

**Eastlake Oaks
Community Development District**

ANNUAL FINANCIAL REPORT

September 30, 2016

Eastlake Oaks Community Development District

ANNUAL FINANCIAL REPORT

September 30, 2016

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REPORT OF INDEPENDENT AUDITORS

To the Board of Supervisors
Eastlake Oaks Community Development District
Pinellas County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Eastlake Oaks Community Development District as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Districts, basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board of Supervisors
Eastlake Oaks Community Development District

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 3-8 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 17, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Eastlake Oaks Community Development District's internal control over financial reporting and compliance.

*Berger, Toombs, Elam,
Gaines & Frank*

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

January 17, 2017

**Eastlake Oaks Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016**

Management's discussion and analysis of Eastlake Oaks Community Development District (the "District") financial performance provides an objective and easily readable analysis of the District's financial activities. The analysis provides summary financial information for the District and should be read in conjunction with the District's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's basic financial statements comprise three components; 1) *Government-wide financial statements*, 2) *Fund financial statements*, and 3) *Notes to financial statements*. The *Government-wide financial statements* present an overall picture of the District's financial position and results of operations. The *Fund financial statements* present financial information for the District's major funds. The *Notes to financial statements* provide additional information concerning the District's finances.

The *Government-wide financial statements* are the **statement of net position** and the **statement of activities**. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net position of governmental activities and the change in net position. Governmental activities are primarily supported by special assessments.

The **statement of net position** presents information on all assets and liabilities of the District, with the difference between assets and liabilities reported as net position. Net position is reported in three categories; 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Assets, liabilities, and net position are reported for all Governmental activities.

The **statement of activities** presents information on all revenues and expenses of the District and the change in net position. Expenses are reported by major function and program revenues relating to those functions are reported, providing the net cost of all functions provided by the District. To assist in understanding the District's operations, expenses have been reported as governmental activities. Governmental activities financed by the District include general government, physical environment and debt service.

Fund financial statements present financial information for governmental funds. These statements provide financial information for the major funds of the District. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures), and current available resources.

**Eastlake Oaks Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund financial statements include a **balance sheet** and a **statement of revenues, expenditures and changes in fund balances** for all governmental funds. A **statement of revenues, expenditures, and changes in fund balances – budget and actual** is provided for the District's General Fund. *Fund financial statements* provide more detailed information about the District's activities. Individual funds are established by the District to track revenues that are restricted to certain uses or to comply with legal requirements.

The *government-wide financial statements* and the *fund financial statements* provide different pictures of the District. The *government-wide financial statements* provide an overall picture of the District's financial standing. These statements are comparable to private-sector companies and give a good understanding of the District's overall financial health and how the District paid for the various activities, or functions, provided by the District. All assets of the District, including land, infrastructure and improvements are reported in the **statement of net position**. All liabilities, including principal outstanding on bonds are included. The **statement of activities** includes depreciation on all long lived assets of the District, but transactions between the different functions of the District have been eliminated in order to avoid "doubling up" the revenues and expenses. The *fund financial statements* provide a picture of the major funds of the District. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long-term liabilities, such as general obligation bonds, are not included in the fund financial statements. To provide a link from the *fund financial statements* to the *government-wide financial statements*, a reconciliation is provided from the *fund financial statements* to the *government-wide financial statements*.

Notes to financial statements provide additional detail concerning the financial activities and financial balances of the District. Additional information about the accounting practices of the District, investments of the District, capital assets and long-term debt are some of the items included in the *notes to financial statements*.

Financial Highlights

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

- ◆ The District's total assets exceeded total liabilities by \$1,035,350 (net position). Unrestricted net position for Governmental Activities was \$220,074. Invested in capital assets, net of related debt was \$815,276.
- ◆ Governmental activities revenues totaled \$341,585 while governmental activities expenses totaled \$366,227.

**Eastlake Oaks Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District

The following schedule provides a summary of the assets, liabilities and net position of the District and is presented by category for comparison purposes.

Net Position

	Governmental Activities	
	2016	2015
Current assets	\$ 223,246	\$ 211,013
Restricted assets	21,293	12,791
Capital assets	975,245	1,137,051
Total Assets	1,219,784	1,360,855
Deferred outflow of resources	1,952	5,748
Total Assets and Deferred Outflows	1,221,736	1,366,603
Current liabilities	186,386	186,611
Non-current liabilities	-	120,000
Total Liabilities	186,386	306,611
Net position - net investment in capital assets	815,276	857,349
Net position - unrestricted	220,074	202,643
Total Net Position	\$ 1,035,350	\$ 1,059,992

The decrease in capital assets was primarily due to depreciation in the current year.

The decrease in non-current liabilities was primarily related to current year principal payments.

The decrease in net position – net investment in capital asset was primarily the result of depreciation in excess of principal payments in the current year.

**Eastlake Oaks Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District (Continued)

The following schedule provides a summary of the changes in net position of the District and is presented by category for comparison purposes.

Financial Activity

	Governmental Activities	
	2016	2015
Program Revenues		
Charges for services	\$ 340,760	\$ 350,777
General Revenues		
Investment earnings	743	774
Miscellaneous	82	-
Total Revenues	<u>341,585</u>	<u>351,551</u>
Expenses		
General government	83,899	85,796
Physical environment	247,490	256,435
Culture and recreation	21,408	11,244
Interest on long-term debt	13,430	19,961
Total Expenses	<u>366,227</u>	<u>373,436</u>
Change in Net Position	(24,642)	(21,885)
Net Position - Beginning of Year	<u>1,059,992</u>	<u>1,081,877</u>
Net Position - End of Year	<u><u>\$ 1,035,350</u></u>	<u><u>\$ 1,059,992</u></u>

The decrease in charges for services relates to decreases in special assessments, pool access key fees, and insurance proceeds in the current year.

The decrease in physical environment and increase in culture and recreation is the result of a change in allocation of depreciation.

**Eastlake Oaks Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Capital Assets Activity

The following schedule provides a summary of the District's capital assets activity as of September 30, 2016:

<u>Description</u>	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Construction in progress	\$ -	\$ 14,578
Infrastructure	3,837,375	3,837,375
Equipment	201,736	183,513
Accumulated depreciation	<u>(3,063,866)</u>	<u>(2,898,415)</u>
Total Capital Assets	<u>\$ 975,245</u>	<u>\$ 1,137,051</u>

The activity for the year consisted of reclassification of construction in progress to infrastructure and additions to infrastructure for \$14,578 and \$3,645, respectively, and depreciation of \$165,451.

General Fund Budgetary Highlights

The budget exceeded governmental expenditures because miscellaneous contingencies were less than anticipated.

There were no amendments to the September 30, 2016 budget.

Debt Management

Governmental Activities debt includes the following:

- ◆ In May 2008, the District issued \$950,000 Series 2008 Special Assessment Refunding Bonds. These bonds were issued to refund the Series 1996 Special assessment Revenue Bonds. The balance outstanding at September 30, 2016 is \$120,000.
- ◆ In April 1999, the District entered into an agreement with the Developer, U.S. Home Corporation, referred to as the "Development Acquisition Agreement," which provides for the District purchasing certain recreational improvements from the Developer. Pursuant to the agreement the District acquired the recreational improvements from the Developer for \$156,500. The balance outstanding at September 30, 2016 is \$54,170.

**Eastlake Oaks Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Economic Factors and Next Year's Budget

Eastlake Oaks Community Development District does not expect any economic factors to have any significant effect on the financial position or results of operations of the District in fiscal year 2017.

Request for Information

The financial report is designed to provide a general overview of Eastlake Oaks Community Development District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Eastlake Oaks Community Development District, Severn Trent Management Services, 210 N. University Drive, Suite 702, Coral Springs, FL 33071.

Eastlake Oaks Community Development District
STATEMENT OF NET POSITION
September 30, 2016

	Governmental Activities
ASSETS	
Current Assets:	
Cash	\$ 211,693
Accounts receivable	695
Due from other governments	2,240
Prepaid expenses	8,618
Total Current Assets	223,246
Non-current Assets:	
Restricted assets:	
Investments	21,293
Capital assets being depreciated:	
Infrastructure	3,837,375
Equipment	201,736
Less: accumulated depreciation	(3,063,866)
Total Non-Current Assets	996,538
Total Assets	1,219,784
 DEFERRED OUTFLOW OF RESOURCES	
Deferred amount on refunding	1,952
Total Assets and Deferred Outflow of Resources	1,221,736
 LIABILITIES	
Current Liabilities:	
Accounts payable and accrued expenses	10,141
Bonds payable	120,000
Due to developer	54,170
Accrued interest	2,075
Total Current Liabilities	186,386
 NET POSITION	
Net investment in capital assets	815,276
Unrestricted	220,074
Total Net Position	\$ 1,035,350

See accompanying notes to financial statements.

Eastlake Oaks Community Development District
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2016

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u> <u>Charges for Services</u>	<u>Net (Expense) Revenues and Changes in Net Position</u> <u>Governmental Activities</u>
Governmental Activities			
General government	\$ (83,899)	\$ 89,925	\$ 6,026
Physical environment	(247,490)	110,200	(137,290)
Culture and recreation	(21,408)	10,182	(11,226)
Interest on long-term debt	(13,430)	130,453	117,023
Total Governmental Activities	<u>\$ (366,227)</u>	<u>\$ 340,760</u>	<u>(25,467)</u>
General revenues:			
			743
			82
			<u>825</u>
			(24,642)
			<u>1,059,992</u>
			<u>\$ 1,035,350</u>

See accompanying notes to financial statements.

Eastlake Oaks Community Development District
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2016

ASSETS	<u>General Fund</u>	<u>Debt Service 2008</u>	<u>Total Governmental Funds</u>
Cash	\$ 211,693	\$ -	\$ 211,693
Accounts receivable	695	-	695
Prepaid expenses	8,618	-	8,618
Due from other funds	10,257	-	10,257
Due from other governments	1,380	860	2,240
Restricted assets:			
Investments, at fair value	-	21,293	21,293
Total Assets	<u>\$ 232,643</u>	<u>\$ 22,153</u>	<u>\$ 254,796</u>
 LIABILITIES AND FUND BALANCES			
 LIABILITIES			
Accounts payable and accrued expenses	\$ 10,141	\$ -	\$ 10,141
Due to other funds	-	10,257	10,257
Total Liabilities	<u>10,141</u>	<u>10,257</u>	<u>20,398</u>
 FUND BALANCES			
Nonspendable			
Prepaid expenses	8,618	-	8,618
Restricted for debt service	-	11,896	11,896
Assigned:			
Operating reserve	52,530	-	52,530
Renewal and replacements	57,160	-	57,160
Unassigned	104,194	-	104,194
Total Fund Balances	<u>222,502</u>	<u>11,896</u>	<u>234,398</u>
Total Liabilities and Fund Balances	<u>\$ 232,643</u>	<u>\$ 22,153</u>	<u>\$ 254,796</u>

See accompanying notes to financial statements.

Eastlake Oaks Community Development District
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2016

Total Governmental Fund Balances	\$ 234,398
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets being depreciated (Infrastructure (\$3,837,375) and equipment (\$201,736), net of accumulated depreciation (\$3,063,866)) used in governmental activities are not financial resources and therefore, are not reported at the fund statement level.	975,245
Long-term liabilities, including bonds payable (\$120,000) and due to developer (\$54,170) are not due and payable in the current period and therefore, are not reported at the fund statement level.	(174,170)
Deferred outflow of resources are not financial resources and therefore, are not reported at the funds statement level.	1,952
Accrued interest expense for long-term debt is not a financial use and; therefore, is not reported at the funds statement level.	<u>(2,075)</u>
Net Position of Governmental Activities	<u><u>\$ 1,035,350</u></u>

See accompanying notes to financial statements.

Eastlake Oaks Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For The Year Ended September 30, 2016

	<u>General</u>	<u>Debt Service 2008</u>	<u>Total Governmental Funds</u>
Revenues			
Special assessments	\$ 209,957	\$ 130,453	\$ 340,410
Charges for services	350	-	350
Investment earnings	693	50	743
Miscellaneous	82	-	82
Total Revenues	<u>211,082</u>	<u>130,503</u>	<u>341,585</u>
Expenditures			
Current			
General government	83,899	-	83,899
Physical environment	93,458	-	93,458
Culture and recreation	9,989	-	9,989
Capital outlay	3,645	-	3,645
Debt service			
Principal	-	120,000	120,000
Interest	-	9,960	9,960
Other	-	1,749	1,749
Total Expenditures	<u>190,991</u>	<u>131,709</u>	<u>322,700</u>
Net change in fund balances	20,091	(1,206)	18,885
Fund Balances - October 1, 2015	<u>202,411</u>	<u>13,102</u>	<u>215,513</u>
Fund Balances - September 30, 2016	<u>\$ 222,502</u>	<u>\$ 11,896</u>	<u>\$ 234,398</u>

See accompanying notes to financial statements.

Eastlake Oaks Community Development District
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For The Year Ended September 30, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ 18,885
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount that depreciation expense (\$165,451) exceeded capital asset additions (\$3,645) in the current period.	(161,806)
Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net position.	120,000
The deferred outflow of resources for refunding of debt is recognized as a component of interest expense in the Statement of Activities, but not in the governmental funds. This is the amount of current year interest.	(3,796)
In the Statement of Activities, interest is accrued on outstanding bonds; whereas in governmental funds, interest expenditures are reported when due. This is the change in accrued interest from the prior year.	<u>2,075</u>
Change in Net Position of Governmental Activities	<u><u>\$ (24,642)</u></u>

See accompanying notes to financial statements.

Eastlake Oaks Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND
For The Year Ended September 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Special assessments	\$ 209,121	\$ 209,121	\$ 209,957	\$ 836
Charges for services	500	500	350	(150)
Investment earnings	500	500	693	193
Miscellaneous	-	-	82	82
Total Revenues	<u>210,121</u>	<u>210,121</u>	<u>211,082</u>	<u>961</u>
Expenditures				
Current				
General government	89,995	89,995	83,899	6,096
Physical environment	110,286	110,286	93,458	16,828
Culture and recreation	9,840	9,840	9,989	(149)
Capital outlay	-	-	3,645	(3,645)
Total Expenditures	<u>210,121</u>	<u>210,121</u>	<u>190,991</u>	<u>19,130</u>
Net change in fund balances	-	-	20,091	20,091
Fund Balances - October 1, 2015	<u>-</u>	<u>-</u>	<u>202,411</u>	<u>202,411</u>
Fund Balances - September 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222,502</u>	<u>\$ 222,502</u>

See accompanying notes to financial statements.

Eastlake Oaks Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

1. Reporting Entity

The District was created on October 3, 1995, pursuant to the City of Oldsmar Ordinance 95-20 and Chapter 190, Florida Statutes. The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of the infrastructure necessary for community development within its jurisdiction. The District is authorized to issue bonds for the purpose, among others, of financing, funding, planning, establishing, acquiring, constructing or re-constructing, enlarging or extending, equipping, operating and maintaining water management, bridges or culverts, district roads, landscaping, street lights and other basic infrastructure projects within or without the boundaries of the Eastlake Oaks Community Development District. The District is governed by a five-member Board of Supervisors who are elected for four year terms. The District operates within the criteria established by Chapter 190.

As required by GAAP, these financial statements present the Eastlake Oaks Community Development District (the primary government) as a stand-alone government. The reporting entity for the District includes all functions of government in which the District's Board exercises oversight responsibility including, but not limited to, financial interdependency, selection of governing authority, designation of management, significant ability to influence operations and accountability for fiscal matters.

Based upon the application of the above-mentioned criteria as set forth by the Governmental Accounting Standards Board the District has identified no component units.

2. Measurement Focus and Basis of Accounting

The basic financial statements of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

Eastlake Oaks Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

a. Government-wide Financial Statements

Government-wide financial statements report all non-fiduciary information about the reporting government as a whole. These statements include all the governmental activities of the primary government. The effect of interfund activity has been removed from these statements.

Governmental activities are supported by special assessments. Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the Statement of Activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source.

Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

b. Fund Financial Statements

The underlying accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually.

Governmental Funds

The District classifies fund balance according to Governmental Accounting Standards Board Statement 54 - Fund Balance Reporting and Governmental Fund Type Definitions. The Statement requires the fund balance for governmental funds to be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Eastlake Oaks Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

The District has various policies governing the fund balance classifications.

Nonspendable Fund Balance – This classification consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Assigned Fund Balance – This classification consists of the Board of Supervisors' intent to be used for specific purposes, but are neither restricted nor committed. The assigned fund balances can also be assigned by the District's management company.

Fund Balance Spending Hierarchy - For all governmental funds except special revenue funds, when restricted, committed, assigned, and unassigned fund balances are combined in a fund, qualified expenditures are paid first from restricted or committed fund balance, as appropriate, then assigned and finally unassigned fund balances.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collected within the current period or soon 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. Interest associated with the current fiscal period is considered to be an accrual item and so has been recognized as revenue of the current fiscal period.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Eastlake Oaks Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources are expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability.

Debt service expenditures are recorded only when payment is due.

3. Basis of Presentation

a. Governmental Major Funds

General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund - Accounts for debt service requirements to retire the capital improvement bonds which were used to finance the construction of District infrastructure improvements. The bond series is secured by a pledge of all available special assessment revenues in any fiscal year related to the improvements and a first lien on the special assessment revenues from the District lien on all acreage of benefited land.

b. Non-current Governmental Assets/Liabilities

GASB Statement 34 requires that non-current governmental assets, such as land and buildings, and non-current governmental liabilities, such as general obligation bonds, be reported in the governmental activities column in the government-wide Statement of Net Position.

4. Assets, Deferred Outflow of Resources, Liabilities, and Net Position or Equity

a. Cash and Investments

Florida Statutes require state and local governmental units to deposit monies with financial institutions classified as "Qualified Public Depositories," a multiple financial institution pool whereby groups of securities pledged by the various financial institutions provide common collateral from their deposits of public funds. This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions, providing full insurance for public deposits.

Eastlake Oaks Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Deferred Outflow of Resources, Liabilities, and Net Position or Equity (Continued)

a. Cash and Investments (Continued)

The District is authorized to invest in those financial instruments as established by Section 218.415, Florida Statutes. The authorized investments consist of:

1. Direct obligations of the United States Treasury;
2. The Local Government Surplus Funds Trust or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperative Act of 1969;
3. Interest-bearing time deposits or savings accounts in authorized qualified public depositories;
4. Securities and Exchange Commission, registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

b. Restricted Assets

Certain net positions of the District will be classified as restricted assets on the statement of net position because their use is limited either by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors. In a fund with both restricted and unrestricted assets, qualified expenses are considered to be paid first from restricted net position and then from unrestricted net position.

c. Capital Assets

Capital assets, which include infrastructure and construction in progress, are reported in governmental activities.

The District defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. The valuation basis for all assets is historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Eastlake Oaks Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**4. Assets, Deferred Outflow of Resources, Liabilities, and Net Position or Equity
(Continued)**

c. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of capital assets is computed and recorded by utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Equipment	10-20 years
Infrastructure	25 years

d. Deferred Outflow of Resources

Deferred outflow of resources is the consumption of net position by the government that is applicable to a future reporting period. Deferred amount on refunding is amortized and recognized as a component of interest expense over the life of the bond.

e. Budgets

Budgets are prepared and adopted after public hearings for the governmental funds, pursuant to Chapter 190 and Section 200.065, Florida Statutes. The District utilizes the same basis of accounting for budgets as it does for revenues and expenditures in its various funds. Formal budgets are adopted for the general fund. The legal level of budgetary control is at the fund level. As a result, deficits in the budget columns of the accompanying financial statements may occur. All budgeted appropriations lapse at year end.

**Eastlake Oaks Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016**

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

“Total fund balances” of the District’s governmental funds (\$234,398) differs from “net position” of governmental activities (\$1,035,350) reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the Governmental Fund Balance Sheet. The effect of the differences is illustrated below.

Capital related items

When capital assets (improvements and infrastructure that are to be used in governmental activities) are purchased or constructed, the cost of those assets is reported as expenditures in governmental funds. However, the Statement of Net Position included those capital assets among the assets of the District as a whole.

Infrastructure	\$ 3,837,375
Equipment	201,736
Accumulated depreciation	<u>(3,063,866)</u>
Total	<u><u>\$ 975,245</u></u>

Long-term debt transactions

Long-term liabilities applicable to the District’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position. Balances at September 30, 2016 were:

Bonds payable	\$ (120,000)
Due to developer	<u>(54,170)</u>
Total	<u><u>\$ (174,170)</u></u>

Deferred outflow of resources

Deferred outflow of resources applicable to the District’s governmental activities are not financial resources and therefore, are not reported as fund deferred outflow of resources:

Deferred amount on refunding	<u><u>\$ 1,952</u></u>
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Eastlake Oaks Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position (Continued)

Accrued interest

Accrued liabilities in the Statement of Net Position differ from the amount reported in governmental funds due to the accrued interest on bonds.

Accrued interest	\$ <u>(2,075)</u>
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2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities

The “net change in fund balances” for government funds (\$18,885) differs from the “change in net position” for governmental activities (\$(24,642)) reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.

Depreciation	\$ (165,451)
Capital outlay	<u>3,645</u>
	<u>\$ (161,806)</u>

Long-term debt transactions

Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.

Debt principal payments	\$ <u>120,000</u>
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**Eastlake Oaks Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016**

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities (Continued)

Long-term debt transactions (Continued)

Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

Net decrease in deferred outflow of resources	\$	(3,796)
Net decrease in accrued interest payable		<u>2,075</u>
Total	\$	<u><u>(1,721)</u></u>

NOTE C - CASH AND INVESTMENTS

All deposits are held in qualified public depositories and are included on the accompanying balance sheet as cash and investments.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk; however, they follow the provisions of Chapter 280, Florida Statutes regarding deposits and investments. As of September 30, 2016, the District's bank balance was \$212,483 and the carrying value was \$ 0. Exposure to custodial credit risk was as follows. The District maintains all deposits in a qualified public depository in accordance with the provisions of Chapter 280, Florida Statutes, which means that all deposits are fully insured by Federal Depositors Insurance or collateralized under Chapter 280, Florida Statutes.

As of September 30, 2016, the District had the following investments and maturities:

Investment	Maturities	Fair Value
Commercial Paper Manual Sweep	N/A	\$ 21,293

Eastlake Oaks Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE C - CASH AND INVESTMENTS (CONTINUED)

Investments

The District's investment policy allows management to invest funds in investments permitted under Section 218.415, Florida Statutes.

Interest Rate Risk

The District monitors investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's investments in the state investment pool and government loans are limited by state statutory requirements and bond compliance. As of September 30, 2016, the District's investment in Commercial Paper was rated A-1+ by Standard & Poor's.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one issuer. 100% of the District's investments are invested in Manual Sweep Interest Bearing Commercial Paper.

The types of deposits and investments and their level of risk exposure as of September 30, 2016 were typical of these items during the fiscal year then ended. The District considers any decline in fair value for certain investments to be temporary. In addition, the District has the ability to hold investments until its maturity date if the fair value is less than cost. The District's investments are recorded at fair value.

Eastlake Oaks Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE D – CAPITAL ASSETS

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

	Balance October 1, 2015	Additions	Deletions	Balance September 30, 2016
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Construction in progress	\$ 14,578	\$ -	\$ 14,578	\$ -
Capital assets, being depreciated:				
Infrastructure	3,837,375	-	-	3,837,375
Furniture, fixtures and equipment	183,513	18,223	-	201,736
Total Capital Assets, Being Depreciated	<u>4,020,888</u>	<u>18,223</u>	<u>-</u>	<u>4,039,111</u>
Less accumulated depreciation for:				
Infrastructure	(2,743,659)	(154,032)	-	(2,897,691)
Furniture, fixtures and equipment	(154,756)	(11,419)	-	(166,175)
Total Accumulated Depreciation	<u>(2,898,415)</u>	<u>(165,451)</u>	<u>-</u>	<u>(3,063,866)</u>
Total Capital Assets Being Depreciated, Net	<u>1,122,473</u>	<u>(147,228)</u>	<u>-</u>	<u>975,245</u>
Governmental Activities Capital Assets	<u>\$ 1,137,051</u>	<u>\$ (147,228)</u>	<u>\$ 14,578</u>	<u>\$ 975,245</u>

Depreciation was charged to physical environment and culture and recreation for \$154,032 and \$11,419, respectively.

NOTE E – LONG-TERM DEBT

The following is a summary of activity of the long-term debt of the District for the year ended September 30, 2016:

Long-term debt at October 1, 2015	\$ 294,170
Principal payments	<u>(120,000)</u>
Long-term debt at September 30, 2016	<u>\$ 174,170</u>

**Eastlake Oaks Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016**

NOTE E – LONG-TERM DEBT (CONTINUED)

District debt is comprised of the following at September 30, 2016:

Special Assessment Refunding Bond

\$950,000 Series 2008 Term Bonds maturing through 2017, interest at 4.15%, collateralized by the pledged revenues of special assessments levied against the benefited property owners, payable May 1 and November 1. \$ 120,000

Due to Developer

The District entered into an agreement with the Developer, U.S. Home Corporation, referred to as the "Development Acquisition Agreement," which provides for the District purchasing certain recreational improvements from the Developer. Pursuant to the agreement the District acquired the recreational improvements from the Developer for \$156,500. A portion of the balance was paid in prior years from funds released from the Reserve Fund pursuant to Section 506 (iii) of the Trust Indenture. 54,170

Total long-term debt \$ 174,170

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2016 are as follows:

Year Ending September 30,	Principal	Interest	Total
2017	<u>\$ 120,000</u>	<u>\$ 4,980</u>	<u>\$ 124,980</u>

The District remains in negotiations to pay in full the note payable due to the developer. As a result, the scheduled payment was not made in the current year.

Eastlake Oaks Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE E – LONG-TERM DEBT (CONTINUED)

SPECIAL ASSESSMENT REFUNDING BONDS, SERIES 2008

Depository Funds - The bond resolution establishes certain funds and determines the order in which revenues are to be deposited into these funds. A description of the significant funds, including their purposes, is as follows:

1. Reserve Fund - The 2008 Reserve Account is funded from the proceeds of the Series 2008 Bonds in an amount equal to 10% of the maximum annual debt service requirement. Monies held in the reserve accounts will be used only for the purposes established in the Trust Indenture.

	<u>Reserve</u>	<u>Requirement</u>
Special Assessment Bonds, Series 2008	<u>\$ 12,794</u>	<u>\$ 12,249</u>

NOTE F – RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Supervisors
Eastlake Oaks Community Development District
Pinellas County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Eastlake Oaks Community Development District, as of and for the year ended September 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated January 17, 2017.

Internal Control Over Financial Reporting

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

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

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

To the Board of Supervisors
Eastlake Oaks Community Development District
Pinellas County, Florida

Compliance and Other Matters

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

Purpose of this Report

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

*Berger, Toombs, Elam,
Gaines & Frank*

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

January 17, 2017



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MANAGEMENT LETTER

To the Board of Supervisors
Eastlake Oaks Community Development District
Pinellas County, Florida

Report on the Financial Statements

We have audited the financial statements of the Eastlake Oaks Community Development District as of and for the year ended September 30, 2016, and have issued our report thereon dated January 17, 2017.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Auditor's Report on an examination conducted in accordance with AICPA Professionals Standards, Section 601 regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in that report, which is dated January 17, 2017, should be considered in conjunction with this Management Letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we address in the Management Letter, if not already addressed in the auditor's report on compliance and internal controls, whether or not recommendations made in the preceding annual financial report have been followed. There were no recommendations made in the preceding audit report.

Financial Condition

Section 10.554(1)(i)5.a. 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 or not Eastlake Oaks Community Development District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the Eastlake Oaks Community Development District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

To the Board of Supervisors
Eastlake Oaks Community Development District

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

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 Eastlake Oaks Community Development 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.

*Berger, Toombs, Elam,
Gaines & Frank*

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

January 17, 2017



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**INDEPENDENT ACCOUNTANT'S REPORT/COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES**

To the Board of Supervisors
Eastlake Oaks Community Development District
Pinellas County, Florida

We have examined Eastlake Oaks Community Development District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2016. Management is responsible for Eastlake Oaks Community Development District's compliance with those requirements. Our responsibility is to express an opinion on Eastlake Oaks Community Development District's compliance based on our examination.

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

In our opinion, Eastlake Oaks Community Development District's complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2016.

*Berger, Toombs, Elam,
Gaines & Frank*

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

January 17, 2017