

MIROMAR LAKES COMMUNITY DEVELOPMENT DISTRICT

BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2016

MIROMAR LAKES COMMUNITY DEVELOPMENT DISTRICT

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Year Ended September 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Miromar Lakes Community Development District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the *Miromar Lakes Community Development District* (the "District"), as of and for the year ended September 30, 2016, 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

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government 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 principles 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.

MCDIRMIT DAVIS & COMPANY, LLC

934 NORTH MAGNOLIA AVENUE, SUITE 100 ORLANDO, FLORIDA 32803
TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the District as of September 30, 2016, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis starting on page 3, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 27, 2017, 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, 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.

McDiernit Davis & Company, LLC

Orlando, Florida
January 27, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Our discussion and analysis of the *Miromar Lakes Community Development District's* (the "District") financial performance provides an overview of the District's financial activities for the fiscal years ended September 30, 2016 and 2015. Please read it in conjunction with the District's financial statements which immediately follow this discussion.

Financial Highlights

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

- The District's total assets and deferred outflows of resources exceeded its liabilities at September 30, 2016 by \$9,671,829, an increase of \$769,432 in comparison with the prior year.
- At September 30, 2016, the District's governmental funds reported a combined fund balance of \$2,777,147, an increase of \$103,963 in comparison with the prior year.

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 7-8 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 9. 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 changes in net position. 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 are 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. The government-wide financial statements can be found on pages 7-8 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Using the Annual Report (Continued)

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 9 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.

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. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. 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. We describe the relationship (or differences) between governmental activities and governmental funds in a reconciliation with the fund financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. The following table reflects the condensed government-wide statements of net position as of September 30, 2016 and 2015:

Miromar Lakes Community Development District Statement of Net Position

	<u>September 30,</u> <u>2016</u>	<u>September 30,</u> <u>2015</u>
Assets, excluding capital assets	\$ 2,840,095	\$ 2,870,446
Capital assets, net of depreciation	36,514,917	37,062,901
Total assets	<u>39,355,012</u>	<u>39,933,347</u>
Deferred Amount on Refunding	<u>211,115</u>	<u>224,735</u>
Liabilities, excluding long-term liabilities	662,721	997,755
Long-term Liabilities	<u>29,231,577</u>	<u>30,257,930</u>
Total liabilities	<u>29,894,298</u>	<u>31,255,685</u>
Net Position		
Net investment in capital assets	7,494,455	7,029,706
Restricted for debt service	1,714,066	1,706,572
Unrestricted	<u>463,308</u>	<u>166,119</u>
Total net position	<u>\$ 9,671,829</u>	<u>\$ 8,902,397</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-Wide Financial Analysis (Continued)

Governmental activities for the year ended September 30, 2016 increased the District's net position by \$769,432, as reflected in the table below. The lower program revenue in fiscal year 2016 is due to bond prepayment revenue in fiscal year 2015.

Changes in Net Position		2016	2015
<u>Year ended September 30,</u>		<u>2016</u>	<u>2015</u>
Revenues:			
Program revenues	\$	3,817,733	\$ 6,366,679
General revenues		26,123	13,427
Total revenues		<u>3,843,856</u>	<u>6,380,106</u>
Expenses:			
General government		252,076	763,360
Maintenance and operations		1,335,217	1,357,179
Interest on long-term debt		1,487,131	2,090,331
Total expenses		<u>3,074,424</u>	<u>4,210,870</u>
Change in net position		769,432	2,169,236
Net position - beginning		8,902,397	6,733,161
Net position - ending	\$	<u><u>9,671,829</u></u>	\$ <u><u>8,902,397</u></u>

The District's Funds

As the District completed the year, its governmental funds (as presented in the balance sheet on page 9) reported a combined fund balance of \$2,777,147, which is an increase from last year's balance that totaled \$2,673,184. Significant transactions are discussed below.

- During the fiscal year ended September 30, 2016, the District incurred \$1,670,584 of interest expenditures, repaid \$1,030,000 of outstanding long-term principal.

The overall change in fund balance for the year ended September 30, 2016, was an increase of \$103,963. The fund balance of the Debt Service Fund decreased by \$193,226. Current year General Fund expenditures were funded by current year assessment revenue. At September 30, 2016, the District's governmental funds reported a combined fund balance of \$2,777,147. Of this total, 2,313,839 is restricted and the remainder is an unassigned fund balance of \$463,308.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Governmental Funds Budgetary Highlights

An Operating budget was established by the government board for the District pursuant to the requirements of the Florida Statutes. The budget to actual comparison for the general fund, including the original budget and final adopted budget, is shown on page 12. The District experienced a favorable variance in expenditures as compared to the budget in the amount of \$269,381.

Capital Asset and Debt Administration

Capital Assets

At September 30, 2016, the District had approximately \$37 million invested in capital assets. This amount represents a net decrease of \$547,984 for current year depreciation.

<u>September 30,</u>	<u>2016</u>	<u>2015</u>	<u>Change</u>
Capital Assets Not Being Depreciated	\$ 30,196,507	\$ 30,196,507	\$ -
Capital Assets Being Depreciated	<u>13,918,906</u>	<u>13,918,906</u>	<u>-</u>
Total, prior to depreciation	44,115,413	44,115,413	-
Accumulated depreciation	<u>(7,600,496)</u>	<u>(7,052,512)</u>	<u>(547,984)</u>
Net capital assets	<u>\$ 36,514,917</u>	<u>\$ 37,062,901</u>	<u>\$ (547,984)</u>

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

Debt

At September 30, 2016, the District had \$29.24 million in bonds outstanding. This amount represents a net decrease of \$1,030,000 from the prior fiscal year.

<u>September 30,</u>	<u>2016</u>	<u>2015</u>	<u>Change</u>
Series 2012	\$ 10,680,000	\$ 11,100,000	\$ (420,000)
Series 2015	<u>18,555,000</u>	<u>19,165,000</u>	<u>(610,000)</u>
	<u>\$ 29,235,000</u>	<u>\$ 30,265,000</u>	<u>\$ (1,030,000)</u>

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the *Miromar Lakes Community Development District's* management company, JPWard and Associates, LLC, at 2041 NE 6th Avenue, Wilton Manors, Florida 33305, 954-658-4900, ward9490@comcast.net.

FINANCIAL STATEMENTS

MIROMAR LAKES COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF NET POSITION

September 30, 2016

	Governmental Activities
Assets:	
Cash	\$ 526,256
Interest receivable	18,700
Restricted assets:	
Temporarily restricted investments	2,295,139
Capital assets:	
Capital assets not being depreciated	30,196,507
Capital assets being depreciated, net	<u>6,318,410</u>
Total assets	<u>39,355,012</u>
 Deferred Outflows of Resources:	
Deferred amount on refunding	<u>211,115</u>
 Liabilities:	
Accounts payable and accrued expenses	62,948
Accrued interest payable	599,773
Noncurrent liabilities:	
Due within one year	1,075,000
Due in more than one year	<u>28,156,577</u>
Total liabilities	<u>29,894,298</u>
 Net Position:	
Net investment in capital assets	7,494,455
Restricted for debt service	1,714,066
Unrestricted	<u>463,308</u>
Total net position	<u><u>\$ 9,671,829</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

MIROMAR LAKES COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF ACTIVITIES

Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenue		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental activities:				
General government	\$ 252,076	\$ 208,099	\$ -	\$ (43,977)
Maintenance and operations	1,335,217	1,102,276	-	(232,941)
Interest on long-term debt	1,487,131	2,498,247	9,111	1,020,227
Total governmental activities	<u>\$ 3,074,424</u>	<u>\$ 3,808,622</u>	<u>\$ 9,111</u>	743,309
		General Revenues:		
		Investment and miscellaneous income		26,123
		Change in net position		769,432
		Net Position - beginning		8,902,397
		Net Position - ending		<u>\$ 9,671,829</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

MIROMAR LAKES COMMUNITY DEVELOPMENT DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Assets:			
Cash	\$ 526,256	\$ -	\$ 526,256
Investments	-	2,295,139	2,295,139
Interest receivable	-	18,700	18,700
Total assets	<u>\$ 526,256</u>	<u>\$ 2,313,839</u>	<u>\$ 2,840,095</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued expenses	\$ 62,948	\$ -	\$ 62,948
Total liabilities	<u>62,948</u>	<u>-</u>	<u>62,948</u>
Fund Balances:			
Restricted for:			
Debt service	-	2,313,839	2,313,839
Unassigned	463,308	-	463,308
Total fund balances	<u>463,308</u>	<u>2,313,839</u>	<u>2,777,147</u>
Total liabilities and fund balances	<u>\$ 526,256</u>	<u>\$ 2,313,839</u>	

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 in the funds. 36,514,917

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

	(599,773)	
Accrued Interest Payable	(599,773)	
Bonds Payable	(29,231,577)	
Deferred Refunding	211,115	(29,620,235)
Net Position of Governmental Activities		<u>\$ 9,671,829</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

MIROMAR LAKES COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Year Ended September 30, 2016

	General	Debt Service	Total Governmental Funds
Revenues:			
Special assessments	\$ 1,310,375	\$ 2,498,247	\$ 3,808,622
Investment and miscellaneous income	26,123	9,111	35,234
Total revenues	1,336,498	2,507,358	3,843,856
Expenditures:			
Current:			
General government	252,076	-	252,076
Maintenance and operations	787,233	-	787,233
Debt service:			
Interest	-	1,670,584	1,670,584
Principal	-	1,030,000	1,030,000
Total expenditures	1,039,309	2,700,584	3,739,893
Net change in fund balances	297,189	(193,226)	103,963
Fund Balances - beginning of year	166,119	2,507,065	2,673,184
Fund Balances - end of year	\$ 463,308	\$ 2,313,839	\$ 2,777,147

The accompanying Notes to Financial Statements are an integral part of this statement.

MIROMAR LAKES COMMUNITY DEVELOPMENT DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

Year Ended September 30, 2016

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net Change in Fund Balances - total governmental funds (page 10)	\$	103,963
Depreciation on capital assets is not recognized in the governmental fund statement, however, depreciation is reported as an expense in the statement of net position.		(547,984)
Repayments of long-term liabilities are reported as expenditures in governmental funds, while repayments reduce long-term liabilities in the statement of net position.		
Repayment of Bonds		1,030,000
		<u>1,030,000</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in Accrued Interest		200,720
Amortization of Deferred Refunding Amount		(13,620)
Amortization of Bond Discount/Premium		(3,647)
		<u>183,453</u>
Change in Net Position of Governmental Activities (page 8)	\$	<u><u>769,432</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

MIROMAR LAKES COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Special Assessments	\$ 1,308,390	\$ 1,308,390	\$ 1,310,375	\$ 1,985
Investment and Miscellaneous Income	300	300	26,123	25,823
Total revenues	<u>1,308,690</u>	<u>1,308,690</u>	<u>1,336,498</u>	<u>27,808</u>
Expenditures:				
Current:				
General government	537,043	370,327	252,076	118,251
Maintenance and operations	<u>771,647</u>	<u>938,363</u>	<u>787,233</u>	<u>151,130</u>
Total expenditures	<u>1,308,690</u>	<u>1,308,690</u>	<u>1,039,309</u>	<u>269,381</u>
Net change in fund balance	-	-	297,189	297,189
Fund Balance - beginning	<u>166,119</u>	<u>166,119</u>	<u>166,119</u>	<u>-</u>
Fund Balance - ending	<u>\$ 166,119</u>	<u>\$ 166,119</u>	<u>\$ 463,308</u>	<u>\$ 297,189</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

MIROMAR LAKES COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2016

Note 1 - Nature of Organization

The Miromar Lakes Community Development District (the "District") was established on September 19, 2000, pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190 of the Florida Statutes by Lee County Ordinance 00 -17. The Act provides, among other things, the power to manage basic services for community development, the 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 (the "Board"), which is composed of five members. The Supervisors are elected by qualified electors of Lee County whose primary residence is within the District. The District is economically dependent on the Developer. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has a final responsibility for:

- Assessing and levying special assessments
- Approving budgets
- Exercising control over facilities and property
- Controlling the use of funds generated by the District
- Approving the hiring and firing of key personnel
- 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). The primary criteria for including organizations within the District's reporting entity, as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, is financial accountability. The District is financially accountable if it appoints a voting majority of the organization's governing body and (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or a jointly appointed board. Based on the foregoing criteria, no potential component units were found.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 2 - Summary of Significant Accounting Policies:

The accounting policies of the District conform to Generally Accepted Accounting Principles (GAAP) as applicable to governments in accordance with those promulgated by the Governmental Accounting Standards Board (GASB). The District's more significant accounting policies are described below:

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 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, 2016, 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 2 - Summary of Significant Accounting Policies (Continued):

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The District's Assessments are included on the property tax bill that all landowner's receive. The Florida Statutes provide that special assessments may be collected by using the Uniform Method. Under the Uniform Method, the District's Assessments will be collected together with County and other taxes. These Assessments will appear on a single tax bill issued to each landowner subject to such. The statutes relating to enforcement of County taxes provide that County taxes become due and payable on November 1 of the year when assessed or as soon thereafter as certified tax roll is received by the Tax Collector and constitute a lien upon the land from January 1 of such year until paid or barred by operation of law. Such taxes (together with any assessments, being collected by the Uniform Method) are to be billed, and landowners in the District are required to pay all such taxes and assessments, without preference in payment of any particular increment of the tax bill, such as the increment owing for the District's Assessments. Upon any receipt of moneys by the Tax Collector from the Assessments, such moneys will be delivered to the District.

All city, county, school and special district ad valorem taxes, non-ad valorem special assessments and voter-approved ad valorem taxes levied to pay principal of and interest on bonds, including the District Assessments, that are collected by the Uniform Method are payable at one time. If a taxpayer does not make complete payment of the total amount, he or she cannot designate specific line items on his or her tax bill as deemed paid in full and such partial payment is not to be accepted and is to be returned to the taxpayer, provided, however that a taxpayer may contest a tax assessment pursuant to certain conditions in Florida Statutes and other applicable law.

Under the Uniform Method, if the Assessments are paid during November when due or at any time within thirty (30) days after mailing of the original tax notice or during the following three months, the taxpayer is granted a variable discount equal to 4% in November and decreasing one percentage point per month to 1% in February. March payments are without discount. Pursuant to Section 197.222, Florida Statutes, taxpayers may elect to pay estimated taxes, which may include non-ad valorem special assessments such as the District's Assessments in quarterly installments with a variable discount equal to 6% on June 30 decreasing to 3% on December 31, with no discount on March 31. All unpaid taxes and assessments become delinquent on April 1 of the year following assessment, and the Tax Collector is required to collect taxes prior to April 1 and after that date to institute statutory procedures upon delinquency to collect assessed taxes. Delay in the mailing of the notices to taxpayers may result in a delay throughout this process.

Certain taxpayers that are entitled to claim homestead tax exemption under Section 196.031(1), Florida Statutes may defer payment of a portion of the taxes and non-ad valorem assessments and interest accumulated on a tax certificate, which may include non-ad valorem special assessments. Deferred taxes and assessments bear interest at a variable rate not to exceed 7%. The amount that may be deferred varies based on whether the applicant is younger than age 65 or is 65 years old or older; provided that applicants with a household income for the previous calendar year of less than \$10,000 or applicants with less than the designated amount for the additional homestead exemption under Section 196.075, Florida Statutes that are 65 years old or older may defer taxes and assessments in their entirety.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 2 - Summary of Significant Accounting Policies (Continued):

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Collection of Delinquent Assessments under the Uniform Method is, in essence, based upon the sale by the Tax Collector of "tax certificates" and remittance of the proceeds of such sale to the District for payment of the Assessment due.

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 year ended September 30, 2016, 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.

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 *Governmental Accounting Standards Board, Statement Number 40, Deposits and Investment Disclosures (An Amendment of Governmental Accounting Standards Board, Statement Number 3)*.

MIROMAR LAKES COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 2 - Summary of Significant Accounting Policies (Continued):

Cash, Deposits and Investments (Continued):

Investments of the District are reported at fair value and are categorized within the fair value hierarchy established in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The District is authorized to invest in financial instruments as established by Section 218.415, 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. The District's Bond Indenture also allows investments in obligations of the Government National Mortgage Association, obligations of Federal National Mortgage Association and commercial paper rated in the top two rating categories by both Moody's and S&P.

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 2 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 estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	10 - 30
Improvements Other Than Buildings	10

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 2 - Summary of Significant Accounting Policies (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 over the life of the bonds using the straight-line method. Bonds payable are reported net of premiums or discounts. Bond issuance costs are expensed.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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.

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. The District has one item, deferred amount on refunding that qualifies for reporting in this category for the year ended September 30, 2016.

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. The District has no items that qualify for reporting in this category for the year ended September 30, 2016.

Net Position Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted- net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted-net position is applied.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 2 - Summary of Significant Accounting Policies (Continued):

Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes fund balance amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Supervisors is the highest level of decision-making authority for the government that can, by adoption of an ordinance or resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance or resolution remains in place until a similar action is taken to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board of Supervisors has authorized the District Manager to assign amounts for specific purposes. The Board of Supervisors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above and additional action is essential to either remove or revise a commitment.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 2 - Summary of Significant Accounting Policies (Continued):

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 generally accepted accounting principles 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.

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

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

Note 3 - Investments:

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The District adopted GASB 72 during the fiscal year.

Under GASB 72, assets or liabilities are classified into one of three levels. Level 1 is the most reliable and is based on quoted price for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtaining quoted prices for identical or similar assets, or liabilities, in markets that are not active. Level 3 is the least reliable, and uses significant unobservable inputs that uses the best information available under the circumstances, which includes the District's own data in measuring unobservable inputs.

The District has the following recurring fair value measurements as of September 30, 2016:

- Money market mutual funds of \$1,274,851 are valued using Level 2 inputs
- FHLMC bond funds of \$1,020,288 are valued using Level 2 inputs

MIROMAR LAKES COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 3 – Investments (Continued):

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>
FHLMC Medium Term Notes	\$ 1,020,288	AA+	413 days
First American Government Obligation Fund Y	1,274,851	AAAm	39 days
	<u>\$ 2,295,139</u>		

Custodial credit risk - For an investment, custodial credit risk is the risk that the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District has no formal policy for custodial risk. At September 30, 2016, all investments, except for investments in money market funds, were held in custodial accounts in the District’s name by an independent custodial bank.

Concentration risk - The District does not have a formal policy for addressing interest rate risk; however, investments are made with discretion, to see 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.

Credit risk - Florida Statutes require investments held by the District to have the highest credit quality rating from a nationally recognized rating agency. The District complies with the requirements of the Florida Statutes.

Interest rate risk - Florida Statutes provide that the investment portfolio be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. The District complies with the requirements of the Florida Statutes.

MIROMAR LAKES COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 4 - Capital Assets:

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

	Beginning Balance October 1, 2015	Additions	Disposals	Balance at September 30, 2016
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 30,196,507	\$ -	\$ -	\$ 30,196,507
Capital Assets Being Depreciated:				
Infrastructure	11,841,145	-	-	11,841,145
Improvements other than buildings	2,077,761	-	-	2,077,761
Total capital assets being depreciated	13,918,906	-	-	13,918,906
Total capital assets	44,115,413	-	-	44,115,413
Less Accumulated Depreciation for:				
Infrastructure	(5,076,004)	(454,605)	-	(5,530,609)
Improvements other than buildings	(1,976,508)	(93,379)	-	(2,069,887)
Total accumulated depreciation	(7,052,512)	(547,984)	-	(7,600,496)
Total capital assets being depreciated, net	6,866,394	(547,984)	-	6,318,410
Governmental activities capital assets, net	<u>\$ 37,062,901</u>	<u>\$ (547,984)</u>	<u>\$ -</u>	<u>\$ 36,514,917</u>

Depreciation of \$547,984 was allocated to maintenance and operations in the Statement of Activities. The District is substantially completed.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 5 - Bonds Payable:

Capital Improvement Revenue Refunding Bonds, Series 2012 - The District issued \$12,345,000 in Capital Improvement Revenue Refunding Bonds, Series 2012 for the purpose of repaying in full the Series 2000A Bonds. The bonds consist of two different terms, \$4,630,000 and \$7,715,000 which bear interest at 4.875% and 5.375%, and mature in May 2022 and May 2032, respectively. Interest is payable semi-annually on the first day of each May and November. The bonds are secured by a pledge of revenues derived from the collection of non-ad valorem special assessments.

The bonds are subject to mandatory redemption at par on a schedule of annual redemptions through May 2022 and May 2032, the maturity dates. The District is required to redeem the bonds at par prior to schedule from the proceeds of any assessments prepaid or if certain events occur as outlined in the Bond Indenture. The bonds maturing May 2032 are subject to redemption at the option of the District from May 2022 through April 2032 at par value.

In fiscal year 2012, the District advance refunded the Series 2000A Bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt which was deferred and is being amortized over the life of the new debt.

For the current fiscal year, \$579,454 of interest and \$420,000 of principal was paid on these bonds. Total special assessment revenue was \$988,868 in the current year. Principal and interest remaining on these bonds at September 30, 2016 totals \$16,088,199.

The Bond Indentures have 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. The District is in compliance with the requirements of the Bond Indentures.

The Bond Indentures require that the District maintain adequate funds in reserve accounts to meet the debt service reserve requirements as defined in the Indentures. The requirements have been met for the fiscal year ended September 30, 2016.

MIROMAR LAKES COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 5 - Bonds Payable (Continued):

Capital Improvement Revenue Refunding Bonds, Series 2015 - The District issued \$19,165,000 in Capital Improvement Revenue Refunding Bonds, Series 2015 for the purpose of repaying in full the Series 2003A Bonds. The bonds consist of three different terms, \$3,265,000, \$6,995,000 and \$8,905,000 which bear interest at 3.5%, 5% and 5%, and mature in May 2020, May 2028 and May 2035, respectively. Interest is payable semi-annually on the first day of each May and November. The bonds are secured by a pledge of revenues derived from the collection of non-ad valorem special assessments.

The bonds are subject to mandatory redemption at par on a schedule of annual redemptions through the maturity dates. The District is required to redeem the bonds at par prior to schedule from the proceeds of any assessments prepaid or if certain events occur as outlined in the Bond Indenture. The bonds are subject to redemption at the option of the District on or after May 1, 2025 as described in the bond indenture.

For the current fiscal year, \$1,091,130 of interest and \$610,000 of principal was paid on these bonds. Total special assessment revenue was \$1,509,379 in the current year. Principal and interest remaining on these bonds at September 30, 2016 totals \$29,068,674.

The Bond Indentures have 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. The District is in compliance with the requirements of the Bond Indentures.

The Bond Indentures require that the District maintain adequate funds in reserve accounts to meet the debt service reserve requirements as defined in the Indentures. The requirements have been met for the fiscal year ended September 30, 2016.

The balance of the long-term bonds at September 30, 2016 is summarized as follows:

September 30:	<u>2016</u>
Bond Principal Balance	\$ 29,235,000
Less Unamortized Bond Discount/Premium	<u>(3,423)</u>
Net Balance	<u><u>\$ 29,231,577</u></u>

MIROMAR LAKES COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 5 - Bonds Payable (Continued):

Long-term liability activity for the year ended September 30, 2016 was as follows:

	Balance October 1, 2015	Additions	Reductions	Amortization	Balance September 30, 2016	Due Within One Year
Special Assessment						
Revenue bonds,						
Series 2012	\$ 11,100,000	\$ -	\$ (420,000)	\$ -	\$ 10,680,000	\$ 445,000
Series 2015	19,165,000	-	(610,000)	-	18,555,000	630,000
Original Issue						
Discount/Premium	(7,070)	-	-	3,647	(3,423)	-
Total	<u>\$ 30,257,930</u>	<u>\$ -</u>	<u>\$ (1,030,000)</u>	<u>\$ 3,647</u>	<u>\$ 29,231,577</u>	<u>\$ 1,075,000</u>

At September 30, 2016, the scheduled debt service requirements on long-term debt were as follows:

Year Ending September 30,	Principal	Interest	Total
2017	\$ 1,075,000	\$ 1,443,007	\$ 2,518,007
2018	1,115,000	1,397,827	2,512,827
2019	1,165,000	1,350,909	2,515,909
2020	1,210,000	1,301,818	2,511,818
2021	1,270,000	1,250,811	2,520,811
2022 - 2026	7,395,000	5,265,826	12,660,826
2027 - 2031	9,575,000	3,159,556	12,734,556
2032 - 2036	6,430,000	752,119	7,182,119
	<u>\$ 29,235,000</u>	<u>\$ 15,921,873</u>	<u>\$ 45,156,873</u>

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. The District has not incurred any insurance claims under the commercial coverage in the previous three years.

MIROMAR LAKES COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 7 - Management Company:

The District has contracted with JPWard and Associates, LLC 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 - Concentration:

A significant portion of the District's activity is dependent upon the continued involvement of the Developer, Miromar Lakes, LLC, the loss of which could have a material adverse effect on the District's operations.

During the year ended September 30, 2016, the Developer was assessed approximately \$2.3 million for debt service and operations and maintenance assessments, representing 60% of total assessment revenue for the year.

COMPLIANCE SECTION

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
Miromar Lakes Community Development District

We have audited, 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, the financial statements of the governmental activities, and each major fund of the *Miromar Lakes Community Development District* (the "District") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 27, 2017.

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

MCDIRMIT DAVIS & COMPANY, LLC

934 NORTH MAGNOLIA AVENUE, SUITE 100 ORLANDO, FLORIDA 32803
TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

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

Purpose of this Report

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

McDiarmid Davis & Company, LLC

Orlando, Florida
January 27, 2017

MANAGEMENT COMMENTS

Board of Supervisors
Miromar Lakes Community Development District

Report on the Financial Statements

We have audited the financial statements of the *Miromar Lakes Community Development District*, (the “District”) as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated January 27, 2017.

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 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 Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditor’s Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated January 27, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i).1., Rules of the Auditor General, require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no such findings 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. This information has been disclosed in the notes to the financial statements.

MCDIRMIT DAVIS & COMPANY, LLC

934 NORTH MAGNOLIA AVENUE, SUITE 100 ORLANDO, FLORIDA 32803
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Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and 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.

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

Other Matters

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

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

Purpose of this Letter

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

McDiernit Davis & Company, LLC

Orlando, Florida
January 27, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES**

Board of Supervisors
Miromar Lakes Community Development District

We have examined Miromar Lakes Community Development District's (the District) compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2016. 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 the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States 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, Miromar Lakes Community Development District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

McDirmit Davis & Company, LLC

Orlando, Florida
January 27, 2017