

**Fishhawk Community
Development District II**

Financial Statements

September 30, 2015



CRI CARR
RIGGS &
INGRAM

CPAs and Advisors

CRIcpa.com | blog.cricpa.com

Fishhawk Community Development District II
Table of Contents
September 30, 2015

	<u>PAGE</u>
REPORT	
Independent Auditors' Report	1
FINANCIAL STATEMENTS	
Management's Discussion And Analysis (required supplemental information)	3
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements	
Balance Sheet – Governmental Funds	10
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Notes to Financial Statements	14
Required Supplemental Information (Other Than MD&A)	
Budget to Actual Comparison Schedule - General Fund	24
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25
Management Letter	27
Independent Accountants' Report - Compliance with Section 218.415 Florida Statutes	29



Carr, Riggs & Ingram, LLC
Certified Public Accountants
500 Grand Boulevard
Suite 210
Miramar Beach, Florida 32550

INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
Fishhawk Community Development District II
Hillsborough County, Florida

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Fishhawk Community Development District II (hereinafter referred to as "District"), as of and for the year ended September 30, 2015, 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.

Auditors' 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 each major fund of the Fishhawk Community Development District II as of September 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 24, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
March 24, 2016

Fishhawk Community Development District II Management's Discussion and Analysis

Our discussion and analysis of the Fishhawk Community Development District II's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2015. Please read it in conjunction with the District's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- At September 30, 2015, the assets and deferred outflows of resources of the District exceed its liabilities by approximately \$9 million.
- During the fiscal year ended September 30, 2015, the District incurred capital outlay and interest expenditures of approximately \$10,000 and \$465,000, respectively, and repaid principal of \$400,000.

USING THE ANNUAL REPORT

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

Reporting the District as a Whole

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

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

Fishhawk Community Development District II Management's Discussion and Analysis

Reporting the District's Most Significant Funds

Our analysis of the District's major funds begins on page 6. The fund financial statements begin on page 10 and provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. All of the District's funds are governmental fund-types.

- *Governmental funds* – All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities and governmental funds in a reconciliation with the fund financial statements.

THE DISTRICT AS A WHOLE

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

<i>September 30,</i>	2015	2014	Change
Assets			
Current and other assets	\$ 3,431,035	\$ 3,234,498	\$ 196,537
Capital assets, net of depreciation	16,925,358	18,529,677	(1,604,319)
Total assets	20,356,393	21,764,175	(1,407,782)
Deferred outflows of resources			
Deferred charge on refunding	91,324	96,272	(4,948)
Total deferred outflows of resources	91,324	96,272	(4,948)
Total assets and deferred outflows of resources	\$ 20,447,717	\$ 21,860,447	\$ (1,412,730)
Liabilities			
Current liabilities	\$ 742,987	\$ 706,415	\$ 36,572
Other liabilities	10,783,612	11,194,210	(410,598)
Total liabilities	11,526,599	11,900,625	(374,026)
Net position			
Net investment in capital assets	12,716,472	14,168,092	(1,451,620)
Restricted for:			
Debt service	56,028	52,997	3,031
Capital projects	852,634	853,348	(714)
Unrestricted	(4,704,016)	(5,114,615)	410,599
Total net position	8,921,118	9,959,822	(1,038,704)
Total liabilities and net position	\$ 20,447,717	\$ 21,860,447	\$ (1,412,730)

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

Fishhawk Community Development District II Management's Discussion and Analysis

During the fiscal year ended September 30, 2015, total assets and total liabilities decreased by approximately \$1.4 million and \$374,000, respectively. The decrease in assets is primarily related to depreciation on capital assets. The decrease in liabilities is primarily due to principal payments on outstanding bonds.

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

<i>Year ended September 30,</i>	2015	2014	Change
Revenues:			
Program revenues:			
Charges for services	\$ 2,786,896	\$ 2,789,400	\$ (2,504)
General revenues:			
Palmetto Club	83,329	68,039	15,290
Interest and other revenues	54,821	37,778	17,043
Total revenues	2,925,046	2,895,217	29,829
Expenses:			
General government	174,451	167,946	6,505
Maintenance and operations	2,394,802	2,417,271	(22,469)
Parks and recreation	923,926	892,242	31,684
Interest	470,571	485,398	(14,827)
Total expenses	3,963,750	3,962,857	893
Change in net position	(1,038,704)	(1,067,640)	28,936
Net position, beginning of year	9,959,822	11,027,462	(1,067,640)
Net position, end of year	\$ 8,921,118	\$ 9,959,822	\$ (1,038,704)

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

Revenues increased from prior year by approximately \$30,000 while expenses remained substantially the same. The increase in revenues is due to income received from The Palmetto Club from event rentals, as well as interest received on investments. The overall result was a \$1,038,704 decrease in net position for fiscal year 2015.

Fishhawk Community Development District II Management's Discussion and Analysis

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 10) reported a combined fund balance of approximately \$3.3 million, which is a increase from last year's balance that totaled approximately \$3.1 million. Significant transactions are discussed below.

- During the fiscal year ended September 30, 2015, the District incurred capital outlay and interest expenditures of approximately \$10,000 and \$465,000, respectively, and repaid principal of \$400,000.

The overall increase in fund balance for the year ended September 30, 2015 totaled approximately \$171,000.

GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

An Operating budget was established by the governing board for the District pursuant to the requirements of Florida Statutes. The budget to actual comparison for the General Fund, including the original budget and final adopted budget, is shown on page 24.

The District experienced favorable variances in revenues and expenditures as compared to the budget in the amount of \$50,455 and \$126,175, respectively. The variances in revenues and expenditures are primarily due to excess amounts received from the tax collector and anticipated budgeted operating expenditures that were not incurred during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2015, the District had approximately \$17 million invested in capital assets (net of depreciation). This amount represents a net decrease (including additions and deductions) of approximately \$1.6 million over the fiscal year 2014 total.

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

<i>September 30,</i>	2015	2014	Change
Capital assets not being depreciated	\$ 359,006	\$ 355,269	\$ 3,737
Capital assets being depreciated	30,810,207	30,804,407	5,800
Total, prior to depreciation	31,169,213	31,159,676	9,537
Accumulated depreciation	(14,243,855)	(12,629,999)	(1,613,856)
Net capital assets	\$ 16,925,358	\$ 18,529,677	\$ (1,604,319)

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

Fishhawk Community Development District II Management's Discussion and Analysis

Debt

At September 30, 2015, the District had approximately \$11.3 million of bonds outstanding. This amount represents a net decrease of \$400,000 from the fiscal year 2014 total.

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

<i>September 30,</i>	2015	2014	Change
Series 2007A	\$ 2,130,000	\$ 2,175,000	\$ (45,000)
Series 2013	9,140,000	9,495,000	(355,000)
Total	\$ 11,270,000	\$ 11,670,000	\$ (400,000)

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

FUTURE FINANCIAL FACTORS

Fishhawk Community Development District II is an independent special district that operates under the provisions of Chapter 190, Florida Statutes. The District operates under an elected Board of Supervisors, which establishes policy and sets assessment rates. Assessment rates for fiscal year 2016 were established to provide for the operations of the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. If you have questions about this report or need additional financial information, contact the Fishhawk Community Development District II's finance department at 3434 Colwell Avenue, Suite 200, Tampa, Florida 33614.

Fishhawk Community Development District II Statement of Net Position

<i>September 30,</i>	2015
	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,747,993
Investments	1,594,474
Accounts receivable	33,253
Due from other government	667
Prepaid expenses	54,018
Deposits	630
Capital assets:	
Not being depreciated	359,006
Depreciable, net	16,566,352
Total assets	20,356,393
Deferred outflows of resources	
Deferred charge on refunding	91,324
Total deferred outflows of resources	91,324
Liabilities	
Accounts payable	112,922
Accrued expenses	7,297
Retainage payable	35
Accrued interest payable	190,199
Deposits payable	500
Due to HOA	25,299
Due to other government	1,735
Non-current liabilities:	
Due within one year	405,000
Due in more than one year	10,783,612
Total liabilities	11,526,599
Net position	
Net investment in capital assets	12,716,472
Restricted for:	
Debt service	56,028
Capital projects	852,634
Unrestricted	(4,704,016)
Total net position	\$ 8,921,118

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

Fishhawk Community Development District II Statement of Activities

Year ended September 30,

2015

Functions/Programs	Expenses	Charges for Services	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ (174,451)	\$ 96,066	\$ -	\$ -	\$ (78,385)
Maintenance and operations	(2,394,802)	1,318,755	-	-	(1,076,047)
Parks and recreation	(923,926)	508,782	-	-	(415,144)
Interest	(470,571)	863,293	-	-	392,722
Total governmental activities	\$ (3,963,750)	\$ 2,786,896	\$ -	\$ -	(1,176,854)

General revenues

Palmetto Club	83,329
Interest and other revenues	54,821
<hr/>	
Change in net position	(1,038,704)
Net position - beginning of year	9,959,822
<hr/>	
Net position - end of year	\$ 8,921,118

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

Fishhawk Community Development District II Balance Sheet - Governmental Funds

September 30,

2015

	General	Debt Service	Capital Projects	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,747,993	\$ -	\$ -	\$ 1,747,993
Investments	170	741,635	852,669	1,594,474
Accounts receivable	33,253	-	-	33,253
Prepaid expenditures	54,018	-	-	54,018
Deposits	630	-	-	630
Total assets	\$ 1,836,064	\$ 741,635	\$ 852,669	\$ 3,430,368
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 112,922	\$ -	\$ -	\$ 112,922
Accrued expenditures	7,297	-	-	7,297
Retainage payable	-	-	35	35
Deposits payable	500	-	-	500
Due to HOA	25,299	-	-	25,299
Due to other governments	1,068	-	-	1,068
Total liabilities	147,086	-	35	147,121
Fund balances				
Nonspendable	54,648	-	-	54,648
Restricted for:				
Debt service	-	741,635	-	741,635
Capital projects	-	-	852,634	852,634
Assigned for capital reserves	1,623,501	-	-	1,623,501
Unassigned	10,829	-	-	10,829
Total fund balances	1,688,978	741,635	852,634	3,283,247
Total liabilities and fund balances	\$ 1,836,064	\$ 741,635	\$ 852,669	\$ 3,430,368

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

**Fishhawk Community Development District II
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position**

<i>September 30,</i>	2015
Total fund balances, governmental funds	\$ 3,283,247
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund level statements.	16,925,358
Deferred charges on refunding are not financial resources and, therefore are not reported as assets in governmental funds. The Statement of Net Position includes these charges, net of amortization.	91,324
Liabilities not due and payable from current resources, including accrued interest, are not reported in the fund level statements.	(11,378,811)
Total net position - governmental activities	\$ 8,921,118

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

Fishhawk Community Development District II
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds

Year ended September 30,

2015

	General	Debt Service	Capital Projects	Total Governmental Funds
Revenues				
Assessments	\$ 1,923,603	\$ 863,293	\$ -	\$ 2,786,896
Palmetto Club revenue	83,329	-	-	83,329
Interest and other revenues	54,821	-	-	54,821
Total revenues	2,061,753	863,293	-	2,925,046
Expenditures				
Current:				
General government	174,451	-	-	174,451
Maintenance and operations	1,233,439	-	-	1,233,439
Parks and recreation	471,433	-	-	471,433
Principal	-	400,000	-	400,000
Interest	-	464,687	-	464,687
Capital outlay	5,800	-	3,737	9,537
Total expenditures	1,885,123	864,687	3,737	2,753,547
Excess (deficit) of revenues over expenditures	176,630	(1,394)	(3,737)	171,499
Other financing sources (uses)				
Transfers out	-	(3,024)	-	(3,024)
Transfers in	-	-	3,024	3,024
Total other financing sources	-	(3,024)	3,024	-
Net change in fund balances	176,630	(4,418)	(713)	171,499
Fund balances, beginning of year	1,512,348	746,053	853,347	3,111,748
Fund balances, end of year	\$ 1,688,978	\$ 741,635	\$ 852,634	\$ 3,283,247

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

**Fishhawk Community Development District II
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statements of Activities**

<i>Year ended September 30,</i>	2015
Net change in fund balances - governmental funds	\$ 171,499
Capital outlay, reported as expenditures in the governmental funds, is shown as capital assets on the Statement of Net Position.	9,537
Depreciation on capital assets is not recognized in the fund financial statements but is reported as an expense in the Statement of Activities.	(1,613,856)
Amortization of original issue discount and deferred refunding charge is not recognized in the governmental fund statements but is reported as an expense in the Statement of Activities.	(9,350)
Governmental funds report principal payments on bonds when debt is paid, whereas these payments are eliminated in the Statement of Activities and recognized as a decrease in bonds payable in the Statement of Net Position.	400,000
The change in accrued interest between the current and prior year is recorded in the Statement of Activities but not in the fund financial statements.	3,466
Change in net position of governmental activities	\$ (1,038,704)

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

Fishhawk Community Development District II Notes to Financial Statements

NOTE 1: NATURE OF ORGANIZATION

The Fishhawk Community Development District II (the "District") was established on December 16, 2002 pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes, by Hillsborough County Ordinance No. 02-23. The Act provides, among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

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

The District is governed by a Board of Supervisors ("Board"), which is comprised of five members. One Supervisor is elected on an at large basis by landowners of the District and four Supervisors are elected on an at large basis by qualified electors that reside within the District. At September 30, 2015, one of the Board members is affiliated with Fishhawk Communities LP ("Developer"). The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the final responsibility for:

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial statements

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

Fishhawk Community Development District II Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by assessments, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The business-type activities are reported separately in government-wide financial statements; however, at September 30, 2015, the District did not have any significant business-type activities. Therefore, no business-type activities are reported. Assessments and other items not properly included as program revenues (i.e., charges to customers or applicants who purchase, use, or directly benefit from goods or services) are reported as general revenues.

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

Measurement Focus, Basis of Accounting and Basis of Presentation

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

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

Assessments, including debt service assessments and operation and maintenance assessments, are non-ad valorem special assessments imposed on all lands located within the District and benefited by the District's activities. Operation and maintenance assessments are levied by the District prior to the start of the fiscal year which begins October 1st and ends on September 30th. Operation and maintenance special assessments are imposed upon all benefited lands located in the District. Debt service special assessments are imposed upon certain lots and lands as described in each resolution imposing the special assessment for each series of bonds issued by the District. Certain debt service assessments are collected upon the closing of those lots subject to short term debt and are used to prepay a portion of the bonds outstanding.

Fishhawk Community Development District II Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The District reports the following major governmental funds:

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

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

Capital Projects Fund – The Capital Projects Fund accounts for the financial resources to be used in the acquisition or construction of major infrastructure within the District.

For the year ended September 30, 2015, the District does not report any proprietary funds.

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

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

Cash, Deposits and Investments

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

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

The District is authorized to invest in financial instruments as established by Section 218.415, Florida Statutes. The authorized investments include among others, direct obligations of the United States Treasury; the Local Government Surplus Funds Trust as created by Section 218.405, Florida

Fishhawk Community Development District II Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statutes; SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and interest-bearing time deposits or savings accounts in authorized financial institutions.

Estimates

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

Capital Assets

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

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

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

<u>Asset</u>	<u>Years</u>
Landscaping	15
Stormwater and water systems	25
Recreational facilities	20
Equipment	5

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.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest or straight-line method. Bonds payable are reported net of premiums or discounts. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current period expenses.

Fishhawk Community Development District II Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category: the deferred charge on refunding reported in the government-wide statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any of this type of item at September 30, 2015

Fund Equity

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

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

Fishhawk Community Development District II Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets

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

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

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

NOTE 3: INVESTMENTS

All investments held at September 30, 2015 are reported at fair value based on quoted market prices, which approximates amortized cost.

<i>September 30,</i>	2015	Credit Risk	Weighted Average Maturities
State Board of Administration Investment Florida PRIME	\$ 170	S&P AAAm	29 days
Short-term Money Market Funds	1,594,304	S&P AAAm	43 days
Total investments	\$ 1,594,474		

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

Custodial credit risk – For an investment, custodial credit risk is the risk that the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District has no formal policy for custodial risk. At September 30, 2015, none of the investments listed above are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Fishhawk Community Development District II Notes to Financial Statements

NOTE 3: INVESTMENTS (Continued)

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

NOTE 4: CAPITAL ASSETS

The following is a summary of changes in the capital assets for the year ended September 30, 2015:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 344,969	\$ -	\$ -	\$ 344,969
Infrastructure under construction	10,300	3,737	-	14,037
Total capital assets, not being depreciated	355,269	3,737	-	359,006
<i>Capital assets being depreciated</i>				
Recreational facilities	15,880,859	5,800	-	15,886,659
Stormwater and water systems	7,228,920	-	-	7,228,920
Landscaping	7,641,034	-	-	7,641,034
Equipment	53,594	-	-	53,594
Total capital assets, being depreciated	30,804,407	5,800	-	30,810,207
<i>Less accumulated depreciation for:</i>				
Recreational facilities	(7,087,289)	(803,980)	-	(7,891,269)
Stormwater and water systems	(2,313,256)	(289,157)	-	(2,602,413)
Landscaping	(3,205,336)	(510,000)	-	(3,715,336)
Equipment	(24,118)	(10,719)	-	(34,837)
Total accumulated depreciation	(12,629,999)	(1,613,856)	-	(14,243,855)
Total capital assets, being depreciated, net	18,174,408	(1,608,056)	-	16,566,352
Governmental activities capital assets, net	\$ 18,529,677	\$ (1,604,319)	\$ -	\$ 16,925,358

Depreciation expense for the year ended September 30, 2015 totaled \$1,613,856, of which \$1,161,363 was allocated to maintenance and operations and \$452,493 was allocated to parks and recreation on the Statement of Activities.

Fishhawk Community Development District II Notes to Financial Statements

NOTE 5: BONDS PAYABLE

On May 1, 2007, the District issued \$13,225,000 of Special Assessment Revenue Bonds, consisting of \$2,420,000 Term Bonds due May 1, 2038 with a fixed interest rate of 5.25%, and \$10,805,000 Term Bonds due on May 1, 2012 with a fixed interest rate of 5.00%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Series 2007A Bonds is paid serially commencing May 1, 2009 through May 1, 2038. Principal on the Series 2007B Bonds was due in one lump sum on May 1, 2012. Series 2007B Bonds were paid off in prior years. The Series 2007A Bonds are subject to redemption at the option of the District in whole or in part at any time on or after May 1, 2013 at a redemption price as set forth in the Bond Indentures.

On March 13, 2013, the District issued \$9,890,000 of Special Assessment Revenue Bonds, Series 2013 with a variable interest rate averaging 4.036%. The Bonds were issued to refund and redeem the entire outstanding principal balances on the Series 2003A and 2004A Bonds. Interest is paid semiannually on each May 1 and November 1. Principal on the Series 2013 Bonds is paid serially commencing on November 1, 2013 through May 1, 2034.

At September 30, 2015, the scheduled debt service requirements on long-term debt were as follows:

<i>Year Ending September 30,</i>	Principal	Interest	Total Debt Service
2016	\$ 405,000	\$ 456,476	\$ 861,476
2017	410,000	447,461	857,461
2018	425,000	437,276	862,276
2019	435,000	425,509	860,509
2020	445,000	412,046	857,046
2021-2025	2,515,000	1,804,471	4,319,471
2026-2030	3,070,000	1,238,550	4,308,550
2031-2035	3,130,000	494,594	3,624,594
2036-2038	435,000	45,938	480,938
	\$ 11,270,000	\$ 5,762,321	\$ 17,032,321

Long-term liability activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities</i>					
Bonds Payable:					
Series 2007A	\$ 2,175,000	\$ -	\$ (45,000)	\$ 2,130,000	\$ 50,000
Series 2013	9,495,000	-	(355,000)	9,140,000	355,000
Bond Discount	(85,790)	-	4,402	(81,388)	-
	\$ 11,584,210	\$ -	\$ (395,598)	\$ 11,188,612	\$ 405,000

Fishhawk Community Development District II Notes to Financial Statements

NOTE 5: BONDS PAYABLE (Continued)

The Bond Indentures require that the District maintain adequate funds in reserve accounts to meet the debt service reserve requirements as defined in the Indenture or maintain a surety bond that guarantees the payment of principal and interest. The requirement has been met for the fiscal year ended September 30, 2015.

The Bond Indentures have certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agreed to levy special assessments in annual amounts adequate to provide payment of debt service. The District is in compliance with the requirements of the Bond Indenture.

NOTE 6: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the cost of these risks. Coverage may not extend to all situations. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. The District has filed five claims under this commercial coverage during the last three years totaling approximately \$39,000 which does not exceed coverage.

NOTE 7: MANAGEMENT COMPANY

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

NOTE 8: RELATED PARTY TRANSACTIONS

The District is related to Fishhawk Community Development District and Fishhawk Community Development District III through a common Developer. The Districts have agreed to share certain costs related to the maintenance of facilities that are shared by all three districts. At September 30, 2015, the District owed Fishhawk Community Development District and Fishhawk Community Development District III \$509 and \$455, respectively.

Fishhawk Community Development District II Notes to Financial Statements

NOTE 8: RELATED PARTY TRANSACTIONS (Continued)

The District has entered into an agreement with Fishhawk Community Development District and Fishhawk Homeowner's Association, Inc. ("HOA") for amenity management services provided by the HOA. The annual contract with the HOA is for \$595,480. For the fiscal year ended September 30, 2015, the District incurred \$276,374 in amenity service expenses related to the contract. As of September 30, 2015, the District owed the HOA \$25,187 and the HOA owed the District \$25,869 as part of the agreement.

At September 30, 2015, the Developer owned a portion of the assessable property located within the District boundaries. For the year ended September 30, 2015, the District assessed the Developer \$7,272 and \$3,741 for operations and maintenance and debt service costs, respectively, through the local tax collector.

NOTE 9: PALMETTO CLUB OPERATIONS

The Palmetto Club within the District is rented for events such as conferences, weddings, etc. Rental income for the fiscal year ended September 30, 2015 totaled \$83,329.



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

**Fishhawk Community Development District II
Budget to Actual Comparison Schedule - General Fund**

<i>Year ended September 30,</i>	2015		
	Original and Final Budget	Actual Amounts	Variance with Final Budget
Revenues			
Assessments	\$ 1,896,335	\$ 1,923,603	\$ 27,268
Palmetto Club revenue	86,400	83,329	(3,071)
Interest and other revenues	28,563	54,821	26,258
Total revenues	2,011,298	2,061,753	50,455
Expenditures			
General government	187,175	174,451	12,724
Maintenance and operations	1,349,220	1,233,439	115,781
Parks and recreation	474,903	471,433	3,470
Capital outlay	-	5,800	(5,800)
Total expenditures	2,011,298	1,885,123	126,175
Excess of revenues over expenditures	\$ -	\$ 176,630	\$ 176,630

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
Fishhawk Community Development District II
Hillsborough County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Fishhawk Community Development District II (hereinafter referred to as the "District"), as of and for the year ended September 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report dated March 24, 2016.

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 the 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 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 result 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.

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
March 24, 2016



Carr, Riggs & Ingram, LLC
Certified Public Accountants
500 Grand Boulevard
Suite 210
Miramar Beach, Florida 32550

MANAGEMENT LETTER

To the Board of Supervisors
Fishhawk Community Development District II
Hillsborough County, Florida

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

Report on the Financial Statements

We have audited the financial statements of Fishhawk Community Development District II ("District") as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated March 24, 2016.

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 on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standard* 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 this report, which is dated March 24, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

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

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we determine whether the annual financial report for the District for the fiscal year ended September 30, 2015, 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, 2015. 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 Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
March 24, 2016



Carr, Riggs & Ingram, LLC
Certified Public Accountants
500 Grand Boulevard
Suite 210
Miramar Beach, Florida 32550

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

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Supervisors
Fishhawk Community Development District II
Hillsborough County, Florida

We have examined Fishhawk Community Development District II's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2015. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

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

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
March 24, 2016