



Rizzetta & Company

Magnolia Creek Community Development District

**Board of Supervisors' Meeting
August 6, 2020**

**District Office:
120 Richard Jackson Blvd, Suite 220
Panama City Beach, Florida 32407
850-334-9055**

www.magnoliacreekcdd.org

MAGNOLIA CREEK COMMUNITY DEVELOPMENT DISTRICT AGENDA

Rizzetta & Company, Inc., 120 Richard Jackson Boulevard, Suite 220, Panama City Beach, FL 32407

District Board of Supervisors	Dale (Chip) Jones Scott Campbell William McConnell Tom Hidell Adam Lerner	Chairman Vice Chairman Supervisor Supervisor Supervisor
District Manager	Anthony Jeancola	Rizzetta & Company, Inc.
District Attorney	Carl Eldred	Hopping, Green & Sams, P.A.
District Engineer	Richard Moore, P.E.	Moore-Bass Consulting, Inc.
Bond Counsel	Cynthia E. Wilhelm	Nabors, Giblin & Nickerson, P.A.

All Cellular phones and pagers must be turned off.

The Audience Comment portion of the agenda is where individuals may make comments on matters that concern the District. Individuals are limited to a total of three (3) minutes to make comments during this time.

Pursuant to provisions of the Americans with Disabilities Act, any person requiring special accommodations to participate in this meeting/hearing/workshop is asked to advise the District Office at least forty-eight (48) hours before the meeting/hearing/workshop by contacting the District Manager at (850) 334-9055. If you are hearing or speech impaired, please contact the Florida Relay Service by dialing 7-1-1, or 1-800-955-8771 (TTY)1-800-955-8770 (Voice), who can aid you in contacting the District Office.

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

MAGNOLIA CREEK COMMUNITY DEVELOPMENT DISTRICT
DISTRICT OFFICE • 120 RICHARD JACKSON BLVD., SUITE 220, PANAMA CITY BEACH, FL 32407
<http://magnoliacreekcdd.org/>

July 30, 2020

Board of Supervisors
Magnolia Creek Community
Development District

AGENDA

Dear Board Members:

The regular meeting of the Board of Supervisors' of the Magnolia Creek Community Development District will be held on **Thursday, August 6, 2020 at 2:00 p.m. (CDT) by phone teleconference at 929-205-6099; Meeting ID 998 4491 5975**. The following is the agenda for the meeting:

AUDIT COMMITTEE MEETING:

1. **CALL TO ORDER/ROLL CALL**
2. **BUSINESS ADMINISTRATION**
 - A. Review of Proposals for Auditing Services.....Tab 1
 - i. Berger, Toombs, Elam, Gaines & Frank
 - ii. Grau & Associates
 - B. Ranking of Auditor Proposals
3. **ADJOURNMENT**

BOARD OF SUPERVIORS MEETING:

1. **CALL TO ORDER/ROLL CALL**
2. **AUDIENCE COMMENTS**
3. **BUSINESS ADMINISTRATION**
 - A. Consideration of Minutes of the Audit Committee Meeting Held on May 7, 2020.....Tab 2
 - B. Consideration of Minutes of the Board of Supervisors' Meeting Held on May 7, 2020.....Tab 3
 - C. Ratification of Operation and Maintenance Expenditures for April 2020 – June 2020.....Tab 4
4. **BUSINESS ITEMS**
 - A. Public Hearing on Fiscal Year 2020/2021 Final Budget
 - i. Consideration of Resolution 2020-06, Adopting Fiscal Year 2020/2021 Final Budget.....Tab 5
 - ii. Consideration of Resolution 2020-07, Imposing Special Assessments and Certifying an Assessment Roll.....Tab 6
 - B. Consideration of Resolution 2020-08, Fiscal Year 2020/2021 Annual Meeting Schedule.....Tab 7
 - C. Consideration of Audit Review Committee Recommendation
 - D. Acceptance of Fiscal Year 2019 Audit.....Tab 8
5. **STAFF REPORTS**
 - A. District Counsel
 - B. District Engineer
 - C. District Manager
6. **SUPERVISOR REQUESTS**
7. **ADJOURNMENT**

I look forward to seeing you at the meeting. In the meantime, if you have any questions, please do not hesitate to call me at 850-334-9055.

Sincerely,
Anthony Jeancola
Anthony Jeancola
District Manager

cc: Carl Eldred, Hopping Green & Sams, P.A.
Rick Moore, Moore Bass Consulting, Inc.

Tab 1

**MAGNOLIA CREEK
COMMUNITY DEVELOPMENT DISTRICT
PROPOSAL FOR AUDIT SERVICES**

PROPOSED BY:

Berger, Toombs, Elam, Gaines & Frank
CERTIFIED PUBLIC ACCOUNTANTS, PL

600 Citrus Avenue, Suite 200
Fort Pierce, Florida 34950

(772) 461-6120

CONTACT PERSON:

J. W. Gaines, CPA, Director

DATE OF PROPOSAL:

July 29, 2020

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Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue
Suite 200
Fort Pierce, Florida 34950

772/461-6120 // 461-1155
FAX: 772/468-9278

July 29, 2020

Magnolia Creek Community Development District
Rizzetta & Company, Inc.
8529 South Park Circle, Suite 330
Orlando, FL 32819

Dear District Manager:

Thank you very much for the opportunity to present our professional credentials to provide audit services for Magnolia Creek Community Development District.

Berger, Toombs, Elam, Gaines & Frank, Certified Public Accountants, PL has assembled a team of governmental and nonprofit specialists second to none to serve our clients. Our firm has the necessary qualifications and experience to serve as the independent auditors for Magnolia Creek Community Development District. We will provide you with top quality, responsive service.

Experience

Berger, Toombs, Elam, Gaines & Frank, Certified Public Accountants, PL is a recognized leader in providing services to governmental and nonprofit agencies throughout Florida. We have been the independent auditors for a number of local governmental agencies and through our experience in performing their audits, we have been able to increase our audit efficiency and; therefore, reduce costs. We have continually passed this cost savings on to our clients and will continue to do so in the future. As a result of our experience and expertise, we have developed an effective and efficient audit approach designed to meet or exceed the performance specifications 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 the standards for financial and compliance audits. We will conduct the audit in accordance with auditing standards generally accepted in the United States of America; "Government Auditing Standards" issued by the Comptroller General of the United States; the provisions of the Single Audit Act, Subpart F of Title 2 US Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, with minimal disruption to your operations. Our firm has frequent technical updates to keep our personnel informed and up-to-date on all changes that are occurring within the industry.



Berger, Toombs, Elam,
Gaines & Frank
Certified Public Accountants PL

Magnolia Creek Community Development District
July 29, 2020

Our firm is a member of the Government Audit Quality Center, an organization dedicated to improving government audit quality. We also utilize the audit program software of a nationally recognized CPA firm to assure us that we are up to date with all auditing standards and to assist us maintain maximum audit efficiencies.

To facilitate your evaluation of our qualifications and experience, we have arranged this proposal to include a resume of our firm, including our available staff, our extensive prior governmental and nonprofit auditing experience and clients to be contacted.

You need a firm that will provide an efficient, cost-effective, high-quality audit within critical time constraints. You need a firm with the prerequisite governmental and nonprofit experience to perform your audit according to stringent legal and regulatory requirements, a firm that understands the complex nature of community development districts and their unique compliance requirements. You need a firm with recognized governmental and nonprofit specialists within the finance and governmental communities. And, certainly, you need a firm that will provide you with valuable feedback to enhance your current and future operations. Berger, Toombs, Elam, Gaines & Frank, Certified Public Accountants, PL is that firm. J. W. Gaines is the person authorized to make representations for the firm.

Thank you again for the opportunity to submit this proposal to Magnolia Creek Community Development District.

Very truly yours,

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

PROFILE OF THE PROPOSER

Description and History of Audit Firm

Berger, Toombs, Elam, Gaines & Frank, Certified Public Accountants, PL is a Treasure Coast public accounting firm, which qualifies as a small business firm, as established by the Small Business Administration (13 CFR 121.38), with offices in Fort Pierce and Stuart. We are a member of the Florida Institute of Certified Public Accountants and the American Institute of Certified Public Accountants. The firm was formed from the merger of Edwards, Berger, Harris & Company (originated in 1972) and McAlpin, Curtis & Associates (originated in 1949). J. W. Gaines and Associates (originated in 1979) merged with the firm in 2004. Our tremendous growth rate experienced over the last 69 years is directly attributable to the firm's unrelenting dedication to providing the highest quality, responsive professional services attainable to its clients.

We are a member of the Private Companies Practice Section (PCPS) of the American Institute of Certified Public Accountants (AICPA) to assure we meet the highest standards. Membership in this practice section requires that our firm meet more stringent standards than standard AICPA membership. These rigorous requirements include the requirement of a triennial peer review of our firm's auditing and accounting practice and annual Continuing Professional Education (CPE) for all accounting staff (whether CPA or non-CPA). For standard AICPA membership, only a quality review is required and only CPAs must meet CPE requirements.

We are also a member of the Government Audit Quality Center ("the Center") of the American Institute of Certified Public Accountants to assure the quality of our government audits. Membership in the Center, which is voluntary, requires our firm to comply with additional standards to promote the quality of government audits.

We have been extensively involved in serving local government entities with professional accounting, auditing and consulting services throughout the entire 69 year history of our firm. Our substantial experience over the years makes us uniquely qualified to provide accounting, auditing, and consulting services to these clients. We are a recognized leader in providing services to governmental and nonprofit agencies on the Treasure Coast and in Central and South Florida, with extensive experience in auditing community development districts and water control districts. We were the independent auditors of the City of Fort Pierce for over 37 years and currently, we are the independent auditors for St. Lucie County since 2002, and for 34 of the 38 years that the county has been audited by CPA firms. Additionally, we have performed audits of the City of Stuart, the City of Vero Beach, Indian River County and Martin County. We also presently audit over 75 Community Development Districts throughout Florida.

Our firm was founded on the belief that we are better able to respond to our clients needs through education, experience, independence, quality control, and personal service. Our firm's commitment to quality is reflected in our endeavor of professional excellence via continuing education, the use of the latest computer technology, professional membership in PCPS and peer review.

We believe our approach to audit engagements, intelligence and innovation teamed with sound professional judgment enables us to explore new concepts while remaining sensitive to the fundamental need for practical solutions. We take pride in giving you the assurance that the personal assistance you receive comes from years of advanced training, technical experience and financial acumen.

Professional Staff Resources

Berger, Toombs, Elam, Gaines & Frank, Certified Public Accountants, PL has a total of 27 professional and administrative staff (including 12 professional staff with extensive experience servicing government entities). The work will be performed out of our Fort Pierce office with a proposed staff of one senior accountant and one or two staff accountants supervised by an audit manager and audit partner. With the exception of the directors of the firm's offices, the professional staff is not specifically assigned to any of our individual offices. The professional and administrative staff resources available to you through Berger, Toombs, Elam, Gaines & Frank, Certified Public Accountants, PL are as follows:

	<u>Total</u>
Partners/Directors (CPA's)	5
Principals (CPA)	1
Managers (CPA)	1
Senior/Supervisor Accountants (2 CPA's)	3
Staff Accountants (1 CPA)	7
Computer Specialist	1
Paraprofessional	6
Administrative	<u>4</u>
Total – all personnel	28

Following is a brief description of each employee classification:

Staff Accountant – Staff accountants work directly under the constant supervision of the auditor-in-charge and, are responsible for the various testing of documents, account analysis and any other duties as his/her supervisor believes appropriate. Minimum qualification for a staff accountant is graduation from an accredited university or college with a degree in accounting or equivalent.

Senior Accountant – A senior accountant must possess all the qualifications of the staff accountant, in addition to being able to draft the necessary reports and financial statements, and supervise other staff accountants when necessary.

Managers – A manager must possess the qualifications of the senior accountant, plus be able to work without extensive supervision from the auditor-in-charge. The manager should be able to draft audit reports from start to finish and to supervise the audit team, if necessary.

Principal – A principal is a partner/director in training. He has been a manager for several years and possesses the technical skills to act as the auditor-in-charge. A principal has no financial interest in the firm.

Partner/Director – The director has extensive governmental auditing experience and acts as the auditor-in-charge. Directors have a financial interest in the firm.

Professional Staff Resources (Continued)

Independence – Independence of the public accounting firm, with respect to the audit client, is the foundation from which the public gains its trust in the opinion issued by the public accounting firm at the end of the audit process. This independence must be in appearance as well as in fact. The public must perceive that the accounting firm is independent of the audit entity to ensure that nothing would compromise the opinion issued by the public accounting firm. **Berger, Toombs, Elam, Gaines & Frank, Certified Public Accountants, PL** is independent of Magnolia Creek Community Development District, including its elected officials and related parties, at the date of this proposal, as defined by the following rules, regulations, and standards:

AuSection 220 – Statements on Auditing Standards issued by the American Institute of Certified Public Accountants;

ET Sections 101 and 102 – Code of Professional Conduct of the American Institute of Certified Public Accountants;

Chapter 21A-1, Florida Administrative Code;

Section 473.315, Florida Statutes; and,

Government Auditing Standards, issued by the Comptroller General of the United States.

On an annual basis, all members of the firm are required to confirm, in writing, that they have no personal or financial relationships or holding that would impair their independence with regard to the firm's clients.

Independence is a hallmark of our profession. We encourage our staff to use professional judgment in situations where our independence could be impaired or the perception of a conflict of interest might exist. In the governmental sector, public perception is as important as professional standards. Therefore, the utmost care must be exercised by independent auditors in the performance of their duties.

Ability to Furnish the Required Services

As previously noted in the Profile of the Proposer section of this document, our firm has been in existence for over 69 years. We have provided audit services to some clients for over 30 years continually. Our firm is insured against physical loss through commercial insurance and we also carry liability insurance. The majority of our audit documentation is stored electronically, both on our office network and on each employee laptop or computer assigned to each specific job. Our office computer network is backed up on tape, so in the event of a total equipment loss, we can restore all data as soon as replacement equipment is acquired. In addition, our field laptop computers carry the same data and can be used in the event of emergency with virtually no delay in completing the required services.

ADDITIONAL SERVICES PROVIDED

Arbitrage Rebate Services

Berger, Toombs, Elam, Gaines & Frank, Certified Public Accountants, PL also provides arbitrage rebate compliance and related services to governmental issuers. The Tax Reform Act of 1986 requires issuers of most tax-exempt obligations to pay (i.e., “rebate”) to the United States government any arbitrage profits. Arbitrage profits are earnings on the investment of bond proceeds and certain other monies in excess of what would have been earned had such monies been invested at a yield equal to the yield on the bonds.

Federal tax law requires that interim rebate calculations and payments are due at the end of every fifth bond year. Final payment is required upon redemption of the bonds. More frequent calculations may be deemed advisable by an issuer’s auditor, trustee or bond counsel or to assure that accurate and current records are available. These more frequent requirements are usually contained in the Arbitrage or Rebate Certificate with respect to the bonds.

Our firm performs a comprehensive rebate analysis and includes the following:

- Verifying that the issue is subject to rebate;
- Calculating the bond yield;
- Identifying, and separately accounting for, all “Gross Proceeds” (as that term is defined in the Code) of the bond issue, including those requiring analysis due to “transferred proceeds” and/or “commingled funds” circumstances;
- Determining what general and/or elective options are available to Gross proceeds of the issue;
- Calculating the issue’s excess investment earning (rebate liability), if any;
- Delivering appropriate documentation to support all calculations;
- Providing an executive summary identifying the methodology employed, major assumptions, conclusions, and any other recommendations for changes in recordkeeping and investment policies;
- Assisting as necessary in the event of an Internal Revenue Service inquiry; and,
- Consulting with issue staff, as necessary, regarding arbitrage related matters.

GOVERNMENTAL AUDITING EXPERIENCE

Berger, Toombs, Elam, Gaines & Frank, Certified Public Accountants, PL has been practicing public accounting in Florida for 69 years. Our success over the years has been the result of a strong commitment to providing personalized quality service to our clients.

The current members of our firm have performed audits of over 900 community development districts, and over 1,800 audits of municipalities, counties and other governmental entities such as the City of Fort Pierce and St. Lucie County.

Our firm provides a variety of accounting, auditing, tax litigation support, and consulting services. Some of the professional accounting, auditing and management consulting services that are provided by our firm are listed below:

- Performance of annual financial and compliance audits, including Single Audits of state and federal financial assistance programs, under the provisions of the Single Audit Act, Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), with minimal disruptions to your operations;
- Performance of special compliance audits to ascertain compliance with the applicable local, state and federal laws and regulations;
- Issuance of comfort letters and consent letters in conjunction with the issuance of tax-exempt debt obligations, including compiling financial data and interim period financial statement reviews;
- Calculation of estimated and actual federal arbitrage rebates;
- Assistance in compiling historical financial data for first-time and supplemental submissions for GFOA Certificate of Achievement for Excellence in Financial Reporting;
- Preparation of indirect cost allocation systems in accordance with Federal and State regulatory requirements;
- Providing human resource and employee benefit consulting;
- Performance of automation feasibility studies and disaster recovery plans;
- Performance feasibility studies concerning major fixed asset acquisitions and utility plant expansion plans (including electric, water, pollution control, and sanitation utilities); and
- Assistance in litigation, including testimony in civil and criminal court.
- Assist clients who utilize QuickBooks software with their software needs. Our Certified QuickBooks Advisor has undergone extensive training through QuickBooks and has passed several exams to attain this Certification.

Continuing Professional Education

All members of the governmental audit staff of our firm, and audit team members assigned to this engagement, are in compliance with the Continuing Professional Education (CPE) requirements set forth in Government Auditing Standards issued by the Comptroller General of the United States. In addition, our firm is in compliance with the applicable provisions of the Florida Statutes that require CPA's to have met certain CPE requirements prior to proposing on governmental audit engagements.

GOVERNMENTAL AUDITING EXPERIENCE (CONTINUED)

The audit team has extensive experience in performing governmental audits and is exposed to intensive and continuing concentration on these types of audits. Due to the total number of governmental audits our team performs, each member of our governmental staff must understand and be able to perform several types of governmental audits. It is our objective to provide each professional employee fifty hours or more of comprehensive continuing professional education each year. This is accomplished through attending seminars throughout Florida and is reinforced through in-house training.

Our firm has made a steadfast commitment to professional education. Our active attendance and participation in continuing professional education is a major part of our objective to obtain the most recent knowledge on issues which are of importance to our clients. We are growing on the reputation for work that our firm is providing today.

Quality Control Program

Quality control requires continuing commitment to professional excellence. **Berger, Toombs, Elam, Gaines & Frank, Certified Public Accountants, PL** is formally dedicated to that commitment.

To ensure maintaining the standards of working excellence required by our firm, we joined the Private Companies Practice Section (PCPS) of the American Institute of Certified Public Accountants (AICPA). To be a participating member firm of this practice section, a firm must obtain an independent Peer Review of its quality control policies and procedures to ascertain the firm's compliance with existing auditing standards on the applicable engagements.

The scope of the Peer Review is comprehensive in that it specifically reviews the following quality control policies and procedures of the participating firm:

- Professional, economic, and administrative independence;
- Assignment of professional personnel to engagements;
- Consultation on technical matters;
- Supervision of engagement personnel;
- Hiring and employment of personnel;
- Professional development;
- Advancement;
- Acceptance and continuation of clients; and,
- Inspection and review system.

We believe that our commitment to the program is rewarding not only to our firm, but primarily to our clients.

The external independent Peer Review of the elements of our quality control policies and procedures performed by an independent certified public accountant, approved by the PCPS of the AICPA, provides you with the assurance that we continue to conform to standards of the profession in the conduct of our accounting and auditing practice.

GOVERNMENTAL AUDITING EXPERIENCE (CONTINUED)

Our firm is also a member of Governmental Audit Quality Center (GAQC), a voluntary membership center for CPA firms that perform governmental audits. This center promotes the quality of governmental audits.

Our firm has completed successive Peer Reviews. These reviews included a representative sample of our firm's local governmental auditing engagements. As a result of these reviews, our firm obtained an unqualified opinion on our quality control program and work procedures. On page 31 is a copy of our most recent Peer Review report. It should be noted that we received a pass rating.

Our firm has never had any disciplinary actions by state regulatory bodies or professional organizations.

As our firm performs approximately one hundred audits each year that are reviewed by federal, state or local entities, we are constantly dealing with questions from these entities about our audits. We are pleased to say that any questions that have been raised were minor issues and were easily resolved without re-issuing any reports.

Certificate of Achievement for Excellence in Financial Reporting (CAFR)

We are proud and honored to have been involved with the City of Fort Pierce and the Fort Pierce Utilities Authority when they received their first Certificates of Achievement for Excellence in Financial Reporting for the fiscal years ended September 30, 1988 and 1994, respectively. We were also instrumental in the City of Stuart receiving the award, in our first year of performing their audit, for the year ended September 30, 1999.

We also assisted St. Lucie County, Florida for the year ended September 30, 2003, in preparing their first Comprehensive Annual Financial Report, and St. Lucie County has received their Certificate of Achievement for Excellence in Financial Reporting every year since.

As continued commitment to insuring that we are providing the highest level of experience, we have had at least one employee of our firm serve on the GFOA – Special Review Committee since the mid-1980s. This committee is made up of selective Certified Public Accountants throughout the United States who have demonstrated their high level of knowledge and expertise in governmental accounting. Each committee member attends a special review meeting at the Annual GFOA Conference. At this meeting, the committee reports on the Certificate of Achievement Program's most recent results, future goals, and common reporting deficiencies.

We feel that our previous experience in assisting the City of Fort Pierce, the Fort Pierce Utilities Authority and St. Lucie County obtain their first CAFRs, and the City of Stuart in continuing to receive a CAFR and our firm's continued involvement with the GFOA, and the CAFR review committee make us a valued asset for any client in the field of governmental financial reporting.

GOVERNMENTAL AUDIT EXPERIENCE (CONTINUED)

References

Terracina Community Development
District
Jeff Walker, Special District Services
(561) 630-4922

Gateway Community Development
District
Stephen Bloom, Severn Trent Management
(954) 753-5841

The Reserve Community Development District

Darrin Mossing, Governmental Management
Services LLC
(407) 841-5524

Port of the Islands Community Development
District
Cal Teague, Premier District Management

(239) 690-7100 ext 101

In addition to the above, we have the following additional governmental audit experience:

Community Development Districts

Aberdeen Community Development
District

Beacon Lakes Community
Development District

Alta Lakes Community Development
District

Beaumont Community Development
District

Amelia Concourse Community
Development District

Bella Collina Community Development
District

Amelia Walk Community
Development District

Bonnet Creek Community
Development District

Aqua One Community Development
District

Buckeye Park Community
Development District

Arborwood Community Development
District

Candler Hills East Community
Development District

Arlington Ridge Community
Development District

Cedar Hammock Community
Development District

Bartram Springs Community
Development District

Central Lake Community
Development District

Baytree Community Development
District

Channing Park Community
Development District

GOVERNMENTAL AUDIT EXPERIENCE (CONTINUED)

Cheval West Community Development District	Evergreen Community Development District
Coconut Cay Community Development District	Forest Brooke Community Development District
Colonial Country Club Community Development District	Gateway Services Community Development District
Connerton West Community Development District	Gramercy Farms Community Development District
Copperstone Community Development District	Greenway Improvement District
Creekside @ Twin Creeks Community Development District	Greyhawk Landing Community Development District
Deer Run Community Development District	Griffin Lakes Community Development District
Dowden West Community Development District	Habitat Community Development District
DP1 Community Development District	Harbor Bay Community Development District
Eagle Point Community Development District	Harbourage at Braden River Community Development District
East Nassau Stewardship District	Harmony Community Development District
Eastlake Oaks Community Development District	Harmony West Community Development District
Easton Park Community Development District	Harrison Ranch Community Development District
Estancia @ Wiregrass Community Development District	Hawkstone Community Development District

GOVERNMENTAL AUDIT EXPERIENCE (CONTINUED)

Heritage Harbor Community Development District	Madeira Community Development District
Heritage Isles Community Development District	Marhsall Creek Community Development District
Heritage Lake Park Community Development District	Meadow Pointe IV Community Development District
Heritage Landing Community Development District	Meadow View at Twin Creek Community Development District
Heritage Palms Community Development District	Mediterra North Community Development District
Heron Isles Community Development District	Midtown Miami Community Development District
Heron Isles Community Development District	Mira Lago West Community Development District
Highland Meadows II Community Development District	Montecito Community Development District
Julington Creek Community Development District	Narcoossee Community Development District
Laguna Lakes Community Development District	Naturewalk Community Development District
Lake Bernadette Community Development District	New Port Tampa Bay Community Development District
Lakeside Plantation Community Development District	Overoaks Community Development District
Landings at Miami Community Development District	Panther Trace II Community Development District
Legends Bay Community Development District	Paseo Community Development District
Lexington Oaks Community Development District	Pine Ridge Plantation Community Development District
Live Oak No. 2 Community Development District	Piney Z Community Development District

GOVERNMENTAL AUDIT EXPERIENCE (CONTINUED)

Poinciana Community Development District	Sampson Creek Community Development District
Poinciana West Community Development District	San Simeon Community Development District
Port of the Islands Community Development District	Six Mile Creek Community Development District
Portofino Isles Community Development District	South Village Community Development District
Quarry Community Development District	Southern Hills Plantation I Community Development District
Renaissance Commons Community Development District	Southern Hills Plantation III Community Development District
Reserve Community Development District	South Fork Community Development District
Reserve #2 Community Development District	St. John's Forest Community Development District
River Glen Community Development District	Stoneybrook South Community Development District
River Hall Community Development District	Stoneybrook South at ChampionsGate Community Development District
River Place on the St. Lucie Community Development District	Stoneybrook West Community Development District
Rivers Edge Community Development District	Tern Bay Community Development District
Riverwood Community Development District	Terracina Community Development District
Riverwood Estates Community Development District	Tison's Landing Community Development District
Rolling Hills Community Development District	TPOST Community Development District
Rolling Oaks Community Development District	

GOVERNMENTAL AUDIT EXPERIENCE (CONTINUED)

Triple Creek Community Development District	Vizcaya in Kendall Development District
TSR Community Development District	Waterset North Community Development District
Turnbull Creek Community Development District	Westside Community Development District
Twin Creeks North Community Development District	WildBlue Community Development District
Urban Orlando Community Development District	Willow Creek Community Development District
Verano #2 Community Development District	Willow Hammock Community Development District
Viera East Community Development District	Winston Trails Community Development District
VillaMar Community Development District	Zephyr Ridge Community Development District

GOVERNMENTAL AUDIT EXPERIENCE (CONTINUED)

Other Governmental Organizations

City of Westlake	Office of the Medical Examiner, District 19
Florida Inland Navigation District	Rupert J. Smith Law Library of St. Lucie County
Fort Pierce Farms Water Control District	St. Lucie Education Foundation
Indian River Regional Crime Laboratory, District 19, Florida	Seminole Improvement District
Viera Stewardship District	Troup Indiantown Water Control District

Current or Recent Single Audits.

St. Lucie County, Florida
Early Learning Coalition, Inc.
Treasure Coast Food Bank, Inc.

Members of our audit team have acquired extensive experience from performing or participating in over 1,800 audits of governments, independent special taxing districts, school boards, and other agencies that receive public money and utilize fund accounting.

Much of our firm's auditing experience is with compliance auditing, which is required for publicly financed agencies. In this type of audit, we do a financial examination and also confirm compliance with various statutory and regulatory guidelines.

Following is a summary of our other experience, including Auditor General experience, as it pertains to other governmental and fund accounting audits.

Counties

(Includes elected constitutional officers, utilities and dependent taxing districts)

Indian River
Martin
Okeechobee
Palm Beach

Municipalities

City of Port St. Lucie
City of Vero Beach
Town of Orchid

GOVERNMENTAL AUDIT EXPERIENCE (CONTINUED)

Special Districts

Bannon Lakes Community Development District
Boggy Creek Community Development District
Capron Trail Community Development District
Celebration Pointe Community Development District
Coquina Water Control District
Diamond Hill Community Development District
Dovera Community Development District
Durbin Crossing Community Development District
Golden Lakes Community Development District
Lakewood Ranch Community Development District
Martin Soil and Water Conservation District
Meadow Pointe III Community Development District
Myrtle Creek Community Development District
St. Lucie County – Fort Pierce Fire District
The Crossings at Fleming Island
St. Lucie West Services District
Indian River County Mosquito Control District
St. John's Water Control District
Westchase and Westchase East Community Development Districts
Pier Park Community Development District
Verandahs Community Development District
Magnolia Park Community Development District

Schools and Colleges

Federal Student Aid Programs – Indian River Community College
Indian River Community College
Okeechobee County District School Board
St. Lucie County District School Board

State and County Agencies

Central Florida Foreign-Trade Zone, Inc. (a nonprofit organization affiliated with the St. Lucie County Board of County Commissioners)
Florida School for Boys at Okeechobee
Indian River Community College Crime Laboratory
Indian River Correctional Institution

FEE SCHEDULE

We propose the fee for our audit services described below to be \$4,525 for the years ended September 30, 2020, 2021, and 2022. The fee is contingent upon the financial records and accounting systems of Magnolia Creek Community Development District being “audit ready” and the financial activity for the District is not materially increased. If we discover that additional preparation work or subsidiary schedules are needed, we will consult with your authorized representative. We can assist with this additional work at our standard rates should you desire.

SCOPE OF WORK TO BE PERFORMED

If selected as the District's auditors, we will perform a financial and compliance audit in accordance with Section 11.45, Florida Statutes, in order to express an opinion on an annual basis on the financial statements of Magnolia Creek Community Development District as of September 30, 2020, 2021, and 2022. The audits will be performed to the extent necessary to express an opinion on the fairness in all material respects with which the financial statements present the financial position, results of operations and changes in financial position in conformity with generally accepted accounting principles and to determine whether, for selected transactions, operations are properly conducted in accordance with legal and regulatory requirements. Reportable conditions that are also material weaknesses shall be identified as such in the Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Other (non-reportable) conditions discovered during the course of the audit will be reported in a separate letter to management, which will be referred to in the Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters.

Our audit will be performed in accordance with standards for financial and compliance audits contained in *Government Auditing Standards*, as well as in compliance with rules and regulations of audits of special districts as set forth by the State Auditor General in Chapter 10.550, Local Governmental Entity Audits, and other relevant federal, state and county orders, statutes, ordinances, charter, resolutions, bond covenants, Administrative Code and procedures, or rules and regulations which may pertain to the work required in the engagement.

The primary purpose of our audit will be to express an opinion on the financial statements discussed above. It should be noted that such audits are subject to the inherent risk that errors or irregularities may not be detected. However, if conditions are discovered which lead to the belief that material errors, defalcations or other irregularities may exist or if other circumstances are encountered that require extended services, we will promptly notify the appropriate individual.

Commitment to Quality Service

Personnel Qualifications and Experience

J. W. Gaines, CPA, CITP

Director – 40 years

Education

- ◆ Stetson University, B.B.A. – Accounting

Registrations

- ◆ Certified Public Accountant – State of Florida, State Board of Accountancy
- ◆ Certified Information Technology Professional (CITP) – American Institute of Certified Public Accountants

Professional Affiliations/Community Service

- ◆ Member of the American and Florida Institutes of Certified Public Accountants
- ◆ Affiliate member Government Finance Officers Association
- ◆ Past President, Vice President-Campaign Chairman, Vice President and Board Member of United Way of St. Lucie County, 1989 - 1994
- ◆ Past President, President Elect, Secretary and Treasurer of the Treasure Coast Chapter of the Florida Institute of Certified Public Accountants, 1988 - 1991
- ◆ Past President of Ft. Pierce Kiwanis Club, 1994 - 95, Member/Board Member since 1982
- ◆ Past President, Vice President and Treasurer of St. Lucie County Chapter of the American Cancer Society, 1980 -1986
- ◆ Member of the St. Lucie County Chamber of Commerce, Member Board of Directors, Treasurer, September 2002 - 2006, Chairman Elect 2007, Chairman 2008, Past Chairman 2009
- ◆ Member Lawnwood Regional Medical Center Board of Trustees, 2000 – Present, Chairman 2013 - Present
- ◆ Member of St. Lucie County Citizens Budget Committee, 2001 – 2002
- ◆ Member of Ft. Pierce Citizens Budget Advisory Committee, 2010 – 2011
- ◆ Member of Ft. Pierce Civil Service Appeals Board, 2013 - Present

Professional Experience

- ◆ Miles Grant Development/Country Club – Stuart, Florida, July 1975 – October 1976
- ◆ State Auditor General's Office – Public Accounts Auditor – November 1976 through September 1979
- ◆ Director - Berger, Toombs, Elam, Gaines & Frank, Certified Public Accountants PL, responsible for numerous government and nonprofit audits.
- ◆ Over 30 years experience in all phases of public accounting and auditing experience, with a concentration in financial and compliance audits. Mr. Gaines has been involved in all phases of the audits listed on the preceding pages.

Commitment to Quality Service

Personnel Qualifications and Experience
--

J. W. Gaines, CPA, CITP (Continued)

Director

Continuing Professional Education

- ♦ Has participated in numerous continuing professional education courses provided by nationally recognized sponsors over the last two years to keep abreast of the latest developments in accounting and auditing such as:
 - Governmental Accounting Report and Audit Update
 - Analytical Procedures, FICPA
 - Annual Update for Accountants and Auditors
 - Single Audit Sampling and Other Considerations

Commitment to Quality Service

Personnel Qualifications and Experience

David S. McGuire, CPA, CITP

Accounting and Audit Principal – 11 years

Accounting and Audit Manager – 4 years

Staff Accountant – 11 years

Education

- ◆ University of Central Florida, B.A. – Accounting
- ◆ Barry University – Master of Professional Accountancy

Registrations

- ◆ Certified Public Accountant – State of Florida, State Board of Accountancy
- ◆ Certified Information Technology Professional (CITP) – American Institute of Certified Public Accountants
- ◆ Certified Not-For-Profit Core Concepts 2018

Professional Affiliations/Community Service

- ◆ Member of the American and Florida Institutes of Certified Public Accountants
- ◆ Associate Member, Florida Government Finance Office Associates
- ◆ Assistant Coach – St. Lucie County Youth Football Organization (1994 – 2005)
- ◆ Assistant Coach – Greater Port St. Lucie Football League, Inc. (2006 – 2010)
- ◆ Board Member – Greater Port St. Lucie Football League, Inc. (2011 – present)
- ◆ Treasurer, AIDS Research and Treatment Center of the Treasure Coast, Inc. (2000 – 2003)
- ◆ Board Member/Treasurer, North Treasure Coast Chapter, American Red Cross (2004 – 2010)
- ◆ Member/Board Member of Port St. Lucie Kiwanis (1994 – 2001)
- ◆ President (2014/15) of Sunrise Kiwanis of Fort Pierce (2004 – present)
- ◆ St. Lucie District School Board Superintendent Search Committee (2013 – present)

Professional Experience

- ◆ Twenty-four years public accounting experience with an emphasis on nonprofit and governmental organizations.
- ◆ Audit Manager in-charge on a variety of audit and review engagements within several industries, including the following government and nonprofit organizations:
 - St. Lucie County, Florida
 - 19th Circuit Office of Medical Examiner
 - Troup Indiantown Water Control District
 - Exchange Club Center for the Prevention of Child Abuse, Inc.
 - Healthy Kids of St. Lucie County
 - Mustard Seed Ministries of Ft. Pierce, Inc.
 - Reaching Our Community Kids, Inc.
 - Reaching Our Community Kids - South
 - St. Lucie County Education Foundation, Inc.
 - Treasure Coast Food Bank, Inc.
 - North Springs Improvement District
- ◆ Four years of service in the United States Air Force in computer operations, with a top secret (SCI/SBI) security clearance.

Commitment to Quality Service

Personnel Qualifications and Experience

David S. McGuire, CPA, CITP (Continued)

Accounting and Audit Principal

Continuing Professional Education

- ◆ Mr. McGuire has attended numerous continuing professional education courses and seminars taught by nationally recognized sponsors in the accounting auditing and single audit compliance areas. He has attended courses over the last two years in those areas as follows:

- Not-for-Profit Auditing Financial Results and Compliance Requirements

- Update: Government Accounting Reporting and Auditing

- Annual Update for Accountants and Auditors

Commitment to Quality Service

Personnel Qualifications and Experience

David F. Haughton, CPA

Accounting and Audit Manager – 28 years

Education

- ◆ Stetson University, B.B.A. – Accounting

Registrations

- ◆ Certified Public Accountant – State of Florida, State Board of Accountancy

Professional Affiliations/Community Service

- ◆ Member of the American and Florida Institutes of Certified Public Accountants
- ◆ Former Member of Florida Institute of Certified Public Accountants Committee on State and Local Government
- ◆ Affiliate Member Government Finance Officers Association (GFOA) for over 10 years
- ◆ Affiliate Member Florida Government Finance Officers Association (FGFOA) for over 10 years
- ◆ Technical Review – 1997 FICPA Course on State and Local Governments in Florida
- ◆ Board of Directors – Kiwanis of Ft. Pierce, Treasurer – 1994-1999; Vice President – 1999-2001

Professional Experience

- ◆ Twenty-seven years public accounting experience with an emphasis on governmental and nonprofit organizations.
- ◆ State Auditor General's Office – West Palm Beach, Staff Auditor, June 1985 to September 1985
- ◆ Accounting and Audit Manager of Berger, Toombs, Elam, Gaines & Frank, Certified Public Accountants PL, responsible for audit and accounting services including governmental and not-for-profit audits.
- ◆ Over 20 years of public accounting and governmental experience, specializing in governmental and nonprofit organizations with concentration in special districts, including Community Development Districts which provide services including water and sewer utilities. Governmental and non-profit entities served include the following:

Counties:

St. Lucie County

Municipalities:

City of Fort Pierce

City of Stuart

Commitment to Quality Service

Personnel Qualifications and Experience

David F. Haughton, CPA (Continued)

Accounting and Audit Manager

Professional Experience (Continued)

Special Districts:

Bluewaters Community Development District
Country Club of Mount Dora Community Development District
Fiddler's Creek Community Development District #1 and #2
Indigo Community Development District
North Springs Improvement District
Renaissance Commons Community Development District
St. Lucie West Services District
Stoneybrook Community Development District
Summerville Community Development District
Terracina Community Development District
Thousand Oaks Community Development District
Tree Island Estates Community Development District
Valencia Acres Community Development District

Non-Profits:

The Dunbar Center, Inc.
Hibiscus Children's Foundation, Inc.
Hope Rural School, Inc.
Maritime and Yachting Museum of Florida, Inc.
Tykes and Teens, Inc.
United Way of Martin County, Inc.
Workforce Development Board of the Treasure Coast, Inc.

- ◆ While with the Auditor General's Office he was on the staff for the state audits of the Martin County School District and Okeechobee County School District.
- ◆ During 1997 he performed a technical review of the Florida Institute of Certified Public Accountants state CPE course on Audits of State and Local Governments in Florida. His comments were well received by the author and were utilized in future updates to the course.

Continuing Professional Education

- ◆ During the past several years, he has participated in numerous professional development training programs sponsored by the AICPA and FICPA, including state conferences on special districts and governmental auditing in Florida. He averages in excess of 100 hours bi-annually of advanced training which exceeds the 80 hours required in accordance with the continuing professional education requirements of the Florida State Board of accountancy and the AICPA Private Companies Practice Section. He has over 75 hours of governmental CPE credit within the past two years.

Commitment to Quality Service

Personnel Qualifications and Experience
--

Matthew Gonano, CPA

Senior Staff Accountant – 8 years

Education

- ◆ University of North Florida, B.B.A. – Accounting
- ◆ University of Alicante, Spain – International Business
- ◆ Florida Atlantic University – Masters of Accounting

Professional Affiliations/Community Service

- ◆ American Institute of Certified Public Accountants
- ◆ Florida Institute of Certified Public Accountants

Professional Experience

- ◆ Senior Accountant with Berger, Toombs, Elam, Gaines, & Frank providing professional services to nonprofit and governmental entities.
- ◆ Performed audits of nonprofit and governmental organizations in accordance with Governmental Accounting Auditing Standards (GAAS)
- ◆ Performed Single Audits of nonprofit organizations in accordance with OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations.

Continuing Professional Education

- ◆ Mr. Gonano has participated in numerous continuing professional education courses.

Commitment to Quality Service

Personnel Qualifications and Experience
--

Paul Daly

Staff Accountant – 7 years

Education

- ♦ Florida Atlantic University, B.S. – Accounting

Professional Experience

- ♦ Staff Accountant with Berger, Toombs, Elam, Gaines, & Frank providing professional services to nonprofit and governmental entities.

Continuing Professional Education

- ♦ Working to attain the requirements to take the Certified Public Accounting (CPA) exam.

Commitment to Quality Service

Personnel Qualifications and Experience
--

Melissa Marlin

Senior Staff Accountant – 5 years

Education

- ◆ Indian River State College, A.A. – Accounting
- ◆ Florida Atlantic University, B.B.A. – Accounting

Professional Experience

- ◆ Staff accountant with Berger, Toombs, Elam, Gaines, & Frank providing professional services to nonprofit and governmental entities.

Continuing Professional Education

- ◆ Mrs. Marlin participates in numerous continuing professional education courses provided by nationally recognized sponsors to keep abreast of the latest developments.
- ◆ Mrs. Marlin is currently studying to pass the CPA exam.

Commitment to Quality Service

Personnel Qualifications and Experience
--

Bryan Snyder

Staff Accountant – 4 years

Education

- ◆ Florida Atlantic University, B.B.A. – Accounting

Professional Experience

- ◆ Accountant beginning his professional auditing career with Berger, Toombs, Elam, Gaines, & Frank.
- ◆ Mr. Snyder is gaining experience auditing governmental & nonprofit entities.

Continuing Professional Education

- ◆ Mr. Snyder participates in numerous continuing education courses and plans on working to acquire his CPA certificate.
- ◆ Mr. Snyder is currently studying to pass the CPA exam.

Commitment to Quality Service

Personnel Qualifications and Experience
--

Maritza Stonebraker

Staff Accountant – 3 years

Education

- ◆ Indian River State College, B.S.A. – Accounting

Professional Experience

- ◆ Staff Accountant beginning her professional auditing career with Berger, Toombs, Elam, Gaines, & Frank.

Continuing Professional Education

- ◆ Mrs. Stonebraker participates in numerous continuing education courses and plans on acquiring her CPA.
- ◆ Mrs. Stonebraker is currently studying to pass the CPA exam.

Commitment to Quality Service

Personnel Qualifications and Experience
--

Jonathan Herman, CPA

Senior Staff Accountant – 5 years

Education

- ◆ University of Central Florida, B.S. – Accounting
- ◆ Florida Atlantic University, MACC

Professional Experience

- ◆ Accounting graduate with five years experience with Berger, Toombs, Elam, Gaines, & Frank providing professional services to nonprofit and governmental entities.

Continuing Professional Education

- ◆ Mr. Herman participates in numerous continuing professional education courses provided by nationally recognized sponsors to keep abreast of the latest developments.

Commitment to Quality Service

Personnel Qualifications and Experience
--

Sean Stanton, CPA

Staff Accountant – 3 years

Education

- ◆ University of South Florida, B.S. – Accounting
- ◆ Florida Atlantic University, M.B.A. – Accounting

Professional Experience

- ◆ Staff accountant with Berger, Toombs, Elam, Gaines, & Frank auditing governmental and non-profit entities.

Continuing Professional Education

- ◆ Mr. Stanton participates in numerous continuing professional education courses provided by nationally recognized sponsors to keep abreast of the latest developments.

Commitment to Quality Service

Personnel Qualifications and Experience
--

Taylor Nuccio

Staff Accountant – 1 year

Education

- ♦ Indian River State College, B.S.A. – Accounting

Professional Experience

- ♦ Staff Accountant with Berger, Toombs, Elam, Gaines, & Frank providing professional services to nonprofit and governmental entities.

Continuing Professional Education

- ♦ Ms. Nuccio participates in numerous continuing professional education courses provided by nationally recognized sponsors to keep abreast of the latest developments.
- ♦ Ms. Nuccio is currently working towards completing an additional 30 hours of education to qualify to sit for CPA exam.

Commitment to Quality Service

Personnel Qualifications and Experience
--

Kirk Vasser

Staff Accountant

Education

- ◆ Indian River State College, B.S.A. – Accounting

Professional Experience

- ◆ Staff Accountant with Berger, Toombs, Elam, Gaines, & Frank providing professional services to nonprofit and governmental entities.

Continuing Professional Education

- ◆ Mr. Vasser participates in numerous continuing professional education courses provided by nationally recognized sponsors to keep abreast of the latest developments.
- ◆ Mr. Vasser is currently working towards completing an additional 30 hours of education to qualify to sit for CPA exam.

Commitment to Quality Service

Personnel Qualifications and Experience
--

Madison Ballash

Staff Accountant

Education

- ◆ Indian River State College, B.S.A. – Accounting (May 2020)

Professional Experience

- ◆ Staff Accountant with Berger, Toombs, Elam, Gaines, & Frank providing professional services to nonprofit and governmental entities.

Continuing Professional Education

- ◆ Ms. Ballash participates in numerous continuing professional education courses provided by nationally recognized sponsors to keep abreast of the latest developments.
- ◆ Ms. Ballash is currently working towards completing an additional 30 hours of education to qualify to sit for CPA exam.



Judson B. Baggett 6815 Dairy Road
MBA, CPA, CVA, Partner Zephyrhills, FL 33542
Marci Reutimann (813) 788-2155
CPA, Partner (813) 782-8606

Report on the Firm's System of Quality Control

To the Partners
Berger, Toombs, Elam, Gaines & Frank, CPAs, PL
and the Peer Review Committee of the Florida Institute of Certified Public Accountants

October 30, 2019

We have reviewed the system of quality control for the accounting and auditing practice of Berger, Toombs, Elam, Gaines & Frank, CPAs, PL, (the firm), in effect for the year ended May 31, 2019. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control, and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including a compliance audit under the Single Audit Act.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Berger, Toombs, Elam, Gaines & Frank, CPAs, PL, in effect for the year ended May 31, 2019, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. Berger, Toombs, Elam, Gaines & Frank, CPAs, PL has received a peer review rating of *pass*.

Baggett, Reutimann & Associates, CPAs PA
BAGGETT, REUTIMANN & ASSOCIATES, CPAS, PA
Signed Electronically by Baggett, Reutimann & Associates, CPAs PA, (N. 1183) email: judb@baggettcpa.com

Member American Institute of Certified Public Accountants (AICPA) and Florida Institute of Certified Public Accountants (FICPA)
National Association of Certified Valuation Analysts (NACVA)

**MAGNOLIA CREEK COMMUNITY DEVELOPMENT DISTRICT
REQUEST FOR PROPOSALS**

District Auditing Services for Fiscal Year 2020, 2021 and 2022
Walton County, Florida

INSTRUCTIONS TO PROPOSERS

SECTION 1. DUE DATE. Sealed proposals must be received no later than Wednesday, July 29, 2020, at 12:00 p.m., at the offices of District Manager, located at Rizzetta & Company, Inc., 8529 South Park Circle, Suite 330, Orlando, FL 32819, telephone (407) 472-2471. Proposals will be publicly opened at that time.

SECTION 2. FAMILIARITY WITH THE LAW. By submitting a proposal, the Proposer is assumed to be familiar with all federal, state, and local laws, ordinances, rules and regulations that in any manner affect the work. Ignorance on the part of the Proposer will in no way relieve it from responsibility to perform the work covered by the proposal in compliance with all such laws, ordinances and regulations.

SECTION 3. QUALIFICATIONS OF PROPOSER. The contract, if awarded, will only be awarded to a responsible Proposer who is qualified by experience and licensing to do the work specified herein. The Proposer shall submit with its proposal satisfactory evidence of experience in similar work and show that it is fully prepared to complete the work to the satisfaction of the District.

SECTION 4. SUBMISSION OF ONLY ONE PROPOSAL. Proposers shall be disqualified and their proposals rejected if the District has reason to believe that collusion may exist among the Proposers, the Proposer has defaulted on any previous contract or is in arrears on any previous or existing contract, or for failure to demonstrate proper licensure and business organization.

SECTION 5. SUBMISSION OF PROPOSAL. Submit eight (8) copies of the Proposal Documents, and other requested attachments at the time and place indicated herein, which shall be enclosed in an opaque sealed envelope, marked with the title "Auditing Services – Magnolia Creek Community Development District" on the face of it.

SECTION 6. MODIFICATION AND WITHDRAWAL. Proposals may be modified or withdrawn by an appropriate document duly executed and delivered to the place where proposals are to be submitted at any time prior to the time and date the proposals are due. No proposal may be withdrawn after opening for a period of ninety (90) days.

SECTION 7. PROPOSAL DOCUMENTS. The proposal documents shall consist of the notice announcing the request for proposals, these instructions, the Evaluation Criteria Sheet and a proposal with all required documentation pursuant to Section 12 of these instructions (the "Proposal Documents").

SECTION 8. PROPOSAL. In making its proposal, each Proposer represents that it has read and understands the Proposal Documents and that the proposal is made in accordance therewith.

SECTION 9. BASIS OF AWARD/RIGHT TO REJECT. The District reserves the right to reject any and all proposals, make modifications to the work, and waive any informalities or irregularities in proposals as it is deemed in the best interests of the District.

SECTION 10. CONTRACT AWARD. Within fourteen (14) days of receipt of the Notice of Award from the District, the Proposer shall enter into and execute a Contract (engagement letter) with the District.

SECTION 11. LIMITATION OF LIABILITY. Nothing herein shall be construed as or constitute a waiver of the District's limited waiver of liability contained in Section 768.28, Florida Statutes, or any other statute or law.

SECTION 12. MISCELLANEOUS. All proposals shall include the following information in addition to any other requirements of the proposal documents.

- A. List the position or title of all personnel to perform work on the District audit. Include resumes for each person listed; list years of experience in present position for each party listed and years of related experience.
- B. Describe proposed staffing levels, including resumes with applicable certifications.
- C. Three references from projects of similar size and scope. The Proposer should include information relating to the work it conducted for each reference as well as a name, address and phone number of a contact person.
- D. The lump sum cost of the provision of the services under the proposal, plus the lump sum cost of two (2) annual renewals.

SECTION 13. PROTESTS. In accordance with the District's Rules of Procedure, any protest regarding the Proposal Documents, must be filed in writing, at the offices of the District Manager, within seventy-two (72) calendar hours (excluding Saturday, Sunday, and state holidays) after the receipt of the Proposal Documents. The formal protest setting forth with particularity the facts and law upon which the protest is based shall be filed within seven (7) calendar days (including Saturday, Sunday, and state holidays) after the initial notice of protest was filed. Failure to timely file a notice of protest or failure to timely file a formal written protest shall constitute a waiver of any right to object or protest with respect to the aforesaid Proposal Documents.

SECTION 14. EVALUATION OF PROPOSALS. The criteria to be used in the evaluation of proposals are presented in the Evaluation Criteria Sheet, contained within the Proposal Documents.

**MAGNOLIA CREEK COMMUNITY DEVELOPMENT DISTRICT
AUDITOR SELECTION
EVALUATION CRITERIA**

1. Ability of Personnel. (20 Points)

(E.g., geographic location of the firm's headquarters or permanent office in relation to the project; capabilities and experience of key personnel; present ability to manage this project; evaluation of existing work load; proposed staffing levels, etc.)

2. Proposer's Experience. (20 Points)

(E.g. past record and experience of the Proposer in similar projects; volume of work previously performed by the firm; past performance for other or current Community Development District(s) in other contracts; character, integrity, reputation of Proposer, etc.)

3. Understanding of Scope of Work. (20 Points)

Extent to which the proposal demonstrates an understanding of the District's needs for the services requested.

4. Ability to Furnish the Required Services. (20 Points)

Extent to which the proposal demonstrates the adequacy of Proposer's financial resources and stability as a business entity necessary to complete the services required.

5. Price. (20 Points)

Points will be awarded based upon the lowest total proposal for rendering the services and the reasonableness of the proposal.

Total (100 Points)



Grau & Associates
CERTIFIED PUBLIC ACCOUNTANTS

Proposal to Provide Financial Auditing Services:

MAGNOLIA CREEK
COMMUNITY DEVELOPMENT DISTRICT

Proposal Due: July 29, 2020 12:00PM

Submitted to:

Magnolia Creek
Community Development District
c/o District Manager
8529 South Park Circle, Suite 330
Orlando, FL 32819

Submitted by:

Antonio J. Grau, Partner
Grau & Associates
951 Yamato Road, Suite 280
Boca Raton, Florida 33431

Tel (561) 994-9299
(800) 229-4728

Fax (561) 994-5823

tgrau@graucpa.com

www.graucpa.com



Grau & Associates
CERTIFIED PUBLIC ACCOUNTANTS

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Grau & Associates

CERTIFIED PUBLIC ACCOUNTANTS

July 29, 2019

Magnolia Creek Community Development District
c/o District Manager
8529 South Park Circle, Suite 330
Orlando, FL 32819

Re: Request for Proposal for Professional Auditing Services for the fiscal year ended September 30, 2020, with an option for two (2) additional annual renewals.

Grau & Associates (Grau) welcomes the opportunity to respond to the Magnolia Creek Community Development District's (the "District") Request for Proposal (RFP), and we look forward to working with you on your audit. We are an energetic and robust team of knowledgeable professionals and are a recognized leader of providing services to Community Development Districts. As one of Florida's few firms to primarily focus on government, we are especially equipped to provide you an effective and efficient audit.

Special district audits are at the core of our practice: **we have a total of 360 clients, 329 or 91% of which are special districts.** We know the specifics of the professional services and work products needed to meet your RFP requirements like no other firm. With this level of experience, we are able to increase efficiency, to provide immediate and continued savings, and to minimize disturbances to client operations.

Why Grau & Associates:

Knowledgeable Audit Team

Grau is proud that the personnel we assign to your audit are some of the most seasoned auditors in the field. Our staff performs governmental engagements year round. When not working on your audit, your team is refining their audit approach for next year's audit. Our engagement partners have decades of experience and take a hands-on approach to our assignments, which all ensures a smoother process for you.

Servicing your Individual Needs

Our clients enjoy personalized service designed to satisfy their unique needs and requirements. First, we ensure that the transition to a new firm is as smooth and seamless as possible. Throughout the process of our audit, you will find that we welcome working with you to resolve any issues as swiftly and easily as possible. In addition, due to Grau's very low turnover rate for our industry, you also won't have to worry about retraining your auditors from year to year.

Developing Relationships

We strive to foster mutually beneficial relationships with our clients. We stay in touch year round, updating, collaborating and assisting you in implementing new legislation, rules and standards that affect your organization. We are also available as a sounding board and assist with technical questions.

Maintaining an Impeccable Reputation

We have never been involved in any litigation, proceeding or received any disciplinary action. Additionally, we have never been charged with, or convicted of, a public entity crime of any sort. We are financially stable and have never been involved in any bankruptcy proceedings.

Complying With Standards

Our audit will follow the Auditing Standards of the AICPA, Generally Accepted Government Auditing Standards, issued by the Comptroller General of the United States, and the Rules of the Auditor General of the State of Florida, and any other applicable federal, state and local regulations. We will deliver our reports in accordance with your requirements.

This proposal is a firm and irrevocable offer for 90 days. We certify this proposal is made without previous understanding, agreement or connection either with any previous firms or corporations offering a proposal for the same items. We also certify our proposal is in all respects fair, without outside control, collusion, fraud, or otherwise illegal action, and was prepared in good faith. Only the person(s), company or parties interested in the project as principals are named in the proposal. Grau has no existing or potential conflicts, and anticipates no conflicts during the engagement. Our Federal I.D. number is 20-2067322.

We would be happy to answer any questions or to provide any additional information. We are genuinely excited about the prospect of serving you and establishing a long-term relationship. Please do not hesitate to call or email either of our Partners, Antonio J. Grau, CPA (tgrau@graucpa.com) or Racquel McIntosh, CPA (rmcintosh@graucpa.com) at 561.994.9299. We thank you for considering our firm's qualifications and experience.

Very truly yours,
Grau & Associates



Antonio J. Grau

Firm Qualifications



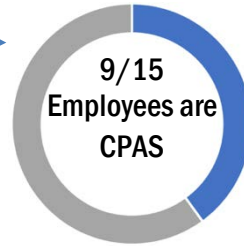
Grau & Associates
CERTIFIED PUBLIC ACCOUNTANTS

Grau's Focus and Experience

Our Team



2 Partners
13 Professional Staff
2 Administrative Professionals



2005

Year founded

Services Provided



Properly registered and licensed professional corporation by the state of FLORIDA

We are proud Members of the **American Institute of Certified Public Accountants** & the **Florida Institute of Certified Public Accountants**

297 Community Development Districts Served

Quality Controls

- ⇒ External quality review program: consistently receives a pass
- ⇒ Internal: ongoing monitoring to maintain quality



AICPA | FICPA | GFOA | FASD | FGFOA

See next page for report and certificate



FICPA Peer Review Program
Administered in Florida
by The Florida Institute of CPAs



Peer Review
Program

AICPA Peer Review Program
Administered in Florida
by the Florida Institute of CPAs

February 20, 2020

Antonio Grau
Grau & Associates
951 Yamato Rd Ste 280
Boca Raton, FL 33431-1809

Dear Antonio Grau:

It is my pleasure to notify you that on February 20, 2020, the Florida Peer Review Committee accepted the report on the most recent System Review of your firm. The due date for your next review is December 31, 2022. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Thank you for your cooperation.

Sincerely,

FICPA Peer Review Committee

Peer Review Team
FICPA Peer Review Committee
paul@ficpa.org
800-342-3197 ext. 251

Florida Institute of CPAs

cc: Daniel Hevia, Racquel McIntosh

Firm Number: 900004390114

Review Number: 571202

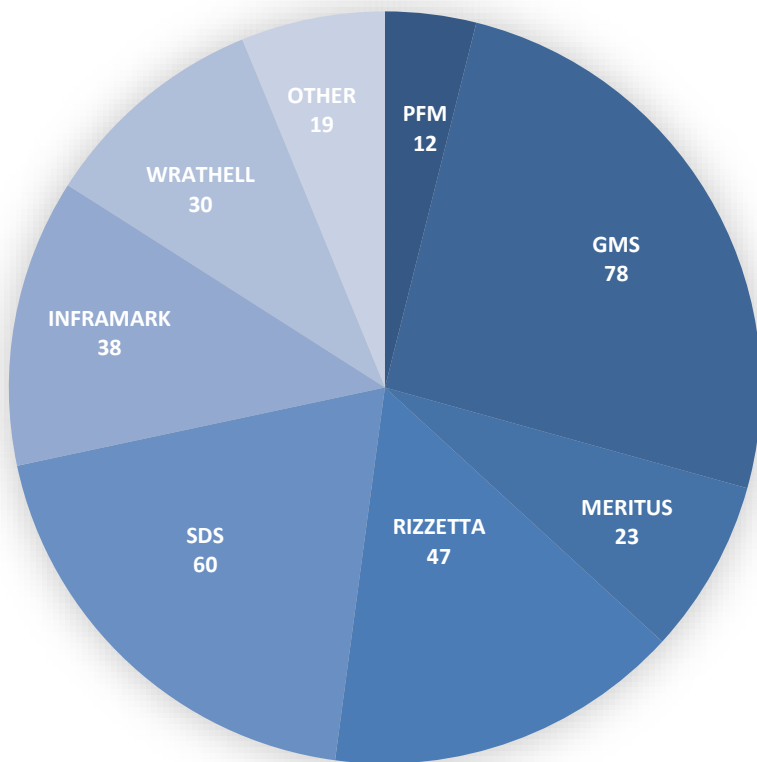
3800 Esplanade Way, Suite 210 | Tallahassee, FL 32311 | 800.342.3197, in Florida | 850.224.2727 | Fax: 850.222.8190 | www.ficpa.org

Firm & Staff Experience



Grau & Associates
CERTIFIED PUBLIC ACCOUNTANTS

GRAU AND ASSOCIATES COMMUNITY DEVELOPMENT DISTRICT EXPERIENCE BY MANAGEMENT COMPANY



Profile Briefs:

Antonio J GRAU, CPA (Partner)

Years Performing Audits: 30+

CPE (last 2 years):

Government

Accounting, Auditing:

66 hours; Accounting,

Auditing and Other:

25 hours

Professional

Memberships: AICPA,

FICPA, FGFOA, GFOA

Racquel McIntosh, CPA (Partner)

Years Performing Audits: 14+

CPE (last 2 years):

Government

Accounting, Auditing:

59 hours; Accounting,

Auditing and Other:

45 hours

Professional

Memberships: AICPA,

FICPA, FGFOA, FASD

"Here at Grau & Associates, staying up to date with the current technological landscape is one of our top priorities. Not only does it provide a more positive experience for our clients, but it also allows us to perform a more effective and efficient audit. With the every changing technology available and utilized by our clients, we are constantly innovating our audit process."

- Tony Grau

"Quality audits and exceptional client service are at the heart of every decision we make. Our clients trust us to deliver a quality audit, adhering to high standards and assisting them with improvements for their organization."

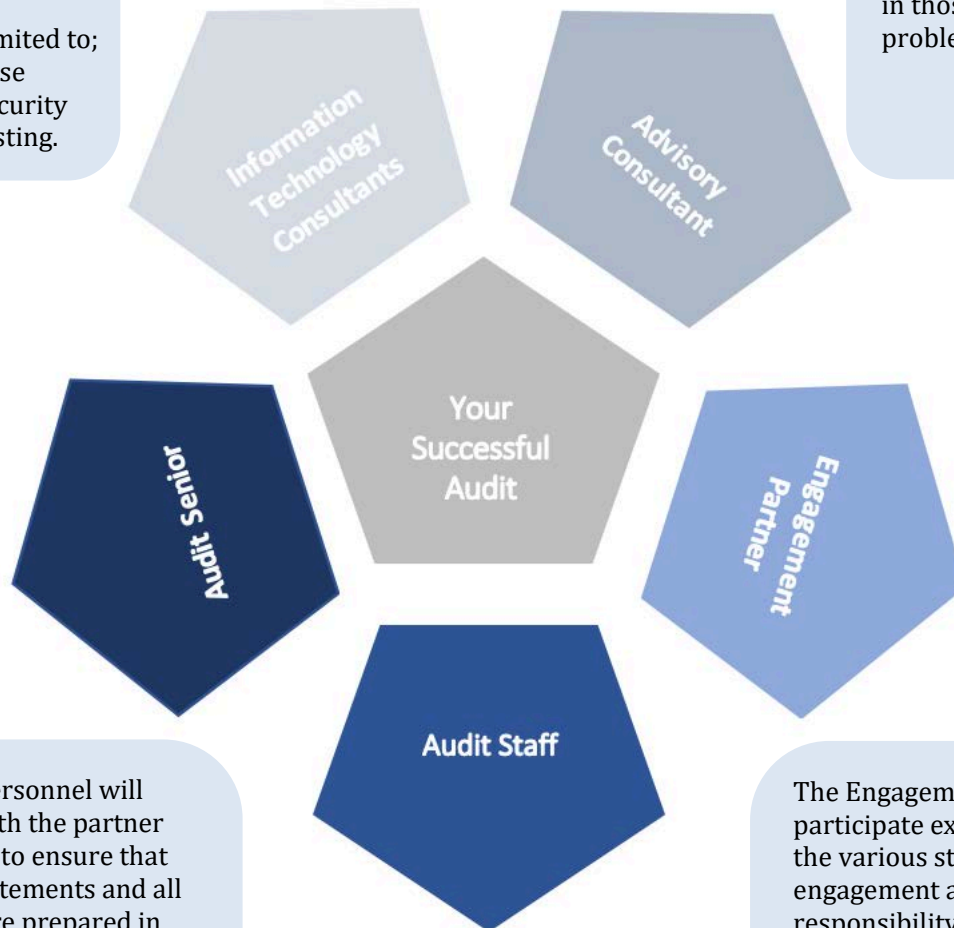
-Racquel McIntosh

YOUR ENGAGEMENT TEAM

Grau's client-specific engagement team is meticulously organized in order to meet the unique needs of each client. Constant communication within our solution team allows for continuity of staff and audit team.

Grau contracts with an outside group of IT management consultants to assist with matters including, but not limited to; network and database security, internet security and vulnerability testing.

An advisory consultant will be available as a sounding board to advise in those areas where problems are encountered.



The assigned personnel will work closely with the partner and the District to ensure that the financial statements and all other reports are prepared in accordance with professional standards and firm policy. Responsibilities will include planning the audit; communicating with the client and the partners the progress of the audit; and determining that financial statements and all reports issued by the firm are accurate, complete and are prepared in accordance with professional standards and firm policy.

The Engagement Partner will participate extensively during the various stages of the engagement and has direct responsibility for engagement policy, direction, supervision, quality control, security, confidentiality of information of the engagement and communication with client personnel. The engagement partner will also be involved directing the development of the overall audit approach and plan; performing an overriding review of work papers and ascertain client satisfaction.



Antonio 'Tony' J. Grau, CPA

Partner

Contact: tgrau@graucpa.com | (561) 939-6672

Experience

For over 30 years, Tony has been providing audit, accounting and consulting services to the firm's governmental, non-profit, employee benefit, overhead and arbitrage clients. He provides guidance to clients regarding complex accounting issues, internal controls and operations.

As a member of the Government Finance Officers Association Special Review Committee, Tony participated in the review process for awarding the GFOA Certificate of Achievement in Financial Reporting. Tony was also the review team leader for the Quality Review of the Office of Management Audits of School Board of Miami-Dade County. Tony received the AICPA advanced level certificate for governmental single audits.

Education

University of South Florida (1983)

Bachelor of Arts

Business Administration

Clients Served (partial list)

(>300) Various Special Districts, including:

Bayside Improvement Community Development District	St. Lucie West Services District
Dunes Community Development District	Ave Maria Stewardship Community District
Fishhawk Community Development District (I,II,IV)	Rivers Edge II Community Development District
Grand Bay at Doral Community Development District	Bartram Park Community Development District
Heritage Harbor North Community Development District	Bay Laurel Center Community Development District
Boca Raton Airport Authority	
Greater Naples Fire Rescue District	
Key Largo Wastewater Treatment District	
Lake Worth Drainage District	
South Indian River Water Control	

Professional Associations/Memberships

American Institute of Certified Public Accountants Florida Government Finance Officers Association
Florida Institute of Certified Public Accountants Government Finance Officers Association Member
City of Boca Raton Financial Advisory Board Member

Professional Education (over the last two years)

<u>Course</u>	<u>Hours</u>
Government Accounting and Auditing	66
Accounting, Auditing and Other	<u>25</u>
Total Hours	<u>91</u> (includes of 4 hours of Ethics CPE)



Racquel C. McIntosh, CPA

Partner

Contact : rmcintosh@graucpa.com | (561) 939-6669

Experience

Racquel has been providing government audit, accounting and advisory services to our clients for over 14 years. She serves as the firm's quality control partner; in this capacity she closely monitors engagement quality ensuring standards are followed and maintained throughout the audit.

Racquel develops in-house training seminars on current government auditing, accounting, and legislative topics and also provides seminars for various government organizations. In addition, she assists clients with implementing new accounting software, legislation, and standards.

Education

Florida Atlantic University (2004)
Master of Accounting
Florida Atlantic University (2003)
Bachelor of Arts:
Finance, Accounting

Clients Served (partial list)

(>300) Various Special Districts, including:

Carlton Lakes Community Development District
Golden Lakes Community Development District
Rivercrest Community Development District
South Fork III Community Development District
TPOST Community Development District

Westchase Community Development District
Monterra Community Development District
Palm Coast Park Community Development District
Long Leaf Community Development District
Watergrass Community Development District

East Central Regional Wastewater Treatment Facilities
Indian Trail Improvement District
Pinellas Park Water Management District
Ranger Drainage District
South Trail Fire Protection and Rescue Service District

Professional Associations/ Memberships

American Institute of Certified Public Accountants
Florida Institute of Certified Public Accountants

FICPA State & Local Government Committee
FGFOA Palm Beach Chapter

Professional Education (over the last two years)

<u>Course</u>	<u>Hours</u>
Government Accounting and Auditing	59
Accounting, Auditing and Other	45
Total Hours	104 (includes of 4 hours of Ethics CPE)

References



Grau & Associates
CERTIFIED PUBLIC ACCOUNTANTS

We have included three references of government engagements that require compliance with laws and regulations, follow fund accounting, and have financing requirements, which we believe are similar to the District.

Dunes Community Development District

Scope of Work	Financial audit
Engagement Partner	Antonio J. Grau
Dates	Annually since 1998
Client Contact	Darrin Mossing, Finance Director 475 W. Town Place, Suite 114 St. Augustine, Florida 32092 904-940-5850

Two Creeks Community Development District

Scope of Work	Financial audit
Engagement Partner	Antonio J. Grau
Dates	Annually since 2007
Client Contact	William Rizzetta, President 3434 Colwell Avenue, Suite 200 Tampa, Florida 33614 813-933-5571

Journey's End Community Development District

Scope of Work	Financial audit
Engagement Partner	Antonio J. Grau
Dates	Annually since 2004
Client Contact	Todd Wodraska, Vice President 2501 A Burns Road Palm Beach Gardens, Florida 33410 561-630-4922

Specific Audit Approach



Grau & Associates
CERTIFIED PUBLIC ACCOUNTANTS

AUDIT APPROACH

Grau's Understanding of Work Product / Scope of Services:

We recognize the District is an important entity and we are confident our firm is eminently qualified to meet the challenges of this engagement and deliver quality audit services. ***You would be a valued client of our firm and we pledge to commit all firm resources to provide the level and quality of services (as described below) which not only meet the requirements set forth in the RFP but will exceed those expectations.*** Grau & Associates fully understands the scope of professional services and work products requested. Our audit will follow the Auditing Standards of the AICPA, *Generally Accepted Government Auditing Standards*, issued by the Comptroller General of the United States, and the Rules of the Auditor General of the State of Florida and any other applicable Federal, State or Local regulations. **We will deliver our reports in accordance with your requirements.**

Proposed segmentation of the engagement

Our approach to the audit engagement is a risk-based approach which integrates the best of traditional auditing techniques and a total systems concept to enable the team to conduct a more efficient and effective audit. The audit will be conducted in three phases, which are as follows:



Phase I - Preliminary Planning

A thorough understanding of your organization, service objectives and operating environment is essential for the development of an audit plan and for an efficient, cost-effective audit. During this phase, we will meet with appropriate personnel to obtain and document our understanding of your operations and service objectives and, at the same time, give you the opportunity to express your expectations with respect to the services that we will provide. Our work effort will be coordinated so that there will be minimal disruption to your staff.

During this phase we will perform the following activities:

- » Review the regulatory, statutory and compliance requirements. This will include a review of applicable federal and state statutes, resolutions, bond documents, contracts, and other agreements;
- » Read minutes of meetings;
- » Review major sources of information such as budgets, organization charts, procedures, manuals, financial systems, and management information systems;
- » Obtain an understanding of fraud detection and prevention systems;
- » Obtain and document an understanding of internal control, including knowledge about the design of relevant policies, procedures, and records, and whether they have been placed in operation;
- » Assess risk and determine what controls we are to rely upon and what tests we are going to perform and perform test of controls;
- » Develop audit programs to incorporate the consideration of financial statement assertions, specific audit objectives, and appropriate audit procedures to achieve the specified objectives;
- » Discuss and resolve any accounting, auditing and reporting matters which have been identified.

Phase II – Execution of Audit Plan

The audit team will complete a major portion of transaction testing and audit requirements during this phase. The procedures performed during this period will enable us to identify any matter that may impact the completion of our work or require the attention of management. Tasks to be performed in Phase II include, but are not limited to the following:

- » Apply analytical procedures to further assist in the determination of the nature, timing, and extent of auditing procedures used to obtain evidential matter for specific account balances or classes of transactions;
- » Perform tests of account balances and transactions through sampling, vouching, confirmation and other analytical procedures; and
- » Perform tests of compliance.

Phase III - Completion and Delivery

In this phase of the audit, we will complete the tasks related to year-end balances and financial reporting. All reports will be reviewed with management before issuance, and the partners will be available to meet and discuss our report and address any questions. Tasks to be performed in Phase III include, but are not limited to the following:

- » Perform final analytical procedures;
- » Review information and make inquiries for subsequent events; and
- » Meeting with Management to discuss preparation of draft financial statements and any potential findings or recommendations.

You should expect more from your accounting firm than a signature in your annual financial report. Our concept of truly responsive professional service emphasizes taking an active interest in the issues of concern to our clients and serving as an effective resource in dealing with those issues. In following this approach, we not only audit financial information with hindsight but also consider the foresight you apply in managing operations.

Application of this approach in developing our management letter is particularly important given the increasing financial pressures and public scrutiny facing today's public officials. We will prepare the management letter at the completion of our final procedures.

In preparing this management letter, we will initially review any draft comments or recommendations with management. In addition, we will take necessary steps to ensure that matters are communicated to those charged with governance.

In addition to communicating any recommendations, we will also communicate the following, if any:

- » Significant audit adjustments;
- » Significant deficiencies or material weaknesses;
- » Disagreements with management; and
- » Difficulties encountered in performing the audit.

Our findings will contain a statement of condition describing the situation and the area that needs strengthening, what should be corrected and why. Our suggestions will withstand the basic tests of corrective action:

Is the recommendation cost effective?

Is the recommendation the simplest to effectuate in order to correct a problem?

Is the recommendation at the heart of the problem and not just correcting a symptomatic matter?

Is the corrective action taking into account why the deficiency occurred?

To assure full agreement with facts and circumstances, we will fully discuss each item with Management prior to the final exit conference. This policy means there will be no “surprises” in the management letter and fosters a professional, cooperative atmosphere.

Communications

We emphasize a continuous, year-round dialogue between the District and our management team. We typically begin our audit process with an entrance conference before the onsite fieldwork begins. We regularly communicate through personal telephone calls and electronic mail throughout the audit and on a regular basis. Our clients have the ability to transmit information to us on our secure client portal with the ability to assign different staff with separate log on and viewing capability. This further facilitates efficiency as all assigned users receive electronic mail notification as soon as new information has been posted into the portal. We strive to continue to keep an open line of communication through the fieldwork and ending with an exit conference.

Cost of Services



Grau & Associates
CERTIFIED PUBLIC ACCOUNTANTS

Our proposed all-inclusive fees for the financial audit for the fiscal years ended September 30, 2020-2022 are as follows:

<u>Year Ended September 30,</u>	<u>Fee</u>
2020	\$4,600
2021	\$4,700
2022	<u>\$4,800</u>
TOTAL (2020-2022)	<u>\$14,100</u>

The above fees are based on the assumption that the District maintains its current level of operations. Should conditions change or additional Bonds are issued the fees would be adjusted accordingly upon approval from all parties concerned.

Supplemental Information



Grau & Associates
CERTIFIED PUBLIC ACCOUNTANTS

PARTIAL LIST OF CLIENTS

SPECIAL DISTRICTS	Governmental Audit	Single Audit	Utility Audit	Current Client	Year End
Boca Raton Airport Authority	✓	✓		✓	9/30
Captain's Key Dependent District	✓			✓	9/30
Central Broward Water Control District	✓			✓	9/30
Coquina Water Control District	✓			✓	9/30
East Central Regional Wastewater Treatment Facility	✓		✓	✓	9/30
Florida Green Finance Authority	✓			✓	9/30
Greater Boca Raton Beach and Park District	✓			✓	9/30
Greater Naples Fire Control and Rescue District	✓			✓	9/30
Green Corridor P.A.C.E. District	✓			✓	9/30
Hobe-St. Lucie Conservancy District	✓			✓	9/30
Indian River Mosquito Control District	✓				9/30
Indian Trail Improvement District	✓			✓	9/30
Key Largo Waste Water Treatment District	✓	✓	✓	✓	9/30
Lake Padgett Estates Independent District	✓			✓	9/30
Lake Worth Drainage District	✓			✓	9/30
Loxahatchee Groves Water Control District	✓			✓	9/30
Old Plantation Control District	✓			✓	9/30
Pal Mar Water Control District	✓			✓	9/30
Pinellas Park Water Management District	✓			✓	9/30
Pine Tree Water Control District (Broward)	✓			✓	9/30
Pinetree Water Control District (Wellington)	✓			✓	9/30
Ranger Drainage District	✓			✓	9/30
Renaissance Improvement District	✓			✓	9/30
San Carlos Park Fire Protection and Rescue Service District	✓			✓	9/30
Sanibel Fire and Rescue District	✓			✓	9/30
South Central Regional Wastewater Treatment and Disposal Board	✓	✓	✓	✓	9/30
South-Dade Venture Development District	✓			✓	9/30
South Indian River Water Control District	✓	✓		✓	9/30
South Trail Fire Protection & Rescue District	✓			✓	9/30
Spring Lake Improvement District	✓			✓	9/30
St. Lucie West Services District	✓		✓	✓	9/30
Sunshine Water Control District	✓			✓	9/30
Sunny Hills Units 12-15 Dependent District	✓			✓	9/30
West Villages Improvement District	✓			✓	9/30
West Villages Independent District	✓		✓	✓	9/30
Various Community Development Districts (297)	✓			✓	9/30
TOTAL	333	4	5	332	

ADDITIONAL SERVICES

CONSULTING / MANAGEMENT ADVISORY SERVICES

Grau & Associates also provide a broad range of other management consulting services. Our expertise has been consistently utilized by Governmental and Non-Profit entities throughout Florida. Examples of engagements performed are as follows:

- Accounting systems
- Development of budgets
- Organizational structures
- Financing alternatives
- IT Auditing
- Fixed asset records
- Cost reimbursement
- Indirect cost allocation
- Grant administration and compliance

ARBITRAGE

The federal government has imposed complex rules to restrict the use of tax-exempt financing. Their principal purpose is to eliminate any significant arbitrage incentives in a tax-exempt issue. We have determined the applicability of these requirements and performed the rebate calculations for more than 150 bond issues, including both fixed and variable rate bonds.

73

Current
Arbitrage
Calculations

We look forward to providing **Magnolia Creek Community Development District with our resources and experience to accomplish not only those minimum requirements set forth in your Request for Proposal, but to exceed those expectations!**

**For even more information on Grau & Associates
please visit us on www.graucpa.com.**

Tab 2

MINUTES OF MEETING

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

**MAGNOLIA CREEK
COMMUNITY DEVELOPMENT DISTRICT**

The audit review committee meeting of the Board of Supervisors of the Magnolia Creek Community Development District was held on **Thursday, May 7, 2020 at 2:03 p.m. (CDT) by phone teleconference at 929-205-6099; Meeting ID 964 8476 7179.**

Present and constituting a quorum were:

Dale "Chip" Jones	Board Supervisor, Chair
Scott Campbell	Board Supervisor, Vice Chair
Tom Hidell	Board Supervisor, Assistant Secretary
Adam Lerner	Board Supervisor, Assistant Secretary
William McConnell	Board Supervisor, Assistant Secretary

Also present were:

Anthony Jeancola	District Manager, Rizzetta & Company, Inc.
Carl Eldred	District Counsel, Hopping Green & Sams, P.A.

FIRST ORDER OF BUSINESS **Call to Order**

Mr. Jeancola called the meeting to order and read the roll call.

SECOND ORDER OF BUSINESS **Consideration of Auditor Selection
Evaluation Criteria**

Mr. Jeancola discussed the auditor selection evaluation criteria with the Audit Review Committee Members. Mr. Jeancola stated that the criteria for an auditor was; the ability of personnel, experience, understanding of the scope of work, the ability to furnish required services and price. He stated that there was an option to exclude price. The Audit Review Committee Members discussed the criteria and point system. They opted to include price and keep all criteria at 20 points each.

THIRD ORDER OF BUSINESS

**Consideration of Audit Proposal
Instructions**

Mr. Jeancola reviewed the proposal instructions with the Audit Review Committee Members. Mr. Jeancola stated that a submittal date will be determined based on advertising guidelines for the next meeting. The proposals will be considered at the next meeting held.

On a motion by Mr. Jones, seconded by Mr. Campbell, with all in favor, the Audit Review Committee Members accepted the Audit RFP documents as presented, for Magnolia Creek Community Development District.

FOURTH ORDER OF BUSINESS

**Consideration of Advertisement for
Proposals for Annual Auditing
Services**

Mr. Jeancola asked if the Audit Review Committee Members preferred to solely rely on the newspaper advertisement or if they approved Rizzetta & Co. Inc. also soliciting proposals in addition to advertising. The committee agreed.

FIFTH ORDER OF BUSINESS

Adjournment

On a motion by Mr. Campbell, seconded by Mr. Lerner, with all in favor, the Audit Review Committee Members adjourned the meeting at 2:09 p.m. for Magnolia Creek Community Development District.

Assistant Secretary

Chairperson/Vice Chairperson

Tab 3

MINUTES OF MEETING

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

**MAGNOLIA CREEK
COMMUNITY DEVELOPMENT DISTRICT**

The regular meeting of the Board of Supervisors of the Magnolia Creek Community Development District was held on **Thursday, May 7, 2020 at 2:09 p.m. (CDT) by phone teleconference at 929-205-6099; Meeting ID 964 8476 7179.**

Present and constituting a quorum:

Dale "Chip" Jones	Board Supervisor, Chair
Scott Campbell	Board Supervisor, Vice Chair
Tom Hidell	Board Supervisor, Assistant Secretary
Adam Lerner	Board Supervisor, Assistant Secretary
William McConnell	Board Supervisor, Assistant Secretary

Also present were:

Anthony Jeancola	District Manager, Rizzetta & Company, Inc.
Carl Eldred	District Counsel, Hopping Green & Sams, P.A.

FIRST ORDER OF BUSINESS

Call to Order

Mr. Jeancola called the meeting to order at 2:09 p.m. and read roll call, confirming a quorum for the meeting.

SECOND ORDER OF BUSINESS

Audience Comments

There were no audience comments at this time as none were present.

MAGNOLIA CREEK COMMUNITY DEVELOPMENT DISTRICT

May 7, 2020 Minutes of Meeting

Page 2

THIRD ORDER OF BUSINESS

**Consideration of Minutes of the
Board of Supervisors' Meeting
Held on August 8, 2019**

Mr. Jeancola advised that the minutes have been reviewed by District Counsel.

On a Motion by Mr. Jones, seconded by Mr. McConnell, with all in favor, the Board of Supervisors approved the Minutes of the Board of Supervisors' Meeting held on August 8, 2019, for the Magnolia Creek Community Development District.

FOURTH ORDER OF BUSINESS

**Ratification of Operation and
Maintenance Expenditures for July
2019 – March 2020**

Mr. Jeancola presented the Board with the Operation and Maintenance Expenditures for July 2019 through March 2020.

On a Motion by Mr. Campbell, seconded by Mr. McConnell, with all in favor, the Board of Supervisors Ratified Operation and Maintenance Expenditures for July 2019 (\$12,011.63), August 2019 (\$7,333.33), September 2019 (\$10,752.75), October 2019 (\$14,746.73), November 2019 (\$5,187.77), December 2019 (\$4,572.83), January 2020 (\$6,704.67), February 2020 (\$4,462.91) and March 2020 (\$5,961.37), for the Magnolia Creek Community Development District.

FIFTH ORDER OF BUSINESS

**Consideration of Resolution 2020-01,
Authorizing Back Account
Signatories**

Mr. Jeancola presented and reviewed Resolution 2020-01, Authorizing Back Account Signatories with the Board. This resolution adds Shawn Wildermuth as (Assistant Treasurer).

On a motion by Mr. Jones, seconded by Mr. McConnell, with all in favor, the Board approved Resolution 2020-01, Authorizing Back Account Signatories, for the Magnolia Creek Community Development District.

MAGNOLIA CREEK COMMUNITY DEVELOPMENT DISTRICT

May 7, 2020 Minutes of Meeting

Page 3

SIXTH ORDER OF BUSINESS

**Consideration of Resolution 2020-02,
Re-Designating Secretary of the
District**

Mr. Jeancola presented and reviewed Resolution 2020-02, Re-Designating Secretary of the District with the Board. This resolution appoints Mr. Bob Schleifer.

On a motion by Mr. Hidell, seconded by Mr. Jones, with all in favor, the Board approved Resolution 2020-02, Re-Designating Secretary of the District, for the Magnolia Creek Community Development District.

SEVENTH ORDER OF BUSINESS

**Acceptance of Arbitrage Report –
Series 2007AB**

Mr. Jeancola advised that there was no cumulative rebate liability.

On a motion by Mr. Campbell, seconded by Mr. Lerner, with all in favor, the Board accepted the Arbitrage Report – Series 2007AB, for the Magnolia Creek Community Development District.

EIGHTH ORDER OF BUSINESS

**Consideration of Audit Committee
Recommendations**

It was stated that that the Audit Review Committee approved the recommended Audit RFP documents and recommended evaluation inclusive of price.

On a motion by Mr. Jones, seconded by Mr. McConnell, with all in favor, the Board accepted all of the recommendations, as noted above, from the Audit Review Committee Members, for the Magnolia Creek Community Development District.

NINTH ORDER OF BUSINESS

**Presentation of Proposed Budget
for Fiscal Year 2020/2021**

Mr. Jeancola presented the proposed budget. He stated that the proposed budget retains the same level of assessments with minor adjustments and removing balance forward. The total O&M expenditures for the district were proposed to be \$126, 475.00 for fiscal year 2020/2021.

MAGNOLIA CREEK COMMUNITY DEVELOPMENT DISTRICT

May 7, 2020 Minutes of Meeting

Page 4

Consideration of Resolution 2020-03, Approving Proposed Budget and Setting Public Hearing

On a Motion by Mr. Jones, seconded by Mr. McConnell, with all in favor, the Board of Supervisors approved Resolution 2020-03, Approving Proposed Budget and Setting the Public Hearing (August 6, 2020 at 2:00 pm at the Walton County Coastal Branch Library, located at 437 Greenway Trail, Santa Rosa Beach, FL 32459), for the Magnolia Creek Community Development District.

TENTH ORDER OF BUSINESS

**Consideration of Resolution 2020-04,
Designating Date, Time and Location
for a Landowners Meeting**

Mr. Jeancola presented and reviewed Resolution 2020-04, Designating Date, Time and Location for a Landowners Meeting with the Board.

On a motion by Mr. Jones, seconded by Mr. Campbell, with all in favor, the Board approved Resolution 2020-04, Designating Date, Time and Location for a Landowners Meeting (November 5, 2020 at 2:00 pm at the Walton County Coastal Branch Library, located at 437 Greenway Trail, Santa Rosa Beach, FL 32459), for the Magnolia Creek Community Development District.

ELEVENTH ORDER OF BUSINESS

**Presentation of Registered Voter
Count**

Mr. Jeancola stated that there were 0 registered voters as of April 15, 2020.

TWELFTH ORDER OF BUSINESS

**Consideration of Resolution 2020-05,
Internal Controls Policy**

Mr. Jeancola presented and reviewed Resolution 2020-05, Internal Controls Policy with the Board.

On a motion by Mr. Jones, seconded by Mr. Hidell, with all in favor, the Board approved 2020-05, Internal Controls Policy, for the Magnolia Creek Community Development District.

THIRTEENTH ORDER OF BUSINESS

Staff Reports

A. District Counsel

Mr. Eldred reviewed the Governor's executive order with the Board.

B. District Engineer

The District Engineer was not present at this time.

C. District Manager

Mr. Jeancola advised that the next meeting of the Board of Supervisors' is to be held August 6, 2020 at 2:00 p.m. at the Walton County Coastal Branch Library.

FOURTEENTH ORDER OF BUSINESS

Supervisor Requests

Mr. Hidell asked Mr. Jones about the extension of sewer lines and updates from the City. He also asked if there were updates regarding developers and land purchases. The SPE is under contract for southern unplatted lots.

FIFTEENTH ORDER OF BUSINESS

Adjournment

On a Motion by Mr. Jones, seconded by Mr. McConnell, with all in favor, the Board of Supervisors adjourned the meeting at 2:37 p.m. for the Magnolia Creek Community Development District.

Secretary/Assistant Secretary

Chairman/Vice Chairman

Tab 4

MAGNOLIA CREEK COMMUNITY DEVELOPMENT DISTRICT

DISTRICT OFFICE · 120 RICHARD JACKSON BLVD · SUITE 220 · PANAMA CITY BEACH, FL 32407

Operation and Maintenance Expenditures April 2020 For Board Approval

Attached please find the check register listing the Operation and Maintenance expenditures paid from April 1, 2020 through April 30, 2020. This does not include expenditures previously approved by the Board.

The total items being presented: **\$7,959.83**

Approval of Expenditures:

_____ Chairperson

_____ Vice Chairperson

_____ Assistant Secretary

Magnolia Creek Community Development District

Paid Operation & Maintenance Expenditures

April 1, 2020 Through April 30, 2020

<u>Vendor Name</u>	<u>Check Number</u>	<u>Invoice Number</u>	<u>Invoice Description</u>	<u>Invoice Amount</u>
Grau & Associates	000342	19390	Audit FYE 09/30/19	\$ 3,000.00
Hopping Green & Sams	000343	113963	General/Monthly Legal Services 03/20	\$ 826.50
Rizzetta & Company, Inc.	000340	INV0000048151	District Management Fees 04/20	\$ 4,033.33
Rizzetta Technology Services, LLC	000341	INV0000005712	Email/Website Hosting Services 04/20	\$ <u>100.00</u>
Report Total				\$ <u>7,959.83</u>

MAGNOLIA CREEK COMMUNITY DEVELOPMENT DISTRICT

DISTRICT OFFICE · 120 RICHARD JACKSON BLVD · SUITE 220 · PANAMA CITY BEACH, FL 32407

Operation and Maintenance Expenditures May 2020 For Board Approval

Attached please find the check register listing the Operation and Maintenance expenditures paid from May 1, 2020 through May 31, 2020. This does not include expenditures previously approved by the Board.

The total items being presented: **\$7,040.96**

Approval of Expenditures:

_____ Chairperson

_____ Vice Chairperson

_____ Assistant Secretary

Magnolia Creek Community Development District

Paid Operation & Maintenance Expenditures

May 1, 2020 Through May 31, 2020

<u>Vendor Name</u>	<u>Check Number</u>	<u>Invoice Number</u>	<u>Invoice Description</u>	<u>Invoice Amount</u>
Adam Blake Lerner	000352	AL050720	Board of Supervisors Meeting 05/07/20	\$ 200.00
Dale S Jones Jr.	000351	DJ050720	Board of Supervisors Meeting 05/07/20	\$ 200.00
GateHouse Media DBA Northwest Florida Papers	000347	2032742-0420	Acct# 2032742 Legal Advertising 04/20	\$ 116.13
Grau & Associates	000348	19599	Audit FYE 09/30/19	\$ 1,300.00
Hopping Green & Sams	000350	114594	General/Monthly Legal Services 04/20	\$ 491.50
Rizzetta & Company, Inc.	000344	INV0000049286	District Management Fees 05/20	\$ 4,033.33
Rizzetta Technology Services, LLC	000345	INV0000005815	Email/Website Hosting Services 05/20	\$ 100.00
Scott Cambell	000346	SC050720	Board of Supervisors Meeting 05/07/20	\$ 200.00
Thomas Hidell	000349	TH050720	Board of Supervisors Meeting 05/07/20	\$ 200.00
William G. McConnell	000353	WM050720	Board of Supervisors Meeting 05/07/20	\$ <u>200.00</u>
Report Total				\$ <u>7,040.96</u>

MAGNOLIA CREEK COMMUNITY DEVELOPMENT DISTRICT

DISTRICT OFFICE · 120 RICHARD JACKSON BLVD · SUITE 220 · PANAMA CITY BEACH, FL 32407

Operation and Maintenance Expenditures June 2020 For Board Approval

Attached please find the check register listing the Operation and Maintenance expenditures paid from June 1, 2020 through June 30, 2020. This does not include expenditures previously approved by the Board.

The total items being presented: **\$5,092.83**

Approval of Expenditures:

_____ Chairperson

_____ Vice Chairperson

_____ Assistant Secretary

Magnolia Creek Community Development District

Paid Operation & Maintenance Expenditures

June 1, 2020 Through June 30, 2020

<u>Vendor Name</u>	<u>Check Number</u>	<u>Invoice Number</u>	<u>Invoice Description</u>	<u>Invoice Amount</u>
Hopping Green & Sams	000356	115254	General/Monthly Legal Services 05/20	\$ 649.50
Hopping Green & Sams	000356	115255	General/Monthly Legal Services 05/20	\$ 310.00
Rizzetta & Company, Inc.	000354	INV0000050169	District Management Fees 06/20	\$ 4,033.33
Rizzetta Technology Services, LLC	000355	INV0000005916	Email/Website Hosting Services 06/20	\$ <u>100.00</u>
Report Total				\$ <u>5,092.83</u>

Tab 5

RESOLUTION 2020-06

THE ANNUAL APPROPRIATION RESOLUTION OF THE MAGNOLIA CREEK COMMUNITY DEVELOPMENT DISTRICT (“DISTRICT”) RELATING TO THE ANNUAL APPROPRIATIONS AND ADOPTING THE BUDGETS FOR THE FISCAL YEAR BEGINNING OCTOBER 1, 2020, AND ENDING SEPTEMBER 30, 2021; AUTHORIZING BUDGET AMENDMENTS; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the District Manager has, prior to the fifteenth (15th) day in June, 2020, submitted to the Board of Supervisors (“**Board**”) of the Magnolia Creek Community Development District (“**District**”) proposed budgets (“**Proposed Budget**”) for the fiscal year beginning October 1, 2020 and ending September 30, 2021 (“**Fiscal Year 2020/2021**”) along with an explanatory and complete financial plan for each fund of the District, pursuant to the provisions of Section 190.008(2)(a), *Florida Statutes*; and

WHEREAS, at least sixty (60) days prior to the adoption of the Proposed Budget, the District filed a copy of the Proposed Budget with the local governing authorities having jurisdiction over the area included in the District pursuant to the provisions of Section 190.008(2)(b), *Florida Statutes*; and

WHEREAS, the Board set August 10, 2020, as the date for a public hearing thereon and caused notice of such public hearing to be given by publication pursuant to Section 190.008(2)(a), *Florida Statutes*; and

WHEREAS, the District Manager posted the Proposed Budget on the District’s website at least two days before the public hearing; and

WHEREAS, Section 190.008(2)(a), *Florida Statutes*, requires that, prior to October 1st of each year, the Board, by passage of the Annual Appropriation Resolution, shall adopt a budget for the ensuing fiscal year and appropriate such sums of money as the Board deems necessary to defray all expenditures of the District during the ensuing fiscal year; and

WHEREAS, the District Manager has prepared a Proposed Budget, whereby the budget shall project the cash receipts and disbursements anticipated during a given time period, including reserves for contingencies for emergency or other unanticipated expenditures during the fiscal year.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF THE MAGNOLIA CREEK COMMUNITY DEVELOPMENT DISTRICT:

SECTION 1. BUDGET

- a. The Board has reviewed the Proposed Budget, a copy of which is on file with the office of the District Manager and at the District's Local Records Office, and hereby approves certain amendments thereto, as shown in Section 2 below.
- b. The Proposed Budget, attached hereto as **Exhibit "A,"** as amended by the Board, is hereby adopted in accordance with the provisions of Section 190.008(2)(a), *Florida Statutes* ("**Adopted Budget**"), and incorporated herein by reference; provided, however, that the comparative figures contained in the Adopted Budget may be subsequently revised as deemed necessary by the District Manager to reflect actual revenues and expenditures.
- c. The Adopted Budget, as amended, shall be maintained in the office of the District Manager and at the District's Local Records Office and identified as "The Budget for the Magnolia Creek Community Development District for the Fiscal Year Ending September 30, 2021."
- d. The Adopted Budget shall be posted by the District Manager on the District's official website within thirty (30) days after adoption, and shall remain on the website for at least 2 years.

SECTION 2. APPROPRIATIONS

There is hereby appropriated out of the revenues of the District, for Fiscal Year 2020/2021, the sum of \$_____ to be raised by the levy of assessments and otherwise, which sum is deemed by the Board to be necessary to defray all expenditures of the District during said budget year, to be divided and appropriated in the following fashion:

TOTAL GENERAL FUND	\$_____
DEBT SERVICE FUND(S)	\$_____
TOTAL ALL FUNDS	\$_____

SECTION 3. BUDGET AMENDMENTS

Pursuant to Section 189.016, *Florida Statutes*, the District at any time within Fiscal Year 2020/2021 or within 60 days following the end of the Fiscal Year 2020/2021 may amend its Adopted Budget for that fiscal year as follows:

- a. The Board may authorize an increase or decrease in line item appropriations within a fund by motion recorded in the minutes if the total appropriations of the fund do not increase.
- b. The District Manager or Treasurer may authorize an increase or decrease in line item appropriations within a fund if the total appropriations of the fund do not increase and if the aggregate change in the original appropriation item does not exceed \$10,000 or 10% of the original appropriation.
- c. By resolution, the Board may increase any appropriation item and/or fund to reflect receipt of any additional unbudgeted monies and make the corresponding change to appropriations or the unappropriated balance.
- d. Any other budget amendments shall be adopted by resolution and consistent with Florida law.

The District Manager or Treasurer must establish administrative procedures to ensure that any budget amendments are in compliance with this Section 3 and Section 189.016, *Florida Statutes*, among other applicable laws. Among other procedures, the District Manager or Treasurer must ensure that any amendments to budget under subparagraphs c. and d. above are posted on the District's website within 5 days after adoption and remain on the website for at least 2 years.

SECTION 4. EFFECTIVE DATE. This Resolution shall take effect immediately upon adoption.

PASSED AND ADOPTED THIS 6th DAY OF AUGUST, 2020.

ATTEST:

**MAGNOLIA CREEK COMMUNITY
DEVELOPMENT DISTRICT**

Secretary/Assistant Secretary

By:_____

Its:_____

EXHIBIT A



Rizzetta & Company

Magnolia Creek Community Development District

magnoliacreekcdd.org

**Approved Proposed Budget for Fiscal Year
2020-2021**

Presented by: Rizzetta & Company, Inc.

**8529 South Park Circle
Suite 330
Orlando, Florida 32819
Phone: 407-472-2471**

rizzetta.com

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GENERAL FUND BUDGET ACCOUNT CATEGORY DESCRIPTION

The General Fund Budget Account Category Descriptions are subject to change at any time depending on its application to the District. Please note, not all General Fund Budget Account Category Descriptions are applicable to the District indicated above. Uses of the descriptions contained herein are intended for general reference.

REVENUES:

Interest Earnings: The District may earn interest on its monies in the various operating accounts.

Tax Roll: The District levies Non-Ad Valorem Special Assessments on all of the assessable property within the District to pay for operating expenditures incurred during the Fiscal Year. The assessments may be collected in two ways. The first is by placing them on the County's Tax Roll, to be collected with the County's Annual Property Tax Billing. This method is only available to land properly platted within the time limits prescribed by the County.

Off Roll: For lands not on the tax roll and that is by way of a direct bill from the District to the appropriate property owner.

Developer Contributions: The District may enter into a funding agreement and receive certain prescribed dollars from the Developer to off-set expenditures of the District.

Event Rental: The District may receive monies for event rentals for such things as weddings, birthday parties, etc.

Miscellaneous Revenues: The District may receive monies for the sale or provision of electronic access cards, entry decals etc.

Facilities Rentals: The District may receive monies for the rental of certain facilities by outside sources, for such items as office space, snack bar/restaurants etc.

EXPENDITURES – ADMINISTRATIVE:

Supervisor Fees: The District may compensate its supervisors within the appropriate statutory limits of \$200.00 maximum per meeting within an annual cap of \$4,800.00 per supervisor.



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Administrative Services: The District will incur expenditures for the day to today operation of District matters. These services include support for the District Management function, recording and preparation of meeting minutes, records retention and maintenance in accordance with Chapter 119, Florida Statutes, and the District's adopted Rules of Procedure, preparation and delivery of agenda, overnight deliveries, facsimiles and phone calls.

District Management: The District as required by statute, will contract with a firm to provide for management and administration of the District's day to day needs. These services include the conducting of board meetings, workshops, overall administration of District functions, all required state and local filings, preparation of annual budget, purchasing, risk management, preparing various resolutions and all other secretarial duties requested by the District throughout the year is also reflected in this amount.

District Engineer: The District's engineer provides general engineering services to the District. Among these services are attendance at and preparation for monthly board meetings, review of construction invoices and all other engineering services requested by the district throughout the year.

Disclosure Report: The District is required to file quarterly and annual disclosure reports, as required in the District's Trust Indenture, with the specified repositories. This is contracted out to a third party in compliance with the Trust Indenture.

Trustee's Fees: The District will incur annual trustee's fees upon the issuance of bonds for the oversight of the various accounts relating to the bond issues.

Assessment Roll: The District will contract with a firm to maintain the assessment roll and annually levy a Non-Ad Valorem assessment for operating and debt service expenses.

Financial & Revenue Collections: Services include all functions necessary for the timely billing and collection and reporting of District assessments in order to ensure adequate funds to meet the District's debt service and operations and maintenance obligations. These services include, but are not limited to, assessment roll preparation and certification, direct billings and funding request processing as well as responding to property owner questions regarding District assessments. This line item also includes the fees incurred for a Collection Agent to collect the funds for the principal and interest payment for its short-term bond issues and any other bond related collection needs. These funds are collected as prescribed in the Trust Indenture. The Collection Agent also provides for the release of liens on property after the full collection of bond debt levied on particular properties.

Accounting Services: Services include the preparation and delivery of the District's financial statements in accordance with Governmental Accounting Standards, accounts payable and accounts receivable functions, asset tracking, investment tracking, capital program administration and requisition processing, filing of annual reports required by the State of Florida and monitoring of trust account activity.



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Auditing Services: The District is required annually to conduct an audit of its financial records by an Independent Certified Public Accounting firm, once it reaches certain revenue and expenditure levels, or has issued bonds and incurred debt.

Arbitrage Rebate Calculation: The District is required to calculate the interest earned from bond proceeds each year pursuant to the Internal Revenue Code of 1986. The Rebate Analyst is required to verify that the District has not received earnings higher than the yield of the bonds.

Travel: Each Board Supervisor and the District Staff are entitled to reimbursement for travel expenses per Florida Statutes 190.006(8).

Public Officials Liability Insurance: The District will incur expenditures for public officials' liability insurance for the Board and Staff.

Legal Advertising: The District will incur expenditures related to legal advertising. The items for which the District will advertise include, but are not limited to meeting schedules, special meeting notices, and public hearings, bidding etc. for the District based on statutory guidelines

Bank Fees: The District will incur bank service charges during the year.

Dues, Licenses & Fees: The District is required to pay an annual fee to the Department of Economic Opportunity, along with other items which may require licenses or permits, etc.

Miscellaneous Fees: The District could incur miscellaneous throughout the year, which may not fit into any standard categories.

Website Hosting, Maintenance and Email: The District may incur fees as they relate to the development and ongoing maintenance of its own website along with possible email services if requested.

District Counsel: The District's legal counsel provides general legal services to the District. Among these services are attendance at and preparation for monthly board meetings, review of operating and maintenance contracts and all other legal services requested by the district throughout the year.

EXPENDITURES - FIELD OPERATIONS:

Deputy Services: The District may wish to contract with the local police agency to provide security for the District.



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Security Services and Patrols: The District may wish to contract with a private company to provide security for the District.

Electric Utility Services: The District will incur electric utility expenditures for general purposes such as irrigation timers, lift station pumps, fountains, etc.

Streetlights: The District may have expenditures relating to streetlights throughout the community. These may be restricted to main arterial roads or in some cases to all streetlights within the District's boundaries.

Utility - Recreation Facility: The District may budget separately for its recreation and or amenity electric separately.

Gas Utility Services: The District may incur gas utility expenditures related to district operations at its facilities such as pool heat etc.

Garbage - Recreation Facility: The District will incur expenditures related to the removal of garbage and solid waste.

Solid Waste Assessment Fee: The District may have an assessment levied by another local government for solid waste, etc.

Water-Sewer Utility Services: The District will incur water/sewer utility expenditures related to district operations.

Utility - Reclaimed: The District may incur expenses related to the use of reclaimed water for irrigation.

Aquatic Maintenance: Expenses related to the care and maintenance of the lakes and ponds for the control of nuisance plant and algae species.

Fountain Service Repairs & Maintenance: The District may incur expenses related to maintaining the fountains within throughout the Parks & Recreational areas

Lake/Pond Bank Maintenance: The District may incur expenditures to maintain lake banks, etc. for the ponds and lakes within the District's boundaries, along with planting of beneficial aquatic plants, stocking of fish, mowing and landscaping of the banks as the District determines necessary.

Wetland Monitoring & Maintenance: The District may be required to provide for certain types of monitoring and maintenance activities for various wetlands and waterways by other governmental entities.

Mitigation Area Monitoring & Maintenance: The District may be required to provide for certain types of monitoring and maintenance activities for various mitigation areas by other governmental entities.



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Aquatic Plant Replacement: The expenses related to replacing beneficial aquatic plants, which may or may not have been required by other governmental entities.

General Liability Insurance: The District will incur fees to insure items owned by the District for its general liability needs

Property Insurance: The District will incur fees to insure items owned by the District for its property needs

Entry and Walls Maintenance: The District will incur expenditures to maintain the entry monuments and the fencing.

Landscape Maintenance: The District will incur expenditures to maintain the rights-of-way, median strips, recreational facilities including pond banks, entryways, and similar planting areas within the District. These services include but are not limited to monthly landscape maintenance, fertilizer, pesticides, annuals, mulch, and irrigation repairs.

Irrigation Maintenance: The District will incur expenditures related to the maintenance of the irrigation systems.

Irrigation Repairs: The District will incur expenditures related to repairs of the irrigation systems.

Landscape Replacement: Expenditures related to replacement of turf, trees, shrubs etc.

Field Services: The District may contract for field management services to provide landscape maintenance oversight.

Miscellaneous Fees: The District may incur miscellaneous expenses that do not readily fit into defined categories in field operations.

Gate Phone: The District will incur telephone expenses if the District has gates that are to be opened and closed.

Street/Parking Lot Sweeping: The District may incur expenses related to street sweeping for roadways it owns or are owned by another governmental entity, for which it elects to maintain.

Gate Facility Maintenance: Expenses related to the ongoing repairs and maintenance of gates owned by the District if any.

Sidewalk Repair & Maintenance: Expenses related to sidewalks located in the right of way of streets the District may own if any.

Roadway Repair & Maintenance: Expenses related to the repair and maintenance of roadways owned by the District if any.



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Employees - Salaries: The District may incur expenses for employees/staff members needed for the recreational facilities such as Clubhouse Staff.

Employees - P/R Taxes: This is the employer's portion of employment taxes such as FICA etc.

Employee - Workers' Comp: Fees related to obtaining workers compensation insurance.

Management Contract: The District may contract with a firm to provide for the oversight of its recreation facilities.

Maintenance & Repair: The District may incur expenses to maintain its recreation facilities.

Facility Supplies: The District may have facilities that required various supplies to operate.

Gate Maintenance & Repairs: Any ongoing gate repairs and maintenance would be included in this line item.

Telephone, Fax, Internet: The District may incur telephone, fax and internet expenses related to the recreational facilities.

Office Supplies: The District may have an office in its facilities which require various office related supplies.

Clubhouse - Facility Janitorial Service: Expenses related to the cleaning of the facility and related supplies.

Pool Service Contract: Expenses related to the maintenance of swimming pools and other water features.

Pool Repairs: Expenses related to the repair of swimming pools and other water features.

Security System Monitoring & Maintenance: The District may wish to install a security system for the clubhouse

Clubhouse Miscellaneous Expense: Expenses which may not fit into a defined category in this section of the budget

Athletic/Park Court/Field Repairs: Expense related to any facilities such as tennis, basketball etc.

Trail/Bike Path Maintenance: Expenses related to various types of trail or pathway systems the District may own, from hard surface to natural surfaces.



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Special Events: Expenses related to functions such as holiday events for the public enjoyment

Miscellaneous Fees: Monies collected and allocated for fees that the District could incur throughout the year, which may not fit into any standard categories.

Miscellaneous Contingency: Monies collected and allocated for expenses that the District could incur throughout the year, which may not fit into any standard categories.

Capital Outlay: Monies collected and allocated for various projects as they relate to public improvements.



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RESERVE FUND BUDGET ACCOUNT CATEGORY DESCRIPTION

The Reserve Fund Budget Account Category Descriptions are subject to change at any time depending on its application to the District. Please note, not all Reserve Fund Budget Account Category Descriptions are applicable to the District indicated above. Uses of the descriptions contained herein are intended for general reference.

REVENUES:

Tax Roll: The District levies Non-Ad Valorem Special Assessments on all of the assessable property within the District to pay for operating expenditures incurred during the Fiscal Year. The assessments may be collected in two ways. The first is by placing them on the County's Tax Roll, to be collected with the County's Annual Property Tax Billing. This method is only available to land properly platted within the time limits prescribed by the County.

Off Roll: For lands not on the tax roll and that is by way of a direct bill from the District to the appropriate property owner.

Developer Contributions: The District may enter into a funding agreement and receive certain prescribed dollars from the Developer to off-set expenditures of the District.

Miscellaneous Revenues: The District may receive monies for the sale or provision of electronic access cards, entry decals etc.

EXPENDITURES:

Capital Reserve: Monies collected and allocated for the future repair and replacement of various capital improvements such as club facilities, swimming pools, athletic courts, roads, etc.

Capital Outlay: Monies collected and allocated for various projects as they relate to public improvements.



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DEBT SERVICE FUND BUDGET **ACCOUNT CATEGORY DESCRIPTION**

The Debt Service Fund Budget Account Category Descriptions are subject to change at any time depending on its application to the District. Please note, not all Debt Service Fund Budget Account Category Descriptions are applicable to the District indicated above. Uses of the descriptions contained herein are intended for general reference.

REVENUES:

Special Assessments: The District may levy special assessments to repay the debt incurred by the sale of bonds to raise working capital for certain public improvements. The assessments may be collected in the same fashion as described in the Operations and Maintenance Assessments.

EXPENDITURES – ADMINISTRATIVE:

Bank Fees: The District may incur bank service charges during the year.

Debt Service Obligation: This would be a combination of the principal and interest payment to satisfy the annual repayment of the bond issue debt.



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Proposed Budget
Magnolia Creek Community Development District
General Fund
Fiscal Year 2020/21

	Chart of Accounts Classification	Actual YTD through 06/30/20	Projected Annual Totals 2019/2020	Annual Budget for 2019/2020	Projected Budget variance for 2019/2020	Budget for 2020/2021	Budget Increase (Decrease) vs 2019/2020	Comments
1								
2	REVENUES							
3								
4	Interest Earnings							
5	Interest Earnings	\$ 932	\$ 1,243	\$ -	\$ 1,243	\$ -	\$ -	
6	Special Assessments							
7	Tax Roll*	\$ 7,749	\$ 7,749	\$ 7,704	\$ 45	\$ 7,704	\$ -	Tax/Off Roll determined upon final roll certification.
8	Off Roll*	\$ 118,771	\$ 118,771	\$ 118,771	\$ -	\$ 118,771	\$ -	Tax/Off Roll determined upon final roll certification.
9								
10	TOTAL REVENUES	\$ 127,452	\$ 127,763	\$ 126,475	\$ 1,288	\$ 126,475	\$ -	Maintains same assessment level.
11								
12	Balance Forward from Prior Year	\$ -	\$ -	\$ 2,100	\$ (2,100)	\$ -	\$ (2,100)	Suggest reducing O&M expense and not utilizing balance forward.
13								
14	TOTAL REVENUES AND BALANCE	\$ 127,452	\$ 127,763	\$ 128,575	\$ (812)	\$ 126,475	\$ (2,100)	
15								
16	<i>*Allocation of assessments between the Tax Roll and Off Roll are estimates only and subject to change prior to certification.</i>							
17								
18	EXPENDITURES - ADMINISTRATIVE							
19								
20	Legislative							
21	Supervisor Fees	\$ 1,000	\$ 2,000	\$ 4,000	\$ 2,000	\$ 4,000	\$ -	Assumes approximately 4 meetings.
22	Financial & Administrative							
23	Administrative Services	\$ 3,375	\$ 4,500	\$ 4,500	\$ -	\$ 4,500	\$ -	Maintained at same rate.
24	District Management	\$ 18,750	\$ 25,000	\$ 25,000	\$ -	\$ 25,000	\$ -	Maintained at same rate.
25	District Engineer	\$ 161	\$ 215	\$ 3,000	\$ 2,785	\$ 3,000	\$ -	Maintained at same rate.
26	Disclosure Report	\$ 3,000	\$ 3,000	\$ 3,000	\$ -	\$ 3,000	\$ -	Based on current contractual amount.
27	Trustees Fees	\$ -	\$ -	\$ 4,000	\$ 4,000	\$ 4,000	\$ -	Maintained at same rate.
28	Assessment Roll	\$ 5,000	\$ 5,000	\$ 5,000	\$ -	\$ 5,000	\$ -	Maintained at same rate.
29	Financial & Revenue Collections	\$ 3,750	\$ 5,000	\$ 5,000	\$ -	\$ 5,000	\$ -	Maintained at same rate.
30	Accounting Services	\$ 10,425	\$ 13,900	\$ 13,900	\$ -	\$ 13,900	\$ -	Maintained at same rate.
31	Auditing Services	\$ 4,800	\$ 4,800	\$ 4,800	\$ -	\$ 4,900	\$ 100	Per agreement, FYE 18 \$4,700 & FYE 19 \$4,800
32	Arbitrage Rebate Calculation	\$ 500	\$ 500	\$ 500	\$ -	\$ 500	\$ -	Per LLS agreement, \$500 annually.
34	Public Officials Liability Insurance	\$ 2,537	\$ 2,537	\$ 2,800	\$ 263	\$ 2,800	\$ -	Budget for FY20/21 based on Egis projections.
35	Legal Advertising	\$ 674	\$ 1,000	\$ 1,000	\$ -	\$ 1,000	\$ -	Based on 4 meetings.
36	Dues, Licenses & Fees	\$ 175	\$ 175	\$ 175	\$ -	\$ 175	\$ -	Payable to the State annually.
37	Website Hosting, Maintenance, Backup (and	\$ 4,760	\$ 5,829	\$ 4,100	\$ (1,729)	\$ 4,000	\$ (100)	Higher in 19/20 due to ADA onboarding/initial mitigation.
38	Legal Counsel							
39	District Counsel	\$ 5,458	\$ 7,277	\$ 13,800	\$ 6,523	\$ 11,700	\$ (2,100)	Reduced based on projections and prior year expense.

Proposed Budget
Magnolia Creek Community Development District
General Fund
Fiscal Year 2020/21

	Chart of Accounts Classification	Actual YTD through 06/30/20	Projected Annual Totals 2019/2020	Annual Budget for 2019/2020	Projected Budget variance for 2019/2020	Budget for 2020/2021	Budget Increase (Decrease) vs 2019/2020	Comments
44								
45	Administrative Subtotal	\$ 64,365	\$ 80,733	\$ 94,575	\$ 13,842	\$ 92,475	\$ (2,100)	
46								
47	EXPENDITURES - FIELD OPERATIONS							
48								
49	Electric Utility Services							
50	Utility Services	\$ -	\$ -	\$ 1,000	\$ 1,000	\$ 1,000	\$ -	Maintained at same rate.
51	Stormwater Control				\$ -			
53	Aquatic Maintenance	\$ -	\$ -	\$ 4,000	\$ 4,000	\$ 4,000	\$ -	Maintained at same rate.
54	Lake/Pond Bank Maintenance	\$ -	\$ -	\$ 4,000	\$ 4,000	\$ 4,000	\$ -	Maintained at same rate.
55	Other Physical Environment				\$ -			
56	General Liability Insurance	\$ 2,791	\$ 2,791	\$ 3,000	\$ 209	\$ 3,070	\$ 70	Budget for FY20/21 based on Egis projections.
57	Landscape Maintenance	\$ -	\$ 10,000	\$ 10,000	\$ -	\$ 10,000	\$ -	Maintained at same rate.
58	Irrigation Repairs	\$ -	\$ -	\$ 3,500	\$ 3,500	\$ 3,500	\$ -	Maintained at same rate.
59	Road & Street Facilities				\$ -			
60	Roadway Repair & Maintenance	\$ -	\$ -	\$ 5,800	\$ 5,800	\$ 5,800	\$ -	Maintained at same rate.
61	Contingency							
62	Miscellaneous Contingency	\$ -	\$ -	\$ 2,700	\$ 2,700	\$ 2,630	\$ (70)	Utilize for minor misc. expense and to maintain overall expenditure allocation
63								
64	Field Operations Subtotal	\$ 2,791	\$ 12,791	\$ 34,000	\$ 21,209	\$ 34,000	\$ -	
65								
66	Contingency for County TRIM Notice							
67								
68	TOTAL EXPENDITURES	\$ 67,156	\$ 93,524	\$ 128,575	\$ 35,051	\$ 126,475	\$ (2,100)	
69								
70	EXCESS OF REVENUES OVER	\$ 60,296	\$ 34,239	\$ -	\$ 34,239	\$ -	\$ -	

**Proposed Budget
Magnolia Creek Community Development District
Debt Service
Fiscal Year 2020/2021**

Chart of Accounts Classification	Series 2007A	Budget for 2020/2021
REVENUES		
Special Assessments		
Net Special Assessments ⁽¹⁾	\$ 76,208.85	\$ 76,208.85
TOTAL REVENUES	\$ 76,208.85	\$ 76,208.85
EXPENDITURES		
Administrative		
Financial & Administrative		
		\$ -
Debt Service Obligation	\$ 76,208.85	\$ 76,208.85
Administrative Subtotal	\$ 76,208.85	\$ 76,208.85
TOTAL EXPENDITURES	\$ 76,208.85	\$ 76,208.85
EXCESS OF REVENUES OVER EXPENDITURES	0	0

Collection and Discount % applicable to the county:

6.0%

Gross assessments

\$ 81,073.24

Notes:

Tax Roll Collection Costs and Early Payment Discount for Walton County are 6.0% of Tax Roll. Budgeted net of tax roll assessments. See Assessment Table.

⁽¹⁾ The above amounts do not include any debt service assessments which are the subject of Case No. 2010 CA 001562 currently pending in the First Judicial Circuit Court in and for Walton County, Florida.

Magnolia Creek Community Development District

FISCAL YEAR 2020/2021 O&M & DEBT SERVICE ASSESSMENT SCHEDULE

2020/2021 O&M Budget	\$126,475.00
Collection Cost @ 2%:	\$2,690.96
Early Payment Discount @ 4%	\$5,381.91
2020/2021 Total:	\$134,547.87

2019/2020 O&M Budget	\$126,475.00
2020/2021 O&M Budget	\$126,475.00
Total Difference:	\$0.00

	PER UNIT ANNUAL ASSESSMENT		Proposed Increase / Decrease	
	2019/2020	2020/2021	\$	%
Debt Service - Cottage/Small House	\$1,215.00	\$1,215.00	\$0.00	0.00%
Admin Operations/Maintenance - Cottage/Small House	\$46.66	\$46.66	\$0.00	0.00%
Field Operations/Maintenance - Cottage/Small House	\$74.89	\$74.89	\$0.00	0.00%
Total	\$1,336.55	\$1,336.55	\$0.00	0.00%
Debt Service - Rowhouse/Townhouse	\$1,215.00	\$1,215.00	\$0.00	0.00%
Admin Operations/Maintenance - Rowhouse/Townhouse	\$46.66	\$46.66	\$0.00	0.00%
Field Operations/Maintenance - Rowhouse/Townhouse	\$74.89	\$74.89	\$0.00	0.00%
Total	\$1,336.55	\$1,336.55	\$0.00	0.00%
Debt Service - House	\$1,350.00	\$1,350.00	\$0.00	0.00%
Admin Operations/Maintenance - House	\$51.84	\$51.84	\$0.00	0.00%
Field Operations/Maintenance - House	\$83.21	\$83.21	\$0.00	0.00%
Total	\$1,485.05	\$1,485.05	\$0.00	0.00%
Debt Service - Side Yard	\$1,350.00	\$1,350.00	\$0.00	0.00%
Admin Operations/Maintenance - Side Yard	\$51.84	\$51.84	\$0.00	0.00%
Field Operations/Maintenance - Side Yard	\$83.21	\$83.21	\$0.00	0.00%
Total	\$1,485.05	\$1,485.05	\$0.00	0.00%
Debt Service - Live/Work Unit	\$2,025.00	\$2,025.00	\$0.00	0.00%
Admin Operations/Maintenance - Live/Work Unit	\$77.76	\$77.76	\$0.00	0.00%
Field Operations/Maintenance - Live/Work Unit	\$124.81	\$124.81	\$0.00	0.00%
Total	\$2,227.57	\$2,227.57	\$0.00	0.00%
Parcel: 25-1N-19-17000-001-0000 ⁽¹⁾				
Admin Operations/Maintenance - Unplatted	\$32,245.67	\$32,245.67	\$0.00	0.00%
Field Operations/Maintenance - Unplatted	\$14,709.88	\$14,709.88	\$0.00	0.00%
Total	\$46,955.55	\$46,955.55	\$0.00	0.00%
Net Collection Cost	\$43,668.66	\$43,668.66		
Parcel: 25-1N-19-17000-001-0020 ⁽¹⁾				
Admin Operations/Maintenance - Unplatted	\$50,022.55	\$50,022.55	\$0.00	0.00%
Field Operations/Maintenance - Unplatted	\$331.11	\$331.11	\$0.00	0.00%
Total	\$50,353.66	\$50,353.66	\$0.00	0.00%
Net Collection Cost	\$47,331.19	\$46,828.91		
Parcel: 25-1N-19-17000-001-0040 ⁽¹⁾				
Admin Operations/Maintenance - Unplatted	\$4,285.50	\$4,285.50	\$0.00	0.00%
Field Operations/Maintenance - Unplatted	\$2,149.49	\$2,149.49	\$0.00	0.00%
Total	\$6,434.99	\$6,434.99	\$0.00	0.00%
Net Collection Cost	\$5,984.54	\$5,984.54		

⁽¹⁾ Amounts are per acre

MAGNOLIA CREEK COMMUNITY DEVELOPMENT DISTRICT

FISCAL YEAR 2020/2021 O&M & DEBT SERVICE ASSESSMENT SCHEDULE

TOTAL ADMIN O&M BUDGET		\$92,475.00	TOTAL FIELD O&M BUDGET		\$34,000.00
COLLECTION COSTS @ 2%		\$1,967.55	COLLECTION COSTS @ 2%		\$723.40
EARLY PAYMENT DISCOUNT @ 4%		\$3,935.11	EARLY PAYMENT DISCOUNT @ 4%		\$1,446.81
TOTAL O&M ASSESSMENT		<u>\$98,377.66</u>	TOTAL O&M ASSESSMENT		<u>\$36,170.21</u>

UNITS ASSESSED		
SERIES 2007A		
LOT SIZE	O&M	DEBT SERVICE ⁽¹⁾
PLATTED PARCELS		
COTTAGE/SMALL HOUSE	73	28
ROWHOUSE/TOWNHOUSE	26	5
HOUSE	84	9
SIDE YARD	52	22
LIVE/WORK UNIT	2	0
Total Platted	237	64

ALLOCATION OF O&M ASSESSMENT									
EAU FACTOR	TOTAL EAU's	% TOTAL EAU's	ADMIN O/M PER PARCEL	ADMIN O/M PER LOT	TOTAL EAU's ⁽²⁾	% TOTAL EAU's	FIELD O/M PER PARCEL	FIELD O/M PER LOT	
0.90	65.70	3.46%	\$3,405.92	\$46.66	65.70	15.11%	\$5,466.72	\$74.89	
0.90	23.40	1.23%	\$1,213.07	\$46.66	23.40	5.38%	\$1,947.05	\$74.89	
1.00	84.00	4.43%	\$4,354.60	\$51.84	84.00	19.32%	\$6,989.41	\$83.21	
1.00	52.00	2.74%	\$2,695.70	\$51.84	52.00	11.96%	\$4,326.78	\$83.21	
1.50	3.00	0.16%	\$155.52	\$77.76	3.00	0.69%	\$249.62	\$124.81	
	228.10	12.02%	\$11,824.81		228.10	52.47%	\$18,979.58		

PER LOT ANNUAL ASSESSMENT		
Admin & Field O&M	2007A DEBT SERVICE ⁽³⁾	TOTAL ⁽⁴⁾
\$121.55	\$1,215.00	\$1,336.55
\$121.55	\$1,215.00	\$1,336.55
\$135.05	\$1,350.00	\$1,485.05
\$135.05	\$1,350.00	\$1,485.05
\$202.57	\$2,025.00	\$2,227.57

TOTAL ACRES	ADMIN O/M PER PARCEL	ADMIN O/M PER ACRE
25-1N-19-17000-001-0000	270.20	27.10
25-1N-19-17000-001-0020	419.16	0.00
25-1N-19-17000-001-0040	35.91	3.96
UNPLAT BY ACREAGE⁽⁵⁾	725.27	31.06
Total Community	2025	311

TOTAL ACRES	FIELD O/M PER PARCEL	FIELD O/M PER ACRE
270.20	\$32,245.34	\$119.34
419.16	\$50,022.05	\$119.34
35.91	\$4,285.46	\$119.34
725.27	\$86,552.85	
31.67	\$17,190.63	

PER ACRE ASSESSMENTS - UNPLATTED		
Admin O&M ⁽⁶⁾	Field O&M ⁽⁶⁾	Debt Service
\$119.34	\$542.80	\$0.00
\$119.34	\$542.80	\$0.00
\$119.34	\$542.80	\$0.00

LESS: Walton County Collection Costs (2%) and Early Payment Discount Costs (4%) :

Net Revenue to be Collected

(\$5,902.66)

\$92,475.00

(\$2,170.21)

\$34,000.00

(1) Reflects the number of total lots/acres with Series 2007A debt outstanding. Some lots are subject to acceleration of debt service assessments.

(2) The District has determined that only lots situated within Phase I of the development receive special benefit from the field operations portion of the budget. Therefore, these expenses are being allocated among the 484 platted and/or planned units in Phase I. The administrative expenses of the District are allocated among all units within the District.

(3) Annual debt service assessment per lot adopted in connection with the Series 2007A bond issue. Annual assessment includes principal, interest, Walton County collection costs and early payment discount costs.

(4) Annual assessment that will appear on November 2020 Walton County property tax bill. Amount shown includes all applicable collection costs. Property owner is eligible for a discount of up to 4% if paid early.

(5) Unplatted acreage is subject to acceleration of debt service assessments. Debt service assessments have been prepaid on Parcel: 25-1N-19-17000-001-0020.

(6) Admin O&M applies to all unplatted acreage within the District. Field O&M only applies to the 31.67 unplatted developable acres within the District.

Tab 6

RESOLUTION 2020-07

A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE MAGNOLIA CREEK COMMUNITY DEVELOPMENT DISTRICT MAKING A DETERMINATION OF BENEFIT AND IMPOSING SPECIAL ASSESSMENTS FOR FISCAL YEAR 2020/2021; PROVIDING FOR THE COLLECTION AND ENFORCEMENT OF SPECIAL ASSESSMENTS, INCLUDING BUT NOT LIMITED TO PENALTIES AND INTEREST THEREON; CERTIFYING AN ASSESSMENT ROLL; PROVIDING FOR AMENDMENTS TO THE ASSESSMENT ROLL; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Magnolia Creek Community Development District ("**District**") is a local unit of special-purpose government established pursuant to Chapter 190, *Florida Statutes*, for the purpose of providing, operating and maintaining infrastructure improvements, facilities and services to the lands within the District; and

WHEREAS, the District is located in Walton County, Florida ("**County**"); and

WHEREAS, the District has constructed or acquired various infrastructure improvements and provides certain services in accordance with the District's adopted capital improvement plan and Chapter 190, *Florida Statutes*; and

WHEREAS, the Board of Supervisors ("**Board**") of the District hereby determines to undertake various operations and maintenance and other activities described in the District's budget ("**Adopted Budget**") for the fiscal year beginning October 1, 2020 and ending September 30, 2021 ("**Fiscal Year 2020/2021**"), attached hereto as **Exhibit "A,"** and

WHEREAS, the District must obtain sufficient funds to provide for the operation and maintenance of the services and facilities provided by the District as described in the Adopted Budget; and

WHEREAS, the provision of such services, facilities, and operations is a benefit to lands within the District; and

WHEREAS, Chapter 190, *Florida Statutes*, provides that the District may impose special assessments on benefitted lands within the District; and

WHEREAS, it is in the best interests of the District to proceed with the imposition of the special assessments for operations and maintenance in the amount set forth in the Adopted Budget; and

WHEREAS, the District has previously levied an assessment for debt service, which the District desires to collect for Fiscal Year 2020/2021; and

WHEREAS, Chapter 197, *Florida Statutes*, provides a mechanism pursuant to which such special assessments may be placed on the tax roll and collected by the local tax collector ("**Uniform Method**"), and the District has previously authorized the use of the Uniform Method by, among other things, entering into agreements with the Property Appraiser and Tax Collector of the County for that purpose; and

WHEREAS, it is in the best interests of the District to adopt the assessment roll ("**Assessment Roll**") attached to this Resolution as **Exhibit "B,"** and to certify the portion of the Assessment Roll related to certain developed property ("**Tax Roll Property**") to the County Tax Collector pursuant to the Uniform Method and to directly collect the portion of the Assessment Roll relating to the remaining property ("**Direct Collect Property**"), all as set forth in **Exhibit "B;"** and

WHEREAS, it is in the best interests of the District to permit the District Manager to amend the Assessment Roll adopted herein, including that portion certified to the County Tax Collector by this Resolution, as the Property Appraiser updates the property roll for the County, for such time as authorized by Florida law.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF THE MAGNOLIA CREEK COMMUNITY DEVELOPMENT DISTRICT:

SECTION 1. BENEFIT & ALLOCATION FINDINGS. The provision of the services, facilities, and operations as described in **Exhibit "A"** confers a special and peculiar benefit to the lands within the District, which benefit exceeds or equals the cost of the assessments. The allocation of the assessments to the specially benefitted lands is shown in **Exhibits "A" and "B,"** and is hereby found to be fair and reasonable.

SECTION 2. ASSESSMENT IMPOSITION. Pursuant to Chapters 190 and 197, *Florida Statutes*, and using the procedures authorized by Florida law for the levy and collection of special assessments, a special assessment for operation and maintenance is hereby imposed and levied on benefitted lands within the District and in accordance with **Exhibits "A" and "B."** The lien of the special assessments for operations and maintenance imposed and levied by this Resolution shall be effective upon passage of this Resolution.

SECTION 3. COLLECTION AND ENFORCEMENT; PENALTIES; INTEREST.

- A. **Tax Roll Assessments.** The operations and maintenance special assessments and previously levied debt service special assessments imposed on the Tax Roll Property shall be collected at the same time and in the same manner as County taxes in accordance with the Uniform Method, as set forth in **Exhibits "A" and "B."**
- B. **Direct Bill Assessments.** The operations and maintenance special assessments and previously levied debt service special assessments imposed on the Direct Collect Property shall be collected directly by the District in

accordance with Florida law, as set forth in **Exhibits “A” and “B.”** Assessments directly collected by the District are due in full on December 1, 2020; provided, however, that, to the extent permitted by law, the assessments due may be paid in several partial, deferred payments and according to the following schedule: 50% due no later than December 1, 2020, 25% due no later than February 1, 2021 and 25% due no later than May 1, 2021. In the event that an assessment payment is not made in accordance with the schedule stated above, the whole assessment – including any remaining partial, deferred payments for Fiscal Year 2020/2021, shall immediately become due and payable; shall accrue interest, penalties in the amount of one percent (1%) per month, and all costs of collection and enforcement; and shall either be enforced pursuant to a foreclosure action, or, at the District’s sole discretion, collected pursuant to the Uniform Method on a future tax bill, which amount may include penalties, interest, and costs of collection and enforcement. Any prejudgment interest on delinquent assessments shall accrue at the rate of any bonds secured by the assessments, or at the statutory prejudgment interest rate, as applicable. In the event an assessment subject to direct collection by the District shall be delinquent, the District Manager and District Counsel, without further authorization by the Board, may initiate foreclosure proceedings pursuant to Chapter 170, *Florida Statutes*, or other applicable law to collect and enforce the whole assessment, as set forth herein.

- C. **Future Collection Methods.** The decision to collect special assessments by any particular method – e.g., on the tax roll or by direct bill – does not mean that such method will be used to collect special assessments in future years, and the District reserves the right in its sole discretion to select collection methods in any given year, regardless of past practices.

SECTION 4. ASSESSMENT ROLL. The Assessment Roll, attached to this Resolution as **Exhibit “B,”** is hereby certified for collection. That portion of the Assessment Roll which includes the Tax Roll Property is hereby certified to the County Tax Collector and shall be collected by the County Tax Collector in the same manner and time as County taxes. The proceeds therefrom shall be paid to the District.

SECTION 5. ASSESSMENT ROLL AMENDMENT. The District Manager shall keep apprised of all updates made to the County property roll by the Property Appraiser after the date of this Resolution, and shall amend the Assessment Roll in accordance with any such updates, for such time as authorized by Florida law, to the County property roll. After any amendment of the Assessment Roll, the District Manager shall file the updates in the District records.

SECTION 6. SEVERABILITY. The invalidity or unenforceability of any one or more provisions of this Resolution shall not affect the validity or enforceability of the remaining portions of this Resolution, or any part thereof.

SECTION 7. EFFECTIVE DATE. This Resolution shall take effect upon the passage and adoption of this Resolution by the Board.

PASSED AND ADOPTED this 6th day of August, 2020.

ATTEST:

**MAGNOLIA CREEK COMMUNITY
DEVELOPMENT DISTRICT**

Secretary / Assistant Secretary

By:_____

Its:_____

Exhibit A: Budget
Exhibit B: Assessment Roll (Uniform Method)
Assessment Roll (Direct Collect)

EXHIBIT A

EXHIBIT B

Assessment Roll

Assessment roll is maintained in the District's official records and is available upon request. Certain exempt information may be redacted prior to release in compliance with Chapter 119, Florida Statutes

Tab 7

RESOLUTION 2020-08
A RESOLUTION OF THE BOARD OF SUPERVISORS OF MAGNOLIA CREEK
COMMUNITY DEVELOPMENT DISTRICT DESIGNATING DATES, TIME AND
LOCATION FOR REGULAR MEETINGS OF THE BOARD OF SUPERVISORS
OF THE DISTRICT, AND PROVIDING FOR AN EFFECTIVE DATE

WHEREAS, Magnolia Creek Community Development District (hereinafter the "District") is a local unit of special-purpose government created and existing pursuant to Chapter 190, Florida Statutes, being situated entirely within the City of Freeport, Walton County Florida; and

WHEREAS, the District's Board of Supervisors (hereinafter the "Board") is statutorily authorized to exercise the powers granted to the District; and

WHEREAS, all meetings of the Board shall be open to the public and governed by the provisions of Chapter 286, Florida Statutes; and

WHEREAS, the Board is statutorily required to file annually, with the local governing authority and the Florida Department of Economic Opportunity, a schedule of its regular meetings.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF MAGNOLIA CREEK COMMUNITY DEVELOPMENT DISTRICT:

Section 1. Regular meetings of the Board of Supervisors of the District shall be held as provided on the schedule attached as Exhibit "A".

Section 2. In accordance with Section 189.015(1), Florida Statutes, the District's Secretary is hereby directed to file annually, with the City of Freeport, a schedule of the District's regular meetings.

Section 3. This Resolution shall become effective immediately upon its adoption.

PASSED AND ADOPTED THIS 6TH DAY OF AUGUST, 2020.

**MAGNOLIA CREEK COMMUNITY
DEVELOPMENT DISTRICT**

CHAIRMAN / VICE CHAIRMAN

ATTEST:

SECRETARY / ASST. SECRETARY

EXHIBIT "A"
BOARD OF SUPERVISORS MEETING DATES
MAGNOLIA CREEK COMMUNITY DEVELOPMENT DISTRICT
FISCAL YEAR 2020/2021

November 5, 2020
February 4, 2021
May 6, 2021
August 5, 2021

The above referenced meetings will convene at 2:00 p.m. (CT) at the Walton County Coastal Branch Library, located at 437 Greenway Trail, Santa Rosa Beach, FL 32459.

Tab 8

**MAGNOLIA CREEK
COMMUNITY DEVELOPMENT DISTRICT
WALTON COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2019**

**MAGNOLIA CREEK COMMUNITY DEVELOPMENT DISTRICT
WALTON COUNTY, FLORIDA**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Magnolia Creek Community Development District
Walton County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Magnolia Creek Community Development District, Walton County, Florida ("District") as of and for the fiscal year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on Special Purpose Entity Fund and Governmental Activities

As discussed in Note 9 to the financial statements, management has not recorded the land held for sale by the special purpose entity ("SPE"), a blended component unit of the District. Accounting principles generally accepted in the United States of America require that land held for resale be recorded as an asset in the fund financial statements, thus increasing the assets and net position of the governmental activities. The amount by which this departure would affect the assets, fund balance, and net position of the special purpose entity fund and the governmental activities has not been determined.

Adverse Opinions

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Special Purpose Entity Fund and Governmental Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the special purpose entity fund and the governmental activities of the District, as of September 30, 2019, or the changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund, debt service fund, and capital projects fund of the District as of September 30, 2019, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 7 and other notes to the basic financial statements, the District's financial conditions continue to deteriorate. Due to the Developer's non-payment of assessments, the District did not have sufficient funds to make certain scheduled debt service payments in prior, current, or subsequent fiscal years and, as a result, the payments were not made. The District's inability to make its scheduled debt service payments when they are due are considered events of default. Additionally, certain default related expenditures were paid from the trust accounts. As a result of these events, the debt service fund had a deficit fund balance of (\$26,598,503) at September 30, 2019. Furthermore, the District and the Trustee, on behalf of the Bondholders, formed a SPE which took title to the Developer's property through foreclosure. The SPE is funding a portion of the general operations of the District through funds from the Trust estate. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's 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.

May 8, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Magnolia Creek Community Development District, Walton County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year resulting in a net position deficit balance of (\$16,056,652).
- The change in the District's total net position in comparison with the prior fiscal year was (\$1,327,196), an increase in the deficit. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2019, the District's governmental funds reported combined ending fund balances of (\$24,807,766), a decrease of (\$1,485,361) in comparison with the prior fiscal year. The total fund balance is non-spendable for prepaid items, restricted for capital projects, and the remainder is unassigned fund balance.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as the introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual amount being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements include all governmental activities that are principally supported by special assessment revenues. The District does not have any business-type activities. The governmental activities of the District include the general government (management), maintenance and operations, and SPE costs.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has one fund category: the governmental funds.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

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

The District maintains four governmental funds for external reporting. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and capital projects fund, all of which are considered major funds. The District uses a special revenue fund to account for the SPE and its operations, which is also considered a major fund of the District.

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, liabilities exceeded assets at the close of the most recent fiscal year.

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

NET POSITION SEPTEMBER 30,		
	2019	2018
Current and other assets	\$ 1,835,575	\$ 1,919,040
Capital assets, net of depreciation	15,603,472	15,603,472
Total assets	17,439,047	17,522,512
Current liabilities	27,153,345	25,751,449
Long-term liabilities	6,342,354	6,500,519
Total liabilities	33,495,699	32,251,968
Net position		
Net investment in capital assets	(6,006,927)	(5,846,851)
Restricted	1,463,939	1,594,881
Unrestricted	(11,513,664)	(10,477,486)
Total net position	\$ (16,056,652)	\$ (14,729,456)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The District's net position reflects its investment in capital assets (e.g. land, land improvements, and infrastructure) less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

The District's net position decreased during the most recent fiscal year. The majority of the decrease represents the extent to which the cost of operations exceeded ongoing program revenues.

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

CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED SEPTEMBER 30,			
	2019	2018	
Revenues:			
Program revenues			
Charges for services	\$ 111,951	\$ 109,740	
Operating grants and contributions	289	471	
Capital grants and contributions	29,463	17,711	
General revenues			
Unrestricted investment earnings	457	-	
Total revenues	142,160	127,922	
Expenses:			
General government	153,565	144,902	
Maintenance and operations	3,473	12,173	
SPE costs	75,738	111,277	
Interest on long-term debt	1,236,580	1,236,580	
Total expenses	1,469,356	1,504,932	
Change in net position	(1,327,196)	(1,377,010)	
Net position - beginning	(14,729,456)	(13,352,446)	
Net position - ending	\$ (16,056,652)	\$ (14,729,456)	

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2019 was \$1,469,356. The costs of the District's activities were partially funded by program revenues. As in the prior fiscal year, program revenues are comprised primarily of assessments. A portion of the District's operations were also funded by using funds available in the trust accounts. In total, expenses decreased from the prior fiscal year primarily due to a decrease in the SPE's expenses.

GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2019.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2019, the District had \$15,603,472 invested in capital assets for its governmental activities. More detailed information about the District's capital assets is presented in the notes to the financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Debt

At September 30, 2019, the District had \$6,375,000 Bonds outstanding for its governmental activities. In addition, matured debt service obligations of \$26,602,942 are included in Due to Bondholders amount at September 30, 2019. More detailed information about the District's capital debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND OTHER EVENTS

As discussed in the notes to the basic financial statements, the District's financial conditions continue to deteriorate. The District formed a SPE and foreclosed on certain Developer property for which there were significant delinquent assessments in prior fiscal years. In addition, in the prior, current, and subsequent fiscal years, certain scheduled debt service payments were not made. As a result, the District declared an event of default in accordance with the Series 2007 Bond Indenture which allowed the District to pay certain significant trustee, legal, and other professional fees incurred in association with the default using funds available in the trust accounts. Further, the debt service fund reported a deficit fund balance of (\$26,598,503) at September 30, 2019.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, land owners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Magnolia Creek Community Development District's Finance Department at 12750 Citrus Park Lane, Suite 115, Tampa, Florida 33625.

FINANCIAL STATEMENTS

**MAGNOLIA CREEK COMMUNITY DEVELOPMENT DISTRICT
WALTON COUNTY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

	Governmental Activities
ASSETS	
Cash	\$ 338,003
Prepaid items	7,653
Restricted assets:	
Investments	1,489,919
Capital assets:	
Nondepreciable	15,603,472
Total assets	<u>17,439,047</u>
LIABILITIES	
Accounts payable and accrued expenses	28,566
Accrued interest payable	510,004
Unearned revenue	11,833
Due to Bondholders:	
Principal	15,265,000
Interest	11,337,942
Non-current liabilities:	
Due within one year	170,000
Due in more than one year	6,172,354
Total liabilities	<u>33,495,699</u>
NET POSITION	
Net investment in capital assets	(6,006,927)
Restricted for capital projects	1,463,939
Unrestricted	(11,513,664)
Total net position	<u>\$ (16,056,652)</u>

See notes to the financial statements

**MAGNOLIA CREEK COMMUNITY DEVELOPMENT DISTRICT
WALTON COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 153,565	\$ 53,288	\$ -	\$ -	\$ (100,277)
Maintenance and operations	3,473	-	-	29,463	25,990
SPE costs	75,738	-	-	-	(75,738)
Interest on long-term debt	1,236,580	58,663	289	-	(1,177,628)
Total governmental activities	1,469,356	111,951	289	29,463	(1,327,653)
General revenues:					
Unrestricted investment earnings					457
Total general revenues					457
Change in net position					(1,327,196)
Net position - beginning					(14,729,456)
Net position - ending					<u>\$ (16,056,652)</u>

See notes to the financial statements

**MAGNOLIA CREEK COMMUNITY DEVELOPMENT DISTRICT
WALTON COUNTY, FLORIDA
BALANCE SHEET –
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	Major Funds				Total
	General	Debt Service	Capital Projects	Special Purpose Entity	Governmental Funds
ASSETS					
Cash	\$ 337,248	\$ -	\$ -	\$ 755	\$ 338,003
Investments	-	4,439	1,485,480	-	1,489,919
Prepaid items	7,653	-	-	-	7,653
Total assets	<u>\$ 344,901</u>	<u>\$ 4,439</u>	<u>\$ 1,485,480</u>	<u>\$ 755</u>	<u>\$ 1,835,575</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	\$ 3,025	\$ -	21,541	\$ 4,000	\$ 28,566
Due to Bondholders	-	26,602,942	-	-	26,602,942
Unearned revenue	11,833	-	-	-	11,833
Total liabilities	<u>14,858</u>	<u>26,602,942</u>	<u>21,541</u>	<u>4,000</u>	<u>26,643,341</u>
Fund balances:					
Nonspendable:					
Prepaid items	7,653	-	-	-	7,653
Restricted for:					
Capital projects	-	-	1,463,939	-	1,463,939
Assigned to:					
Subsequent year expenditures	2,100	-	-	-	2,100
Unassigned	320,290	(26,598,503)	-	(3,245)	(26,281,458)
Total fund balances	<u>330,043</u>	<u>(26,598,503)</u>	<u>1,463,939</u>	<u>(3,245)</u>	<u>(24,807,766)</u>
Total liabilities and fund balances	<u>\$ 344,901</u>	<u>\$ 4,439</u>	<u>\$ 1,485,480</u>	<u>\$ 755</u>	<u>\$ 1,835,575</u>

See notes to the financial statements

**MAGNOLIA CREEK COMMUNITY DEVELOPMENT DISTRICT
WALTON COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

Fund balance - governmental funds	\$ (24,807,766)
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Amounts reported for governmental activities in the statement of net position are different because:

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

Cost of capital assets	15,603,472	
Accumulated depreciation	-	15,603,472

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

Accrued interest payable	(510,004)	
Bonds payable	(6,342,354)	(6,852,358)
Net position of governmental activities		\$ (16,056,652)

See notes to the financial statements

**MAGNOLIA CREEK COMMUNITY DEVELOPMENT DISTRICT
WALTON COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

	Major Funds				Total Governmental Funds
	General	Debt Service	Capital Projects	Special Purpose	
REVENUES					
Assessments	\$ 53,288	\$ 58,663	\$ -	\$ -	\$ 111,951
Interest income	457	289	29,463	-	30,209
Total revenues	53,745	58,952	29,463	-	142,160
EXPENDITURES					
Current:					
General government	81,354	11,353	21,154	39,704	153,565
Maintenance and operations	3,473	-	-	-	3,473
SPE costs	-	27,474	48,264	-	75,738
Debt service:					
Principal	-	160,000	-	-	160,000
Interest	-	1,234,745	-	-	1,234,745
Total expenditures	84,827	1,433,572	69,418	39,704	1,627,521
Excess (deficiency) of revenues over (under) expenditures	(31,082)	(1,374,620)	(39,955)	(39,704)	(1,485,361)
OTHER FINANCING SOURCES (USES)					
Transfer in (out)	80,664	(26,381)	(90,987)	36,704	-
Total other financing sources (uses)	80,664	(26,381)	(90,987)	36,704	-
Net change in fund balances	49,582	(1,401,001)	(130,942)	(3,000)	(1,485,361)
Fund balances - beginning	280,461	(25,197,502)	1,594,881	(245)	(23,322,405)
Fund balances - ending	\$330,043	\$(26,598,503)	\$ 1,463,939	\$ (3,245)	\$(24,807,766)

See notes to the financial statements

**MAGNOLIA CREEK COMMUNITY DEVELOPMENT DISTRICT
WALTON COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

Net change in fund balances - total governmental funds	\$ (1,485,361)
Amounts reported for governmental activities in the statement of activities are different because:	
Repayment of long-term liabilities are reported as expenditures in the governmental fund financial statements, but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.	160,000
Amortization of bond discount is not recognized in the governmental fund financial statements, but is reported as an expense in the statement of activities.	(1,835)
Change in net position of governmental activities	<u>\$ (1,327,196)</u>

See notes to the financial statements

**MAGNOLIA CREEK COMMUNITY DEVELOPMENT DISTRICT
WALTON COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Magnolia Creek Community Development District (the "District") was established by the City of Freeport Ordinance 2006-26 enacted on September 12, 2006 pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. The Act provides among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District.

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected on an at large basis by landowners of the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes. In a prior year, Magnolia Creek CDD Holdings, LLC, a Special Purpose Entity ("SPE"), acquired the property owned by Owls Head Development, LLC ("Developer") through foreclosure.

The Board has the 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.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. Blended component units, although legally separate entities, are, in substance, part of the government's operations.

Blended Component Unit

The SPE owns, manages, maintains, and will sell and dispose of property for the benefit of the Bondholders. The SPE is reported as a special revenue fund.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; operating-type special assessments for maintenance and debt service are treated as charges for services and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as *general revenues*.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments are recognized as revenues in the year for which they are levied. Grants and similar items are to be recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Assessments

Assessments are non-ad valorem assessments imposed on assessable lands located within the District. Assessments may be levied on property to pay for the operations and maintenance of the District. The fiscal year for which annual assessments may be levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. For debt service assessments, amounts collected as advance payments are used to prepay a portion of the Bonds outstanding. Otherwise, assessments are collected annually to provide funds for the debt service on the portion of the Bonds which are not paid with prepaid assessments.

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

The District reports the following major governmental funds:

General Fund

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

Debt Service Fund

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

Capital Projects Fund

This fund accounts for the financial resources to be used for the acquisition or construction of major infrastructure within the District.

Special Purpose Entity Fund

The special purpose entity fund is a special revenue fund that accounts for the activities of the SPE, a blended component unit of the government. The SPE owns, manages, maintains, and will sell and dispose of property for the benefit of the Bondholders.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity

Restricted Assets

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

Deposits and Investments

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

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

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

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. In addition, surplus funds may be deposited into certificates of deposit which are insured and any unspent Bond proceeds are required to be held in investments as specified in the Bond Indenture.

The District records all interest revenue related to investment activities in the respective funds. Investments are measured at amortized cost or reported at fair value as required by generally accepted accounting principles.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

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

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

No depreciation has been taken in the current fiscal year as the District's infrastructure and other capital assets have not been completed.

Unearned Revenue

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized ratably over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report 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.

In addition to liabilities, the statement of financial position 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.

Fund Equity/Net Position

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

The District can establish limitations on the use of fund balance as follows:

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance – Includes spendable fund balance amounts established by the Board of Supervisors that are intended to be used for specific purposes that are neither considered restricted nor committed. The Board may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

The District first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the District's Bond covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Disclosures

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 – BUDGETARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year-end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

- a) Each year, the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) A public hearing is conducted to obtain comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

The District's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate Bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

Investments

The District's investments were held as follows at September 30, 2019:

	Amortized Cost	Credit Risk	Maturities
US Bank MMKT Account Managed	\$ 1,489,919	Not available	Not available
Total Investments	<u>\$ 1,489,919</u>		

Credit risk – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

Concentration risk – The District places no limit on the amount the District may invest in any one issuer.

Interest rate risk – The District does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

However, the Bond Indentures limit the type of investments held using unspent proceeds.

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Fair Value Measurement – When applicable, the District measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- *Level 1:* Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the District has the ability to access;
- *Level 2:* Investments whose inputs - other than quoted market prices - are observable either directly or indirectly; and,
- *Level 3:* Investments whose inputs are unobservable.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

Money market investments that have a maturity at the time of purchase of one year or less and are held by governments other than external investment pools should be measured at amortized cost. Accordingly, the District's investments have been reported at amortized cost above.

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended September 30, 2019 were as follows:

Fund	Transfer in	Transfer out
General	\$ 80,664	\$ -
Debt service	36,590	62,971
Capital projects	-	90,987
Special purpose entity	108,142	71,438
Total	<u>\$ 225,396</u>	<u>\$ 225,396</u>

Transfers are used to move revenues from the fund where collection occurs to the fund where funds have been reallocated for use. In the case of the District, transfers from the debt service fund and capital project fund went to the special purpose entity fund to pay some of the SPE costs and were also transferred to the general fund to fund operations in accordance with the Tri-Party Agreement. See Note 9 for additional information.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2019 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Infrastructure under construction	\$ 15,603,472	\$ -	\$ -	\$ 15,603,472
Total capital assets, not being depreciated	<u>15,603,472</u>	<u>-</u>	<u>-</u>	<u>15,603,472</u>
Governmental activities capital assets	<u>\$ 15,603,472</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,603,472</u>

The total projected cost of the infrastructure development was estimated at \$79.7 million, of which approximately \$17.1 million was expected to be funded with proceeds from Series 2007 Bonds. The remainder of the project was to be funded by the Developer in accordance with the completion agreement or with future Bonds. However, due to the financial condition of the original Developer, the project is currently on hold.

NOTE 6 – CAPITAL ASSETS (Continued)

Further, due to the uncertainty as to the completion of the project within a reasonable period of time, the infrastructure may not be able to be used for its intended purpose as anticipated in the original project description. There is no estimate at this time for the additional funding that might be required if there is a change to the project.

NOTE 7 – LONG-TERM LIABILITIES

On July 18, 2007, the District issued \$21,640,000 of Capital Improvement Revenue Bonds Series 2007, consisting of \$7,635,000 Series 2007A Bonds and \$14,005,000 of Series 2007B Bonds with fixed interest rates of 5.90% and 5.60%, respectively. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the property within the District. Interest is paid semiannually on each May 1 and November 1. Principal on the Series 2007A Bonds is payable serially commencing May 1, 2010 through May 1, 2039. Principal on the 2007B Bonds was due in one lump sum on May 1, 2014.

The Series 2007A Bonds are subject to redemption at the option of the District prior to their maturity. The Series 2007B Bonds are not subject to optional redemption. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirement as defined in the Indenture. In addition, the Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements.

During prior fiscal years, the Developer failed to make payment on the special assessments which ultimately secure the Bonds. As a result of the delinquent assessments, the District did not have sufficient funds to make certain scheduled debt service payments in current and prior fiscal years, and as a result, the payments were not made. As a result, the Bonds are in default. The past due amounts have been reported on the financial statements as due to Bondholders and reflects \$15,265,000 due for principal and \$11,337,942 due for interest. The nonpayment of its debt service payments by the District are considered event of defaults. Additionally, the funds needed to pay certain default related expenditures were paid from the Debt Service Reserve Accounts. The Debt Service Reserve Accounts were also used to partially fund certain debt service payments in prior fiscal years. As a result of these payments, there is a deficit of approximately \$546,000 in the Series 2007A Reserve Account and \$784,000 in the Series 2007B Reserve Account at September 30, 2019. See Note 13 for additional information subsequent to fiscal year end.

Changes in long-term liability activity for the fiscal year ended September 30, 2019 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2007	\$ 6,535,000	\$ -	\$ (160,000)	\$ 6,375,000	\$ 170,000
Less issue discount	(34,481)	-	1,835	(32,646)	-
Total	<u>\$ 6,500,519</u>	<u>\$ -</u>	<u>\$ (158,165)</u>	<u>\$ 6,342,354</u>	<u>\$ 170,000</u>

NOTE 7 – LONG-TERM LIABILITIES (Continued)

At September 30, 2019, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2020	\$ 170,000	\$ 450,465	\$ 620,465
2021	180,000	440,435	620,435
2022	195,000	429,815	624,815
2023	205,000	418,310	623,310
2024	220,000	406,215	626,215
2025-2029	1,300,000	1,821,625	3,121,625
2030-2034	1,755,000	1,387,975	3,142,975
2035-2039	2,350,000	804,465	3,154,465
Total	\$ 6,375,000	\$ 6,159,305	\$ 12,534,305

NOTE 8 – DEFICIT FUND EQUITY

The debt service fund had a deficit fund balance of (\$26,598,503) at September 30, 2019. It is unclear how the deficit will be covered as the SPE has not sold any of the property held for sale to-date. The special purpose entity had a deficit fund balance of (\$3,245) at September 30, 2019. The deficit will be covered by interfund transfers in the subsequent fiscal year.

NOTE 9 – TRI-PARTY AGREEMENT AND SPECIAL PURPOSE ENTITY

The Developer originally agreed to fund the general fund operations of the District and assessments were levied for this purpose on an annual basis. However, as discussed in Note 7, as a result of the Developer's failure to pay assessments in prior fiscal years, the District did not make certain debt service payments when due, which constitutes an event of default under the applicable Trust Indenture. In November 2013, the District obtained a final judgment of foreclosure against property on which assessments had not been paid ("Foreclosed Property"). The District and the Trustee, on behalf of the Bondholders, created the SPE to own, manage and dispose of the Foreclosed Property. The District, Trustee and the SPE entered into a Tri-Party Agreement whereby the parties acknowledged that the funds to operate the SPE would be provided by the Trustee. The Trustee agreed that it will use available funds on deposit in the Trust Estate, including proceeds from the sale of all or a portion of the Foreclosed Property, subject to the consent of the Bondholders, to pay quarterly operating funding requests. If funds are no longer available in the Trust Estate and another funding source has not been secured, the SPE may convey the Foreclosed Property to the District (with the District's consent) for ownership and maintenance. Any conveyance of the Foreclosed Property to the District shall be subject to the preservation or satisfaction of any other District liens that may otherwise be extinguished as a result of the District's ownership of the Property.

Pursuant to the Bond Indenture, the Trustee, on behalf of the Bondholders, has access to the funds held on deposit in the trust accounts. Expenditures (including legal fees, trustee fees, and SPE property management fees) totaling \$87,091 were paid out of the trust accounts in the current fiscal year.

The property held by the SPE should be recorded in the financial statements as land held for resale. However, no appraisal was performed on the property so the market value cannot be determined. Consequently, no amount was recorded in the financial statements for this asset.

NOTE 10 – RELATED PARTY TRANSACTIONS AND CONCENTRATION

The Developer still owns a large bulk acreage parcel within the District on which it is obligated to pay operating and maintenance assessments. During fiscal year 2019, the Developer paid assessments totaling \$47,332.

During the current fiscal year, \$67,559 was paid to Lerner Real Estate Advisors for monthly management fees and expenses for services related to the SPE. During the fiscal year ended September 30, 2019, three of the five Board members were affiliated with Lerner Real Estate Advisors.

NOTE 11 – MANAGEMENT COMPANY

The District has contracted with a management company to perform management services, which include financial and accounting services. Certain employees of the management company also serve as officers (Board appointed non-voting positions) of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, and other administrative costs.

NOTE 12 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. There were no settled claims during the past three years.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent to fiscal year end, certain scheduled debt service payments were not made. The District's inability to make its scheduled debt service payments when due is considered an event of default. Also, the Series 2007 Debt Service Reserve Account has not been replenished; therefore, the District is not in compliance with the requirements of the Bond Indenture.

**MAGNOLIA CREEK COMMUNITY DEVELOPMENT DISTRICT
WALTON COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

	Budgeted Amounts <u>Original & Final</u>	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Assessments	\$ 126,475	\$ 53,288	\$ (73,187)
Interest Income	-	457	457
Total revenues	<u>126,475</u>	<u>53,745</u>	<u>(72,730)</u>
EXPENDITURES			
Current:			
General government	92,475	81,354	11,121
Maintenance and operations	34,000	3,473	30,527
Total expenditures	<u>126,475</u>	<u>84,827</u>	<u>41,648</u>
Excess (deficiency) of revenues over (under) expenditures	-	(31,082)	(31,082)
OTHER FINANCING SOURCES			
Transfer in	-	80,664	80,664
Total other financing sources	<u>-</u>	<u>80,664</u>	<u>80,664</u>
Net change in fund balances	<u>\$ -</u>	49,582	<u>\$ 49,582</u>
Fund balance - beginning		<u>280,461</u>	
Fund balance - ending		<u>\$ 330,043</u>	

See notes to required supplementary information

**MAGNOLIA CREEK COMMUNITY DEVELOPMENT DISTRICT
WALTON COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

The District is required to establish a budgetary system and an approved Annual Budget for the general fund. The District's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Board. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2019.



**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
Magnolia Creek Community Development District
Walton 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 Magnolia Creek Community Development District, Walton County, Florida ("District") as of and for the fiscal year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated May 8, 2020, which includes explanatory paragraphs regarding the adverse opinion on the special purpose entity fund and the governmental activities as to the departure from generally accepted accounting principles and an emphasis of matter paragraph.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. However, as discussed in the accompanying report to management dated May 8, 2020, we consider deficiency 2019-01 to be a material weakness in internal control over financial reporting.

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 agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters involving the internal control over financial reporting and compliance that we have reported to management of the District in a separate letter dated May 8, 2020.

The District's responses to the findings identified in our audit are described in the accompanying Management Letter. We did not audit the District's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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

May 8, 2020



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

To the Board of Supervisors
Magnolia Creek Community Development District
Walton County, Florida

We have examined Magnolia Creek Community Development District, Walton County, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2019. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced in Section 218.415, Florida Statutes. 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 fiscal year ended September 30, 2019.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, management, and the Board of Supervisors of Magnolia Creek Community Development District, Walton County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

May 8, 2020



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

To the Board of Supervisors
Magnolia Creek Community Development District
Walton County, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of Magnolia Creek Community Development District, Walton County, Florida ("District") as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated May 8, 2020, which includes explanatory paragraphs regarding the adverse opinion on the special purpose entity fund and the governmental activities as to the departure from generally accepted accounting principles and an emphasis of matter paragraph.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the 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 the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, 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 May 8, 2020, should be considered in conjunction with this management letter.

Purpose of this Letter

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General of the State of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, as applicable, management, and the Board of Supervisors of Magnolia Creek Community Development District, Walton County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Magnolia Creek Community Development District, Walton County, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

May 8, 2020

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Material Weakness

2019-01: Appraisal Not Performed and Land Held for Resale Not Recorded

Observation: No appraisal was performed on the property owned by the SPE. Consequently, while the property should be recorded in the financial statements as land held for resale, no amount was recorded in the financial statements related to this asset as the market value of the property could not be determined.

Recommendation: An annual appraisal should be performed on the property owned by the SPE to determine its value as of the end of each fiscal year.

Management Response: Magnolia Creek CDD Holdings, LLC is a Florida limited liability company, ("Holdings") established by the District for the sole purpose of holding lands acquired by the District through the foreclosure of special assessment liens. No appraisal was performed on the land owned by Holdings. Due to this the market value of the land could not be determined at September 30, 2019 and no amount was recorded in the financial statements for the asset.

Other Findings

2019-02: Financial Condition Assessment

Observation: The District's financial conditions continue to deteriorate. The Developer failed to pay assessments during prior fiscal years. As a result, the District foreclosed on the related property which was acquired by the SPE. Due to a lack of sufficient funds, certain scheduled debt service payments were not made in the prior, current, or subsequent fiscal years resulting in events of default. In addition, the reserve requirements of the Series 2007 Bonds have not been met. Further, the debt service fund reported a deficit fund balance of (\$26,598,503) at September 30, 2019.

Recommendation: The District should take the necessary steps to alleviate the deteriorating financial condition.

Management Response: The District has taken all necessary and available actions in order to comply with the Trust Indenture. The District obtained a final judgement of foreclosure in November of 2013. As discussed in the notes to financial statements the District and the Trustee, on behalf of the bondholders, created a special purpose entity ("SPE"), Magnolia Creek CDD Holdings, LLC, to own, manage and dispose of the land taken through foreclosure from the Developer, a significant landowner of the District. The District, Trustee and the SPE entered into a tri-party agreement whereby the SPE assumed responsibility for delinquent operating and maintenance assessments owed to the District and agreed to pay future operating and maintenance assessments. If funds are no longer available in the Trust Estate, and another funding source has not been secured, the SPE may convey the property to the District, with the District's consent, the Trustee or another SPE.

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

14-01 - Land held for Sale Not Recorded

Current Status: See finding no. 2019-01 above.

Reference Numbers for Prior Year Findings: 14-01 in fiscal years 2014 – 2016, 2017-01 in 2017, and 2018-01 in 2018.

REPORT TO MANAGEMENT (Continued)

12-01 - Failure to Meet Debt Service Reserve Requirements

Current Status: See finding no. 2019-02 above.

Reference Numbers for Prior Year Findings: 12-02 in fiscal years 2014 – 2016, 2017-02 in 2017, and 2018-02 in 2018.

12-02 - Failure to Make Bond Debt Service Payments When Due

Current Status: See finding no. 2019-02 above.

Reference Numbers for Prior Year Findings: 12-02 in fiscal years 2014 – 2016, 2017-02 in 2017, and 2018-02 in 2018.

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2018, except as noted above.

2. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2019, except as noted above.

3. Noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2019, except as noted above.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.

5. In connection with our audit, we determined that the District has met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes. The District failed to make certain scheduled debt service payments due on the Series 2007 Bonds, as a result of a lack of funds. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and determined that a deteriorating financial condition was noted. See Findings section above for additional information. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.