

**CYPRESS GROVE
COMMUNITY DEVELOPMENT DISTRICT
WEST PALM BEACH, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2014**

**CYPRESS GROVE COMMUNITY DEVELOPMENT DISTRICT
WEST PALM BEACH, FLORIDA**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Cypress Grove Community Development District
West Palm Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Cypress Grove Community Development District, West Palm Beach, Florida (the "District") as of and for the fiscal 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 and the major fund of the District as of September 30, 2014, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated April 6, 2015, on our consideration of the District's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

April 6, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Cypress Grove Community Development District, West Palm Beach, Florida (the "District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2014. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the fiscal year ended September 30, 2014 resulting in a net position balance of \$198,248.
- The change in the District's total net position in comparison with the prior fiscal year was (\$79,025), a decrease. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2014, the District's governmental funds reported combined ending fund balances of \$68,066 an increase of \$1,272 in comparison with the prior fiscal year. A portion of the fund balance is assigned for subsequent year's expenditure, and the remainder is unassigned fund balance which is available for spending at the District's discretion.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Governmental Funds

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

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

The District maintains one governmental fund for external reporting. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. The general fund is considered a major fund.

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

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

NET POSITION SEPTEMBER 30,		
	2014	2013
Current and other assets	\$ 89,023	\$ 93,260
Capital assets, net of depreciation	230,182	260,479
Total assets	319,205	353,739
Current liabilities	95,957	76,466
Long-term liabilities	25,000	-
Total liabilities	120,957	76,466
Net position		
Net investment in capital assets	230,182	260,479
Unrestricted	(31,934)	16,794
Total net position	\$ 198,248	\$ 277,273

The District's net position reflects its investment in capital assets (e.g. land, improvements, and equipment); less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending.

The District's net position decreased during the most recent fiscal year. The majority of the decrease results from the Developer advance that is reflected as a liability on the government-wide statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

CHANGES IN NET POSITION FOR THE FISCAL YEAR END SEPTEMBER 30,		
	2014	2013
Revenues:		
Program revenues		
Assessments	\$ 360,207	\$ 361,988
General revenues		
Miscellaneous	7,293	5,940
Total revenues	367,500	367,928
Expenses:		
General government	78,911	84,342
Physical environment	365,459	289,621
Interest	2,155	2,503
Total expenses	446,525	376,466
Change in net position	(79,025)	(8,538)
Net position - beginning	277,273	285,811
Net position - ending	\$ 198,248	\$ 277,273

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2014 was \$446,525. The costs of the District's activities were primarily funded by program revenues which comprise primarily of assessments as was the case in the previous fiscal year. In total, expenses increased from the prior fiscal year, the majority of the increase was the result of an increase in fuel and maintenance costs, including significant road maintenance costs.

GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted on a basis consistent with generally accepted accounting principles. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The general fund budget for the fiscal year ended September 30, 2014 was amended to increase revenues by \$3,560 and decrease appropriations by (\$7,709). The increase in revenues is primarily the result of unbudgeted excess fees refunded by the tax collector and the decrease in appropriations is primarily due to certain costs no longer being anticipated in the current fiscal year. Actual general fund expenditures for the fiscal year ended September 30, 2014 exceeded appropriations by approximately \$75,000 due to certain roadway maintenance expenditures financed by an advance from the Developer.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2014, the District had \$608,763 invested in land, equipment, and improvements, for its governmental activities. In the government-wide financial statements depreciation of \$378,581 has been taken, which resulted in a net book value of \$230,182.

Long-term Liabilities

At September 30, 2014, the District had an outstanding line of credit of \$50,000. The District also had an outstanding Developer Advance of \$50,000 at September 30, 2014. More detailed information about the District's long term liabilities is presented in the notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

The District does not anticipate any major projects or significant changes to its infrastructure maintenance program for the subsequent fiscal year. In addition, it is anticipated that the general operations of the District will remain fairly constant.

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 demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. Questions regarding any information provided in this report should be directed to: Breton, Lynch, Eubanks & Suarez-Munas, PA, Cypress Grove Community Development District, 605 North Olive Avenue, West Palm Beach, FL. Tel (561) 721-4000.

**CYPRESS GROVE COMMUNITY DEVELOPMENT DISTRICT
WEST PALM BEACH, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 89,023
Capital assets:	
Nondepreciable	1,265
Depreciable, net	<u>228,917</u>
Total assets	<u>319,205</u>
 LIABILITIES	
Accounts payable	20,957
Non-current liabilities:	
Due within one year	75,000
Due in more than one year:	<u>25,000</u>
Total liabilities	<u>120,957</u>
 NET POSITION	
Net investment in capital assets	230,182
Unrestricted	<u>(31,934)</u>
Total net position	<u><u>\$ 198,248</u></u>

See notes to the financial statements

**CYPRESS GROVE COMMUNITY DEVELOPMENT DISTRICT
WEST PALM BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

Functions/Programs	Expenses	Program Revenues	Charges for Services	Net (Expense) Revenue and Changes in Net Position Primary Government
				Governmental Activities
Governmental activities:				
General government	\$ 78,911	\$ 78,911		\$ -
Physical environment	365,459	281,296		(84,163)
Interest	2,155	-		(2,155)
Total governmental activities	446,525	360,207		(86,318)
General revenues:				
Miscellaneous				7,293
Total general revenues				7,293
Change in net position				(79,025)
Net position - beginning				277,273
Net position - ending				<u>\$ 198,248</u>

See notes to the financial statements

**CYPRESS GROVE COMMUNITY DEVELOPMENT DISTRICT
WEST PALM BEACH, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	Major Fund General	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 89,023	\$ 89,023
Total assets	<u>\$ 89,023</u>	<u>\$ 89,023</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 20,957	\$ 20,957
Total liabilities	<u>20,957</u>	<u>20,957</u>
Fund balances:		
Assigned to:		
Subsequent year's expenditures	10,000	10,000
Unassigned	58,066	58,066
Total fund balances	<u>68,066</u>	<u>68,066</u>
Total liabilities and fund balances	<u>\$ 89,023</u>	<u>\$ 89,023</u>

See notes to the financial statements

**CYPRESS GROVE COMMUNITY DEVELOPMENT DISTRICT
WEST PALM BEACH, FLORIDA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

Fund balance - governmental funds \$ 68,066

Amounts reported for governmental activities in the statement of net position are different because:

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

Cost of capital assets	608,763	
Accumulated depreciation	<u>(378,581)</u>	230,182

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

Line of credit	(50,000)	
Developer advance	<u>(50,000)</u>	<u>(100,000)</u>
Net position of governmental activities		<u><u>\$ 198,248</u></u>

See notes to the financial statements

**CYPRESS GROVE COMMUNITY DEVELOPMENT DISTRICT
WEST PALM BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	<u>Major Fund</u> General	<u>Total</u> Governmental Funds
REVENUES		
Assessments	\$ 360,207	\$ 360,207
Miscellaneous	7,293	7,293
Total revenues	<u>367,500</u>	<u>367,500</u>
EXPENDITURES		
Current:		
General government	78,911	78,911
Physical environment	335,162	335,162
Debt service:		
Principal payments	25,000	25,000
Interest expense	2,155	2,155
Total expenditures	<u>441,228</u>	<u>441,228</u>
Excess (deficiency) of revenues over (under) expenditures	(73,728)	(73,728)
OTHER FINANCING SOURCES		
Developer advance	75,000	75,000
Total other financing sources	<u>75,000</u>	<u>75,000</u>
Net change in fund balances	1,272	1,272
Fund balances - beginning	<u>66,794</u>	<u>66,794</u>
Fund balances - ending	<u>\$ 68,066</u>	<u>\$ 68,066</u>

See notes to the financial statements

**CYPRESS GROVE COMMUNITY DEVELOPMENT DISTRICT
WEST PALM BEACH, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

Net change in fund balances - total governmental funds	\$ 1,272
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation on capital assets is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.	(30,297)
Governmental funds report repayment of long-term liabilities as expenditures in the governmental fund financial statements, but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.	25,000
Governmental funds report the face amount of debt issued as financial resources when debt is first issued, whereas these amounts are eliminated in the statement of activities and recognized as long-term liabilities in the statement of net position.	<u>(75,000)</u>
Change in net position of governmental activities	<u><u>\$ (79,025)</u></u>

See notes to the financial statements

**CYPRESS GROVE COMMUNITY DEVELOPMENT DISTRICT
WEST PALM BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Cypress Grove Community Development District (“the District”) was created on November 23, 1993 by the Florida Land and Water Adjudicatory Commission, FLWAC Case No. CDD-93-001, Section 190.005(1) and Rule 42-1 of the F.A.C., pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. The Act provides among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

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

The District is operated by the Board of Supervisors (“Board”), which is comprised of five members. The Supervisors are elected by the owners of the property within the District. The Board of Supervisors of the District exercise powers granted to the District pursuant to Chapter 190, Florida Statutes. At September 30, 2014, four of the Board members are affiliated with Palm Beach West Associates I, LLP (“Developer”).

The Board has the 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.

The financial statements were prepared in accordance with Governmental Accounting Standards Board (“GASB”) Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District is considered to be financially accountable and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Assessments

Assessments are non-ad valorem assessments on certain land and all platted lots within the District. Assessments are levied each November 1 on property of record as of the previous January. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1.

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

The District reports the following major governmental fund:

General Fund

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

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

Assets, Liabilities and Net Position or Equity

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

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

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

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. The District records all interest revenue related to investment activities in the respective funds and reports investments at fair value. As of September 30, 2014, there were no investments.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Asset</u>	<u>Years</u>
Improvements other than	
Buildings	10
Equipment	20

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.

Unearned Revenue

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

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.

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

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s). For example, the District would record deferred outflows of resources on the statement of net position related to debit amounts resulting from current and advance refundings resulting in the defeasance of debt (i.e. when there are differences between the reacquisition price and the net carrying amount of the old debt).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s). For example, when an asset is recorded in the governmental fund financial statements, but the revenue is unavailable, the District reports a deferred inflow of resources on the balance sheet until such times as the revenue becomes available.

Fund Equity/Net Position

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

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

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

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

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

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

Other Disclosures

Use of Estimates

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

NOTE 3 – BUDGETARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, except as discussed in the Notes to Required Supplementary Information. All annual appropriations lapse at fiscal year end.

NOTE 3 – BUDGETARY INFORMATION (Continued)

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

- a) Each year the Treasurer submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles in the United States of America, except as discussed in the Notes to Required Supplementary Information.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

NOTE 4 – DEPOSITS

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

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2014 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 1,265	\$ -	\$ -	\$ 1,265
Total capital assets, not being depreciated	1,265	-	-	1,265
Capital assets, being depreciated				
Improvements other than buildings	1,565	-	-	1,565
Equipment	605,933	-	-	605,933
Total capital assets, being depreciated	607,498	-	-	607,498
Less accumulated depreciation for:				
Improvements other than buildings	1,565	-	-	1,565
Equipment	346,719	30,297	-	377,016
Total accumulated depreciation	348,284	30,297	-	378,581
Total capital assets, being depreciated, net	259,214	(30,297)	-	228,917
Governmental activities capital assets, net	\$ 260,479	\$ (30,297)	\$ -	\$ 230,182

Depreciation expense was charged to physical environment expenditures.

NOTE 6 – LONG-TERM LIABILITIES

Line of Credit

The District had an unsecured revolving line of credit agreement with a financial institution. The loan originally matured on October 5, 2012 and was extended to September 30, 2013 when final payment of all principal and interest outstanding were due in full. The line of credit was renewed on September 30, 2013. The unpaid principal balance of the Note, together with all accrued interest and charges owing in connection therewith, shall be due and payable on demand. The renewal interest rate was adjusted from 7% to initially 4.25% and thereafter Prime plus 1.000 percentage point.

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Developer Advance

During the current fiscal year, the District entered into an agreement with the Developer whereby the Developer would complete certain road work necessary for the Orange Boulevard Upgrade project and be reimbursed by the District up to \$75,000. Under the agreement, the amount will be reimbursed as follows; \$25,000 by January 15, 2014, \$25,000 by January 15, 2015, and the remaining balance on or before the final reimbursement date of November 18, 2015. See Note 9 – Developer Transactions for additional information.

Changes in long-term liability activity for the fiscal year ended September 30, 2014 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Line of credit	\$ 50,000	\$ -	\$ -	\$ 50,000	\$ 50,000
Developer advance	-	75,000	25,000	50,000	25,000
Total long-term liabilities	<u>\$ 50,000</u>	<u>\$ 75,000</u>	<u>\$ 25,000</u>	<u>\$ 100,000</u>	<u>\$ 75,000</u>

NOTE 7 – DEFERRED COMPENSATION PLAN

The District has a deferred compensation plan which is a 457(b) with investments held by a third party and is not considered the property of the District. The District makes no contributions to the plan. The fair value of the assets held under the plan was \$16,146 as of September 30, 2014.

NOTE 8 – CONCENTRATION

The majority of the District's assessment revenue is dependent upon the levied assessments on Palm Beach West Associates I LLLP, the loss of which could have a material adverse effect on the District's operations.

NOTE 9 – DEVELOPER TRANSACTIONS

The District has contracted with the Developer, Palm Beach West Associates I, LLP, to perform financial and accounting services. Under the agreement, the District compensates the Developer for accounting and financial reporting services.

As discussed in Note 6, the District and the Developer agreed that the Developer would complete the road work necessary for the Orange Boulevard Upgrade project and be reimbursed by the District. The total project costs were \$75,366, of which the District agreed to reimburse a maximum cost of \$75,000. During the current fiscal year, the District reimbursed the Developer \$25,000.

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

NOTE 11 – SUBSEQUENT EVENT

Advance payment

Subsequent to fiscal year end, the District reimbursed the Developer \$25,000 towards the repayment of the Developer advance.

**CYPRESS GROVE COMMUNITY DEVELOPMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget - Positive (Negative)
REVENUES				
Assessments	\$ 360,617	\$ 360,207	\$ 360,207	\$ -
Miscellaneous	3,323	7,293	7,293	-
Total revenues	363,940	367,500	367,500	-
EXPENDITURES				
Current:				
General government	96,000	78,914	78,911	3
Physical environment	222,940	285,162	335,162	(50,000)
Debt service:				
Principal payment	50,000	-	25,000	(25,000)
Interest	5,000	2,155	2,155	-
Total expenditures	373,940	366,231	441,228	(74,997)
Excess (deficiency) of revenues over (under) expenditures	(10,000)	1,269	(73,728)	(74,997)
OTHER FINANCING SOURCES				
Developer advance	-	-	75,000	75,000
Carry forward	10,000	-	-	-
Total other financing sources	10,000	-	-	75,000
Net change in fund balances	\$ -	\$ 1,269	1,272	\$ 3
Fund balances - beginning			66,794	
Fund balances - ending			\$ 68,066	

See notes to required supplementary information

**CYPRESS GROVE COMMUNITY DEVELOPMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The general fund budget for the fiscal year ended September 30, 2014 was amended to increase revenues by \$3,560 and decrease appropriations by (\$7,709). The increase in revenues is primarily the result of unbudgeted excess fees refunded by the tax collector and the decrease in appropriations is primarily due to certain costs no longer being anticipated in the current fiscal year. Actual general fund expenditures for the fiscal year ended September 30, 2014 exceeded appropriations by approximately \$75,000 due to certain roadway maintenance expenditures financed by an advance from the Developer.



**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 Grove Community Development District
West Palm Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Cypress Grove Community Development District, West Palm Beach, Florida (the "District") as of and for the fiscal 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 April 6, 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 of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated April 6, 2015.

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

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.

April 6, 2015



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

To the Board of Supervisors
Cypress Grove Community Development District
West Palm Beach, Florida

We have examined Cypress Grove Community Development District, West Palm Beach, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 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 fiscal year ended September 30, 2014.

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

April 6, 2015



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

To the Board of Supervisors
Cypress Grove Community Development District
West Palm Beach, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of Cypress Grove Community Development District, West Palm Beach, Florida ("District") as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated April 6, 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*; and Independent Accountant'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 April 6, 2015, should be considered in conjunction with this management letter.

Purpose of this Letter

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

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

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

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

April 6, 2015

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2014-01 Budget:

Observation: Actual expenditures exceeded appropriations in the general fund for the fiscal year ended September 30, 2014.

Recommendation: The District should ensure that amendments to the budget during the fiscal year or within statutory guidelines appropriately reflect all authorized expenditures.

Management Response: During the current fiscal year, the District entered into an agreement with the Developer whereby the Developer would complete certain road work necessary for the project and be reimbursed by the District up to \$75,000. We based the Budget on the expected cash outlay of \$25,000 which was due January 15, 2014. Under the advice of our auditors, we have recorded the additional \$50,000 due to the Developer to properly reflect the outstanding liability of the District for the fiscal year ending September 30, 2014.

II. PRIOR YEAR FINDING

None

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

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

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

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2013.

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2014, except as noted above.

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2014, except as noted above.

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

5. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2014 financial audit report.

REPORT TO MANAGEMENT (Continued)

6. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
7. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2014. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.