSITION	
Net investment in capital assets	1,858,826
Restricted for debt service	393,901
Unrestricted	1,998,040
Total Net Position	\$ 4,250,767

See accompanying notes.

Marshall Creek Community Development District
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenues and Changes in Net Position</u>
Primary government		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General government	\$ (734,563)	\$ 715,455	\$ -	\$ (19,108)
Physical environment	(4,233,094)	1,675,259	1,482,837	(1,074,998)
Culture and recreation	(1,291,709)	1,082,491	-	(209,218)
Interest on long-term debt	(1,178,716)	2,402,356	-	1,223,640
Total Governmental Activities	<u>\$ (7,438,082)</u>	<u>\$ 5,875,561</u>	<u>\$ 1,482,837</u>	<u>(79,684)</u>
		General Revenues		
				29,063
				75,668
			Total General Revenues	<u>104,731</u>
			Change in Net Position	25,047
			Net Position - October 1, 2017	<u>4,225,720</u>
			Net Position - September 30, 2018	<u>\$ 4,250,767</u>

See accompanying notes.

Marshall Creek Community Development District
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2018

	General	2002 Debt Service	2015A Debt Service	2016 Debt Service	2015A Capital Project	Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 1,521,930	\$ -	\$ -	\$ -	\$ -	\$ 1,521,930
Accounts receivable	337	-	-	-	-	337
Assessments receivable, net	17,956	49,030	-	-	-	66,986
Due from other funds	-	16,241	-	5,849	-	22,090
Due from other governments	600,154	30,340	3,820	246	-	634,560
Prepaid expenses	13,196	-	-	-	-	13,196
Restricted assets						
Investments, at fair value	-	449,808	818,479	69,231	258,420	1,595,938
Total Assets	<u>\$ 2,153,573</u>	<u>\$ 545,419</u>	<u>\$ 822,299</u>	<u>\$ 75,326</u>	<u>\$ 258,420</u>	<u>\$ 3,855,037</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued expenses	\$ 164,725	\$ -	\$ -	\$ -	\$ 107,588	\$ 272,313
Due to other funds	14,764	-	3,129	-	4,197	22,090
Total Liabilities	<u>179,489</u>	<u>-</u>	<u>3,129</u>	<u>-</u>	<u>111,785</u>	<u>294,403</u>
Deferred Inflows of Resources						
Unavailable revenues	<u>17,956</u>	<u>49,030</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,986</u>
Fund Balances:						
Nonspendable -prepaids	13,196	-	-	-	-	13,196
Restricted						
Debt service	-	496,389	819,170	75,326	-	1,390,885
Capital projects	-	-	-	-	146,635	146,635
Assigned						
Operating reserves	600,151	-	-	-	-	600,151
Capital projects	697,445	-	-	-	-	697,445
Unassigned	645,336	-	-	-	-	645,336
Total Fund Balances	<u>1,956,128</u>	<u>496,389</u>	<u>819,170</u>	<u>75,326</u>	<u>146,635</u>	<u>3,493,648</u>
Total Liabilities Deferred Inflows of Resources and Fund Balance	<u>\$ 2,153,573</u>	<u>\$ 545,419</u>	<u>\$ 822,299</u>	<u>\$ 75,326</u>	<u>\$ 258,420</u>	<u>\$ 3,855,037</u>

See accompanying notes.

Marshall Creek Community Development District
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2018

Total Governmental Fund Balances	\$ 3,493,648
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets, land (\$1,964,522), construction in progress (\$1,370,862), buildings (\$7,604,571), improvements other than buildings (\$1,059,218), infrastructure (\$29,408,288), and furniture and equipment (\$444,383), net accumulated depreciation (\$18,804,105,)) , used in governmental activities are not current financial resources and; therefore, are not reported at the fund level.	23,047,739
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Deferred outflows of resources, deferred amount on refunding, net, are not current financial resources, and therefore, are not reported at the fund level.	288,985
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Long-term liabilities, including bonds payable (\$21,955,000)), lease payable (\$42,866)), and bond premium, net (\$194,122)) are not due and payable in the current period and; therefore, are not reported at the fund level.	(22,191,988)
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Unavailable revenues are recognized as deferred inflows of resources at the fund level, however, revenues are recognized when earned at the government-wide level.	66,986
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Accrued interest expense for long-term debt is not a current financial use and; therefore, is not reported in the funds.	(454,603)
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Net Position of Governmental Activities	<u>\$ 4,250,767</u>
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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, 2018

	General	2002 Debt Service	2015A Debt Service	2016 Debt Service	2015A Capital Projects	Total Governmental Funds
Revenues						
Special assessments	\$3,164,938	\$ 1,301,928	\$ 1,009,474	\$ 75,474	\$ -	\$ 5,551,814
Intergovernmental revenues	1,482,837		-	-	-	1,482,837
Charges for services	292,775	-	-	-	-	292,775
Investment earnings	21,271	3,706	2,145	830	1,111	29,063
Miscellaneous revenues	75,668	-	-	-	-	75,668
Total Revenues	<u>5,037,489</u>	<u>1,305,634</u>	<u>1,011,619</u>	<u>76,304</u>	<u>1,111</u>	<u>7,432,157</u>
Expenditures						
Current						
General government	714,791	18,500	-	1,272	-	734,563
Physical environment	3,156,542		-	-	-	3,156,542
Culture and recreation	1,047,075		-	-	-	1,047,075
Capital outlay	21,468	-	-	-	1,090,997	1,112,465
Debt service						
Principal	34,683	590,000	515,000	10,000	-	1,149,683
Interest	3,096	599,750	489,825	49,928	-	1,142,599
Other	-	29,623	19,732	-	-	49,355
Total Expenditures	<u>4,977,655</u>	<u>1,237,873</u>	<u>1,024,557</u>	<u>61,200</u>	<u>1,090,997</u>	<u>8,392,282</u>
Excess of revenues over/(under) expenditures	<u>59,834</u>	<u>67,761</u>	<u>(12,938)</u>	<u>15,104</u>	<u>(1,089,886)</u>	<u>(960,125)</u>
Other financing sources/(uses)	-					
Operating transfers in	-	-	-	-	1,479	1,479
Operating transfers out	-	-	(1,479)	-	-	(1,479)
Total Other Financing Sources/(Uses)	<u>-</u>	<u>-</u>	<u>(1,479)</u>	<u>-</u>	<u>1,479</u>	<u>-</u>
Net change in fund balances	59,834	67,761	(14,417)	15,104	(1,088,407)	(960,125)
Fund Balances - October 1, 2017	<u>1,896,294</u>	<u>428,628</u>	<u>833,587</u>	<u>60,222</u>	<u>1,235,042</u>	<u>4,453,773</u>
Fund Balances - September 30, 2018	<u>\$1,956,128</u>	<u>\$ 496,389</u>	<u>\$ 819,170</u>	<u>\$ 75,326</u>	<u>\$ 146,635</u>	<u>\$ 3,493,648</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, 2018

Net Change in Fund Balances - Total Governmental Funds \$ (960,125)

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 (\$1,321,186) exceeded capital additions (\$1,112,465). (208,721)

Repayments of bond and capital lease principal are expenditures in the governmental Position. 1,149,683

Unavailable revenues are recognized as deferred inflows of resources at the fund level, however, revenues are recognized when earned at the government-wide level. This is the change in the current year in deferred revenues. 30,972

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 current year period amortization amount. (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. 20,222

Change in Net Position of Governmental Activities \$ 25,047

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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Special assessments	\$ 3,103,100	\$ 3,103,100	\$ 3,164,938	\$ 61,838
Intergovernmental revenues	774,954	774,954	1,482,837	707,883
Charges for services	206,950	206,950	292,775	85,825
Investment earnings	12,000	12,000	21,271	9,271
Miscellaneous revenues	48,300	48,300	75,668	27,368
Total Revenues	<u>4,145,304</u>	<u>4,145,304</u>	<u>5,037,489</u>	<u>892,185</u>
Expenditures				
Current				
General government	771,168	771,168	714,791	56,377
Physical environment	2,303,672	3,303,672	3,156,542	147,130
Culture and recreation	980,664	1,040,664	1,047,075	(6,411)
Capital outlay	89,800	89,800	21,468	68,332
Debt service				
Principal	-	-	34,683	(34,683)
Interest	-	-	3,096	(3,096)
Total Expenditures	<u>4,145,304</u>	<u>5,205,304</u>	<u>4,977,655</u>	<u>227,649</u>
Excess of revenues over/(under) expenditures	-	(1,060,000)	59,834	1,119,834
Fund Balances - October 1, 2017	<u>1,733,093</u>	<u>1,896,294</u>	<u>1,896,294</u>	<u>-</u>
Fund Balances - September 30, 2018	<u>\$ 1,733,093</u>	<u>\$ 836,294</u>	<u>\$ 1,956,128</u>	<u>\$ 1,119,834</u>

See accompanying notes.

Marshall Creek Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

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 as set forth by the Governmental Accounting Standards Board, the District has identified no component units.

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, 2018

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, 2018

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, 2018

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, 2018

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.

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, 2018

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, deferred amount on refunding. 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.

Deferred inflows of resources represent an acquisition of fund balance that applies to a future period. Deferred revenues that are not available at year end are the only deferred revenue of the District.

Marshall Creek Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

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 (\$3,493,648) differs from “net position” of governmental activities (\$4,250,767) 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, 2018

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	1,370,862
Buildings	7,604,571
Improvements other than buildings	1,059,218
Infrastructure	29,408,288
Furniture and equipment	444,383
Accumulated depreciation	<u>(18,804,105)</u>
Total	<u>\$ 23,047,739</u>

Deferred outflows of resources

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

Deferred amount on refunding, net	<u>\$ 288,985</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, 2018 were:

Bonds payable	\$ (21,955,000)
Capital lease payable	(42,866)
Bond premium, net	<u>(194,122)</u>
Total	<u>\$ (22,191,988)</u>

Marshall Creek Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

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)

Deferred inflows of resources

Unavailable revenues are recognized as deferred inflows of resources at the fund level, however, revenues are recognized when earned at the government-wide level.

Unavailable revenues	\$ <u>66,986</u>
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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>(454,603)</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 (\$960,125) differs from the “change in net position” for governmental activities (\$25,047) 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 and capital asset additions.

Depreciation	\$ (1,321,186)
Capital asset additions	1,112,465
Total	\$ <u>(208,721)</u>

Deferred inflows of resources

Unavailable revenues are recognized as deferred inflows of resources at the fund level, however, revenues are recognized when earned at the government-wide level.

Unavailable revenues	\$ <u>30,972</u>
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Marshall Creek Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

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

Repayments of 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 and capital lease principal payments	\$ <u>1,149,683</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 at the government-wide level do not require the use of current financial resources, therefore, are not reported as expenditures at the fund level.

Net change in accrued interest payable	\$ 20,222
Decrease in deferred amount on refunding	<u>(21,275)</u>
Total	<u><u>\$ (1,053)</u></u>

Marshall Creek Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

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, 2018, the District’s bank balance was \$1,723,755 and the carrying value was \$1,521,930. 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.

As of September 30, 2018, the District had the following investments and maturities.

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Fidelity Government Portfolio	36 days*	\$ 449,808
US Bank Commercial Paper	N/A	1,076,899
First American Govt Obligation	26 days*	69,231
Total		<u>\$ 1,595,938</u>

*Weighted average maturity

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 investments listed above are Level 1 assets.

Marshall Creek Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE C – CASH AND INVESTMENTS (CONTINUED)

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, 2018, the District's investments in Fidelity Government Portfolio and First American Government Obligation Fund Class Y are rated AAAM by Standard & Poor's. As of September 30, 2018, 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, 68% are invested in US Bank Commercial Paper, 28% are invested in Fidelity Government Portfolio and 4% are invested in First American Government Obligation.

The types of deposits and investments and their level of risk exposure as of September 30, 2018 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 2017-2018 fiscal year were levied in October 2017. 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.

Marshall Creek Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE E – CAPITAL ASSETS

Capital Asset activity for the year ended September 30, 2018 was as follows:

	Balance October 1, 2017	Additions	Deletions	Balance September 30, 2018
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 1,964,522	\$ -	\$ -	\$ 1,964,522
Construction in progress	279,865	1,090,997	-	1,370,862
Total Capital Assets, Not Being Depreciated	<u>2,244,387</u>	<u>1,090,997</u>	<u>-</u>	<u>3,335,384</u>
Capital assets, being depreciated:				
Buildings	7,604,571	-	-	7,604,571
Improvements other than buildings	1,059,218	-	-	1,059,218
Infrastructure	29,408,288	-	-	29,408,288
Furniture and equipment	422,915	21,468	-	444,383
Total Capital Assets Being Depreciated	<u>38,494,992</u>	<u>21,468</u>	<u>-</u>	<u>38,516,460</u>
Less accumulated depreciation for:				
Buildings	(3,609,248)	(254,989)	-	(3,864,237)
Improvements other than buildings	(244,773)	(41,538)	-	(286,311)
Infrastructure	(13,556,991)	(986,364)	-	(14,543,355)
Furniture and equipment	(71,907)	(38,295)	-	(110,202)
Total Accumulated Depreciation	<u>(17,482,919)</u>	<u>(1,321,186)</u>	<u>-</u>	<u>(18,804,105)</u>
Governmental Activities Capital Assets	<u>\$ 23,256,460</u>	<u>\$ (208,721)</u>	<u>\$ -</u>	<u>\$ 23,047,739</u>

Depreciation in the amount of \$1,076,552 was charged to physical environment and \$244,634 was charged to culture and recreation.

NOTE F – LONG-TERM DEBT

The following is a summary of activity in the long-term debt of the District for the year ended September 30, 2018:

Long-term debt at October 1, 2017	\$ 23,070,000
Principal payments	<u>(1,115,000)</u>
Long-term debt at September 30, 2018	21,955,000
Plus bond premium, net	<u>194,122</u>
Total long-term debt, September 30, 2018	<u>\$ 22,149,122</u>

Marshall Creek Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE F – 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. \$ 11,425,000

\$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. 9,750,000

\$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. 780,000

Bonds Payable \$ 21,955,000

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, 2018 are as follows:

Year Ending September 30,	Principal	Interest	Total
2019	\$ 1,095,000	\$ 1,092,596	\$ 2,187,596
2020	1,145,000	1,045,289	2,190,289
2021	1,205,000	995,782	2,200,782
2022	1,265,000	935,334	2,200,334
2023	1,330,000	871,886	2,201,886
2024-2028	7,705,000	3,291,012	10,996,012
2029-2033	7,705,000	1,153,964	8,858,964
2034-2038	165,000	139,672	304,672
2039-2043	225,000	80,896	305,896
2044-2045	115,000	11,060	126,060
Totals	<u>\$ 21,955,000</u>	<u>\$ 9,617,491</u>	<u>\$ 31,572,491</u>

Marshall Creek Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE F – 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	\$ 50,019	\$ 50,000

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	\$ 493,000	\$ 486,125

Marshall Creek Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE F – 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 G – CAPITAL LEASE PAYABLE

The District entered into two capital lease agreements with Municipal Capital Finance for the purchase of a bulldozer and a chipper. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments at the time of acquisition.

The District entered into a three-year lease agreement for the chipper on September 30, 2016 with payments beginning November 13, 2016. The District is scheduled to make 36 monthly payments of \$1,535 which includes 0.45% interest.

The District entered into a three-year lease agreement for the bulldozer on February 16, 2017 with payments beginning March 26, 2017. The District is scheduled to make 36 monthly payments of \$1,613 which includes 0.39% interest.

The future minimum lease obligation and the net present value of these minimum lease payments as of September 30, 2018 were as follows:

Year Ending September 30,	Lease Payment
2019	\$ 37,779
2020	6,454
Total minimum lease payments	44,233
Less: amount representing interest	(1,367)
Present value of minimum lease payments	\$ 42,866

Marshall Creek Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

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 \$25,913 per month.



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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, 2018, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2019.

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*.

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
Certified Public Accountants
Fort Pierce, Florida

June 28, 2019



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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, 2018, and have issued our report thereon dated June 28, 2019.

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 Reporting Requirements

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*, 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 28, 2019, 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 financial audit report. The findings or recommendations noted in the preceding audit were corrected in the current year.

Financial Condition and Management

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 Marshall Creek Community Development District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions met. In connection with our audit, we determined that Marshall Creek Community Development District did not meet any of the conditions described in Section 218.503(1) Florida Statutes.

Fort Pierce / Stuart

To the Board of Supervisors
Marshall Creek Community Development District

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 Marshall Creek Community Development District. 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 as of September 30, 2018.

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.

Additional 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 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 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*

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

June 28, 2019



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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, 2018. 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, 2018.

*Berger Toombs Elam
Gaines & Frank*

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

June 28, 2019