

**Cypress Creek of Hillsborough County
Community Development District**

FINANCIAL STATEMENTS

September 30, 2014



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Cypress Creek of Hillsborough County Community Development District
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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Cypress Creek of Hillsborough County Community Development District
Hillsborough County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cypress Creek of Hillsborough County Community Development District (hereinafter referred to as "District"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of September 30, 2014, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Miramar Beach, Florida
June 3, 2015



Management's Discussion And Analysis

Cypress Creek of Hillsborough County Community Development District Management's Discussion and Analysis

Our discussion and analysis of the Cypress Creek of Hillsborough County Community Development District's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2014. Please read it in conjunction with the District's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- At September 30, 2014, the liabilities of the District exceeded its assets, resulting in a deficit net position balance of approximately \$4.4 million.
- During the fiscal year ended September 30, 2014, the District incurred capital outlay and interest expenditures of approximately \$29,000 and \$1.1 million, respectively, and repaid principal of \$430,000 on the Series 2006 Bonds.

USING THE ANNUAL REPORT

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

Reporting the District as a Whole

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

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

Cypress Creek of Hillsborough County Community Development District Management's Discussion and Analysis

Reporting the District's Most Significant Funds

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

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

THE DISTRICT AS A WHOLE

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

<i>September 30,</i>	2014	2013	Change
Assets			
Current and other assets	\$ 2,254,699	\$ 2,248,286	\$ 6,413
Capital assets, net	14,328,359	15,044,642	(716,283)
Total assets	\$ 16,583,058	\$ 17,292,928	\$ (709,870)
Liabilities			
Current liabilities	\$ 1,314,387	910,051	\$ 404,336
Other liabilities	19,635,000	20,508,135	(873,135)
Total liabilities	20,949,387	21,418,186	(468,799)
Net position			
Net investment in capital assets	(4,803,686)	(4,517,486)	(286,200)
Restricted for:			
Debt service	166,763	167,482	(719)
Unrestricted	270,594	224,746	45,848
Total net position (deficit)	(4,366,329)	(4,125,258)	(241,071)
Total liabilities and net position	\$ 16,583,058	\$ 17,292,928	\$ (709,870)

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

During the fiscal year ended September 30, 2014, total assets and liabilities decreased by approximately \$710,000 and \$470,000, respectively. The decrease in assets is primarily a result of depreciation on capital assets. The decrease in liabilities is primarily due to the repayment of outstanding long-term bond principal.

Cypress Creek of Hillsborough County Community Development District Management's Discussion and Analysis

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

<i>Year ended September 30,</i>	2014	2013	Change
Revenues:			
Program revenues:			
Charges for services	\$ 1,826,385	\$ 1,848,245	\$ (21,860)
Grants and contributions	104	528	(424)
General revenues:			
Investment income	187	24	163
Total revenues	1,826,676	1,848,797	(22,121)
Expenses:			
General government	68,544	49,961	18,583
Maintenance and operations	910,968	918,226	(7,258)
Interest	1,088,235	1,110,615	(22,380)
Total expenses	2,067,747	2,078,802	(11,055)
Change in net position	(241,071)	(230,005)	(11,066)
Net position (deficit), beginning	(4,125,258)	(3,895,253)	(230,005)
Net position (deficit), ending	\$ (4,366,329)	\$ (4,125,258)	\$ (241,071)

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

During the fiscal year ended September 30, 2014, revenues and expenses did not significantly change from the prior year. The overall result was a \$241,071 decrease in net position for fiscal year 2014.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 10) reported a combined fund balance of approximately \$2.2 million, which did not change significantly from last year's balance. Significant transactions are discussed below.

- During the fiscal year ended September 30, 2014, the District incurred approximately \$1.1 million of interest expenditures and repaid principal of \$430,000 on the Series 2006 Bonds.
- During the fiscal year ended September 30, 2014, the District incurred approximately \$29,000 of capital outlay expenditures in the Non-Major Fund.

The overall increase in fund balance for the year ended September 30, 2014 totaled approximately \$27,000.

Cypress Creek of Hillsborough County Community Development District Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2014, the District had approximately \$14.4 million invested in capital assets (net of accumulated depreciation). This amount represents a net decrease of approximately \$687,000 from the fiscal year 2013 total.

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

<i>September 30,</i>	2014	2013	Change
Capital assets not being depreciated	\$ -	\$ -	\$ -
Capital assets being depreciated	18,278,181	18,278,181	-
Total, prior to depreciation	18,278,181	18,278,181	-
Accumulated depreciation	(3,949,822)	(3,233,539)	(716,283)
Net capital assets	\$ 14,328,359	\$ 15,044,642	\$ (716,283)

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

Debt

At September 30, 2014, the District had approximately \$20 million of bonds outstanding. This amount represents a decrease of \$430,000 from the fiscal year 2013 total.

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

<i>September 30,</i>	2014	2013	Change
Series 2006	\$ 20,090,000	\$ 20,520,000	\$ (430,000)
Total	\$ 20,090,000	\$ 20,520,000	\$ (430,000)

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



Cypress Creek of Hillsborough County Community Development District Management's Discussion and Analysis

GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

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

The District experienced favorable variances in revenues and expenditures as compared to the budget in the amount of \$14,438 and \$51,895, respectively. The variance in expenditures occurred primarily due to anticipated budgeted operating expenditures that were not incurred during the year.

FUTURE FINANCIAL FACTORS

Cypress Creek of Hillsborough County Community Development District is an independent special district that operates under the provisions of Chapter 190, Florida Statutes. The District operates under an elected Board of Supervisors, which establishes policy and sets assessment rates. Assessment rates for fiscal year 2015 were established to provide for the operations of the District as well as the necessary debt service requirements.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. If you have questions about this report or need additional financial information, contact the Cypress Creek of Hillsborough County Community Development District's management company at 1060 Maitland Center Commons, Suite 340, Maitland, Florida 32751.



Basic Financial Statements

**Cypress Creek of Hillsborough County Community Development District
Statement of Net Position**

<i>September 30,</i>	2014
	Governmental Activities
Assets	
Cash and cash equivalents	\$ 285,692
Assessments receivable	5,302
Due from developer, net	290,120
Investments	1,667,435
Deposits	6,150
Capital assets:	
Depreciable, net	14,328,359
Total assets	16,583,058
Liabilities	
Accounts payable	22,673
Accrued interest payable	447,840
Non-current liabilities:	
Due within one year	455,000
Due in more than one year	19,635,000
Obligation to developer	388,874
Total liabilities	20,949,387
Net position	
Net investment in capital assets	(4,803,686)
Restricted for:	
Debt service	166,763
Unrestricted	270,594
Total net position (deficit)	\$ (4,366,329)

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

**Cypress Creek of Hillsborough County Community Development District
Statement of Activities**

Year ended September 30,

2014

Functions/Programs	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Primary government:					
Governmental activities:					
General government	\$ (68,544)	\$ 80,434	\$ -	\$ -	\$ 11,890
Maintenance and operations	(910,968)	228,456	-	-	(682,512)
Interest	(1,088,235)	1,517,495	104	-	429,364
Total governmental activities	\$ (2,067,747)	\$ 1,826,385	\$ 104	\$ -	(241,258)

General revenues

Investment income	187
Change in net position	(241,071)
Net position (deficit) - beginning of year	(4,125,258)
Net position (deficit) - end of year	\$ (4,366,329)

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

**Cypress Creek of Hillsborough County Community Development District
Balance Sheet – Governmental Funds**

September 30,

2014

	General	Debt Service	Non-major Fund	Governmental Funds	Total
Assets					
Cash and cash equivalents	\$ 285,692	\$ -	\$ -	\$ -	\$ 285,692
Assessments receivable	1,425	3,877	-	-	5,302
Due from developer, net	-	290,120	-	-	290,120
Investments	-	1,667,420	15	-	1,667,435
Deposits	6,150	-	-	-	6,150
Total assets	\$ 293,267	\$ 1,961,417	\$ 15	\$ -	\$ 2,254,699
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 22,673	\$ -	\$ -	\$ -	\$ 22,673
Total liabilities	22,673	-	-	-	22,673
Fund balances					
Nonspendable	6,150	-	-	-	6,150
Restricted for debt service	-	1,961,417	-	-	1,961,417
Restricted for capital projects	-	-	15	-	15
Unassigned	264,444	-	-	-	264,444
Total fund balances	270,594	1,961,417	15	-	2,232,026
Total liabilities and fund balances	\$ 293,267	\$ 1,961,417	\$ 15	\$ -	\$ 2,254,699

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

**Cypress Creek of Hillsborough County Community Development District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of
Net Position**

<i>September 30,</i>	2014
Total fund balances, governmental funds	\$ 2,232,026
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.	14,328,359
Liabilities not due and payable from current resources, including accrued interest, are not reported in the fund financial statements.	(20,926,714)
Total net position (deficit) - governmental activities	\$ (4,366,329)

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

**Cypress Creek of Hillsborough County Community Development District
Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds**

Year ended September 30,

2014

	General	Debt Service	Non-major Fund	Total Governmental Funds
Revenues				
Assessments	\$ 329,375	\$ 1,517,495	\$ -	\$ 1,846,870
Interest and other revenues	187	104	-	291
Total revenues	329,562	1,517,599	-	1,847,161
Expenditures				
Current:				
General government	68,544	-	-	68,544
Maintenance	194,685	-	-	194,685
Debt service:				
Principal	-	430,000	-	430,000
Interest	-	1,097,820	-	1,097,820
Capital outlay	-	-	29,261	29,261
Total expenditures	263,229	1,527,820	29,261	1,820,310
Excess (deficit) of revenues over expenditures	66,333	(10,221)	(29,261)	26,851
Other Financing Sources (Uses)				
Transfer in	-	108	28,910	29,018
Transfer out	-	(28,910)	(108)	(29,018)
Total other financing sources (uses)	-	(28,802)	28,802	-
Net change in fund balances	66,333	(39,023)	(459)	26,851
Fund balances, beginning of year	204,261	2,000,440	474	2,205,175
Fund balances, end of year	\$ 270,594	\$ 1,961,417	\$ 15	\$ 2,232,026

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

**Cypress Creek of Hillsborough County Community Development District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities**

<i>Year Ended September 30,</i>	2014
Net change in fund balances - governmental funds	\$ 26,851
Capital outlay, reported as expenditures in the governmental funds, is shown as reduction in deferred cost obligation on the Statement of Net Position.	29,261
Depreciation on capital assets is not recognized in the fund financial statements but is reported as an expense in the Statement of Activities.	(716,283)
Governmental funds report scheduled principal payments on bonds when debt is due even though the amounts have not been paid, whereas these amounts do not affect the Statement of Activities.	430,000
Certain revenues that represent current financial resources are recognized as revenue on the fund level financial statements but were recognized in a previous year on the government-wide Statement of Activities.	(20,485)
The change in accrued interest between the current and prior year is recorded on the Statement of Activities but not on the fund financial statements.	9,585
Change in net position of governmental activities	\$ (241,071)

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

Cypress Creek of Hillsborough County Community Development District

Notes to Financial Statements

NOTE 1 – NATURE OF ORGANIZATION

The Cypress Creek of Hillsborough County Community Development District (the “District”) was established on October 14, 2005 by Hillsborough County Ordinance 05-14 pursuant to the Uniform 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 a Board of Supervisors (“Board”), which is comprised of five members. The Supervisors were elected on an at large basis by the qualified electors of the property owners within the District. All of the Supervisors are currently affiliated with the Developers of the community, 301 Cypress Creek, LLC and Cypress Creek 2, LLC, (collectively the “Developers”) at September 30, 2014. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the final responsibility for:

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

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth by Generally Accepted Accounting Principles (GAAP) as defined by the Governmental Accounting Standards Board (GASB) in statements No. 14 and No. 61. Based on the foregoing criteria, no potential component units were found.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

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

Cypress Creek of Hillsborough County Community Development District Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by assessments, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The business-type activities are reported separately in government-wide financial statements; however, at September 30, 2014, the District did not have any significant business-type activities. Therefore, no business-type activities are reported. Assessments and other items not properly included as program revenues (i.e., charges to customers or applicants who purchase, use, or directly benefit from goods or services) are reported as general revenues.

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

Measurement Focus, Basis of Accounting and Basis of Presentation

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

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

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

Cypress Creek of Hillsborough County Community Development District Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The District reports the following major governmental funds:

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

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt for the Series 2006 Bonds.

For the year ended September 30, 2014, the District does not report any proprietary funds.

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

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

Cash, Deposits and Investments

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

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

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

**Cypress Creek of Hillsborough County Community Development District
Notes to Financial Statements**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include primarily infrastructure assets (e.g., roads, sidewalks, water management systems and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial/individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost and estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Stormwater, sanitation, water system	25
Landscape	25
Streets	30

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

Estimates

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

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 over the life of the bonds using the straight-line or effective interest method. Bonds payable are reported net of these premiums or discounts. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current period expenses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the 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.

Cypress Creek of Hillsborough County Community Development District Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net 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. The District does not have any of this type of item at September 30, 2014.

In addition to liabilities, the Statement of Net Position and/or Balance Sheet – Governmental Funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of Net Position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any of this type of item at September 30, 2014.

Fund Equity

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

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

Budgets

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

Cypress Creek of Hillsborough County Community Development District Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- A. Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- B. A public hearing is conducted to obtain comments.
- C. Prior to October 1, the budget is legally adopted by the District Board.
- D. All budget changes must be approved by the District Board.
- E. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

NOTE 3 – INVESTMENTS

All investments held at September 30, 2014, are reported at fair value based on quoted market prices, which approximates amortized cost.

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

<i>September 30,</i>	2014	Credit Risk	Maturities
Short-term Money Market Funds	\$ 1,667,435	S&P AAAM	38 days
Total investments	\$ 1,667,435		

Custodial credit risk – For an investment, custodial credit risk is the risk that the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District has no formal policy for custodial risk. At September 30, 2014, the money market funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

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

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

**Cypress Creek of Hillsborough County Community Development District
Notes to Financial Statements**

NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in the capital assets for the year ended September 30, 2014:

	Beginning Balance	Additions	Transfers and Conveyances	Ending Balance
Governmental Activities:				
<i>Capital assets not being depreciated</i>				
Infrastructure under construction	\$ -	\$ -	\$ -	\$ -
Total capital assets, not being depreciated	-	-	-	-
<i>Capital assets being depreciated</i>				
Stormwater system	6,118,561	-	-	6,118,561
Landscape project	4,828,603	-	-	4,828,603
Sanitation System	3,468,364	-	-	3,468,364
Streets	2,226,756	-	-	2,226,756
Water system	1,635,897	-	-	1,635,897
Total capital assets, being depreciated	18,278,181	-	-	18,278,181
<i>Less accumulated depreciation</i>				
Stormwater system	1,353,238	244,743	-	1,597,981
Landscape project	766,717	193,144	-	959,861
Sanitation System	554,940	138,735	-	693,675
Streets	296,900	74,225	-	371,125
Water system	261,744	65,436	-	327,180
Total accumulated depreciation	3,233,539	716,283	-	3,949,822
Total capital assets, being depreciated, net	15,044,642	(716,283)	-	14,328,359
Governmental activities capital assets, net	\$ 15,044,642	\$ (716,283)	\$ -	\$ 14,328,359

Depreciation expense of \$716,283 was allocated to maintenance and operations on the accompanying Statement of Activities.

NOTE 5 – BONDS PAYABLE

On March 16, 2006, the District issued \$22,685,000 of Capital Improvement Revenue Bonds Series 2006 consisting of Term bonds due on May 1, 2037 with a fixed interest rate of 5.35%. 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 is paid annually commencing May 1, 2008 through May 1, 2037.

The Series 2006 Bonds are subject to redemption at the option of the District, in whole or in part at any time on or after May 1, 2015 at a redemption price set forth in the Bond Indenture. They are also subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Indenture.

**Cypress Creek of Hillsborough County Community Development District
Notes to Financial Statements**

NOTE 5 – BONDS PAYABLE (CONTINUED)

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 agreed to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District is in compliance with the requirements of the Bond Indenture as of September 30, 2014.

The Bond Indenture requires that the District maintain adequate funds in reserve accounts to meet the debt service reserve requirements as defined in the Indenture. The requirements have been met for the fiscal year ended September 30, 2014.

At September 30, 2014, the scheduled debt service requirements on the Series 2006 Bonds were as follows:

<i>Year Ending September 30,</i>	Principal	Interest	Total Debt Service
2015	\$ 455,000	\$ 1,074,815	\$ 1,529,815
2016	480,000	1,050,473	1,530,473
2017	505,000	1,024,793	1,529,793
2018	535,000	997,775	1,532,775
2019	565,000	969,153	1,534,153
2020 - 2024	3,320,000	4,358,110	7,678,110
2025 - 2029	4,345,000	3,366,488	7,711,488
2030 - 2034	5,675,000	2,069,648	7,744,648
2035 - 2037	4,210,000	458,495	4,668,495
	\$ 20,090,000	\$ 15,369,750	\$ 35,459,750

Long-term liability activity for the year ended September 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities</i>					
Bonds Payable:					
Series 2006	\$ 20,520,000	\$ -	\$ (430,000)	\$ 20,090,000	\$ 455,000
Deferred obligation (see Note 9)	418,135	-	(29,261)	388,874	-
	\$ 20,938,135	\$ -	\$ (459,261)	\$ 20,478,874	\$ 455,000

Cypress Creek of Hillsborough County Community Development District Notes to Financial Statements

NOTE 6 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District maintains commercial insurance coverage to mitigate the risk of loss. Coverage may not extend to all situations. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in the previous three years.

NOTE 7 – MANAGEMENT COMPANY

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

NOTE 8 – INTERFUND TRANSFERS

During the year ended September 30, 2014, the District transferred excess deferred cost amounts totaling \$28,910 from the Debt Service Fund Series 2006 to the Non-Major Fund. These funds are generally available to partially repay the Developer for construction advances (see Note 9).

NOTE 9 – RELATED PARTY TRANSACTIONS

A significant portion of the District's activity is dependent upon the continued involvement of the Developers, the loss of which could have a materially adverse effect on the District's operations. At September 30, 2014, the Developers owned a significant portion of the assessable property located within the District boundaries.

For the year ended September 30, 2014, the District directly assessed the Developers \$43,363 for operations and maintenance as well as \$796,564 for debt service costs. In addition, certain other minor amounts were assessed to the Developers through the local tax collector.

In connection with the Series 2006 project, the Developer advanced funds to the District for construction. To the extent that funds become available, these advances will be repaid. During the fiscal year ended September 30, 2014, the District repaid approximately \$29,000 to the Developer from excess 2006 deferred cost monies (see Note 5). The remaining deferred cost obligation to the District totals approximately \$389,000, of which all is expected to be repaid and is included in Non-current liabilities due in more than one year on the accompanying Statement of Net Position.



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

**Cypress Creek of Hillsborough County Community Development District
Budget to Actual Comparison Schedule – General Fund**

<i>Year ended September 30,</i>	2014		
	Final Budget	Actual Amounts	Variance with Final Budget
Revenues			
Assessments	\$ 315,124	\$ 329,375	\$ 14,251
Interest and other revenues	-	187	187
Total revenues	315,124	329,562	14,438
Expenditures			
General government	71,845	68,544	3,301
Maintenance	243,279	194,685	48,594
Total expenditures	315,124	263,229	51,895
Excess of revenues over expenditures	\$ -	\$ 66,333	\$ 66,333

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
Cypress Creek of Hillsborough County Community Development District
Hillsborough 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, each major fund, and the aggregate remaining fund information of Cypress Creek of Hillsborough County Community Development District (hereinafter referred to as the "District"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 3, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Miramar Beach, Florida
June 3, 2015

MANAGEMENT LETTER

To the Board of Supervisors
Cypress Creek of Hillsborough County Community Development District
Hillsborough County, Florida

Report on the Financial Statements

We have audited the financial statements of the Cypress Creek of Hillsborough County Community Development District ("District") as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated June 3, 2015.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in this report, which is dated June 3, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Except as noted below under the heading Other Matters, corrective actions have been taken to address recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

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

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes during the year ended September 30, 2014.

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

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2014. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we identified one such recommendation as listed below. This comment was also identified in the preceding annual financial audit report.

ML2013-1: We noted that certain 2014 debt service assessments were collected subsequent to year-end but were not recorded as receivables as of September 30, 2014. These assessments were collected directly from the Developers in October 2014 to fund the November 1, 2014 debt service payment. Even though the timing of the receipt and debt payment is after the fiscal year-end, the assessment amounts represent valid District receivables as of the balance sheet date. We recommend the District identify and accrue these uncollected debt service receivables as part of its annual financial close process.

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

District Management agrees with the auditors' comments as to debt service receivables and that such amounts are considered to be levied to finance the budget period associated with the levy, not the period of the future debt service payments. The following action will be taken to improve the situation. We will review outstanding debt service assessments as of the fiscal year-end and will recognize those amounts as revenue as they become available. Additionally, though the debt service fund is not a legally adopted budget, District Management will utilize the budget as a management control device to ensure that receivables are recognized

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

Purpose of this Letter

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

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
June 3, 2015

INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Supervisors
Cypress Creek of Hillsborough County Community Development District
Hillsborough County, Florida

(850) 837-3141
(850) 654-4619 (fax)
CRIcpa.com

We have examined Cypress Creek of Hillsborough County Community Development District's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2014. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

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



CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
June 3, 2015