

**INDEPENDENT AUDITORS' REPORT  
AND  
SPECIAL PURPOSE  
FINANCIAL STATEMENTS**

**RAINBOW LAKES ESTATES  
MUNICIPAL SERVICE DISTRICT  
RAINBOW LAKES ESTATES, FLORIDA**

**SEPTEMBER 30, 2015**

**INDEPENDENT AUDITORS' REPORT  
AND  
SPECIAL PURPOSE  
FINANCIAL STATEMENTS**

**RAINBOW LAKES ESTATES  
MUNICIPAL SERVICE DISTRICT  
RAINBOW LAKES ESTATES, FLORIDA**

**SEPTEMBER 30, 2015**

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## INDEPENDENT AUDITORS' REPORT

The Honorable Board of County Commissioners  
Marion County, Florida

### Report on the Financial Statements

We have audited the accompanying special purpose financial statements of the Rainbow Lakes Estates Municipal Service District (the District) as of and for the year ended September 30, 2015, and the related notes to the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

### Opinion

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of September 30, 2015, and its changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### Certified Public Accountants

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

**INDEPENDENT AUDITORS' REPORT**  
*(Concluded)*

**Emphasis of Matter – Incomplete Presentation**

As discussed in Note 1 to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with the *Rules of the Auditor General* (the Rules) of the State of Florida. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position, and budgetary comparisons, of only that portion of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion County, Florida, that is attributable to the transactions of the District. They do not purport to, and do not, present fairly the financial position of Marion County, Florida, as of September 30, 2015, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated May 13, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

*Durvis, Gray and Company, LLP*

May 13, 2016  
Ocala, Florida

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
RAINBOW LAKES ESTATES MUNICIPAL SERVICE DISTRICT**

As Management of the Rainbow Lakes Estates Municipal Service District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2015. All amounts, unless otherwise indicated, are expressed in whole dollars.

**Financial Highlights**

The assets of the District were exceeded by liabilities at the close of this fiscal year by \$1,075,867. The District had no bonded debt outstanding at the close of the fiscal year. Expenditures exceeded revenues by \$128,297 for the fiscal year. The District's revenues exceeded budgeted amounts by \$23,141 and expenditures were less than budgeted amounts by \$578,889.

**Overview of the Financial Statements**

The Balance Sheet presents information on the District's assets and liabilities, with the difference between the two reported as Fund Balance. Over time, increases or decreases in Fund Balance may serve as a useful indicator of whether the working capital of the District is improving or deteriorating.

The Statement of Revenues, Expenditures, and Changes in Fund Balance presents information showing how the District's Fund Balance changed during the most current fiscal year. All changes in Fund Balance are reported on the modified accrual basis. Thus, revenues are reported in this statement for amounts earned and received during the fiscal year plus accruals of subsequent receipts received within 60 days of year-end that relate to the 2015 fiscal year. Expenditures are recognized for actual cash disbursements made during the year and accruals of payables and other short-term liabilities that are liquidated with current available resources and relate to the 2015 year.

The financial statements are presented using provisions of the Governmental Accounting Standards Board that pertain to single purpose governmental entities. The District maintains only one fund, which is accounted for as the General Fund.

**Notes to the Financial Statements**

The notes provide additional information that is essential to the full understanding of the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance. The notes to the financial statement are on pages 6 through 11.

**Capital Assets**

The District's investment in capital assets as of September 30, 2015, amounts to \$5,868,104. This investment consists of land, construction in progress, buildings, improvements, and machinery and equipment. Accumulated Depreciation totals \$2,037,442 (see Note 3 for further information).

**Request for Information**

This financial report is designed to provide a general overview of the finances for those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District or to the Marion County Clerk's Finance Office in Ocala, Florida.

**SPECIAL PURPOSE FINANCIAL STATEMENTS**

**SPECIAL PURPOSE FINANCIAL STATEMENTS**  
**BALANCE SHEET**  
**SEPTEMBER 30, 2015**  
**RAINBOW LAKES ESTATES MUNICIPAL SERVICE DISTRICT**  
**RAINBOW LAKES ESTATES, FLORIDA**

**Assets**

Cash and Cash Equivalents	\$ 1,077,844
Due from Other Governmental Units	<u>3,786</u>
<b>Total Assets</b>	<b><u><u>1,081,630</u></u></b>

**Liabilities and Fund Balance**

**Liabilities**

Accounts Payable	1,543
Contracts Payable	<u>4,220</u>
<b>Total Liabilities</b>	<b><u>5,763</u></b>

**Fund Balance**

Restricted for:	
Transportation Maintenance	<u>1,075,867</u>
<b>Total Fund Balance</b>	<b><u>1,075,867</u></b>

<b>Total Liabilities and Fund Balance</b>	<b><u><u>\$ 1,081,630</u></u></b>
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**SPECIAL PURPOSE FINANCIAL STATEMENTS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015  
RAINBOW LAKES ESTATES, FLORIDA**

<b>Revenues</b>	
Taxes	\$ 193,798
Permits and Fees	132,173
Charges for Services	43
Investment Income	8,775
Miscellaneous Revenues	17,984
<b>Total Revenues</b>	<u>352,773</u>
<b>Expenditures</b>	
Current:	
General Government	267,457
Transportation	213,613
<b>(Total Expenditures)</b>	<u>(481,070)</u>
 <b>Net Change in Fund Balance</b>	 (128,297)
 <b>Fund Balance, Beginning of Year</b>	 <u>1,204,164</u>
 <b>Fund Balance, End of Year</b>	 <u>\$ 1,075,867</u>

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS  
RAINBOW LAKES ESTATES MUNICIPAL SERVICE DISTRICT  
RAINBOW LAKES ESTATES, FLORIDA**

**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Marion County Florida Board of County Commissioners (the Board) conform to generally accepted accounting principles, as applicable to governments. The following is a summary of the more significant policies:

**Reporting Entity**

The Rainbow Lakes Estates Municipal Service District (the District) was created under the Laws of Florida, Chapter 69-1298, and Marion County Code Sections A5-1 through A5-7. The Board acts as the governing authority of the District, thus having significant influence over its operations and fiscal management. The District is reported as a special revenue fund within Marion County Florida's (the County) overall basic financial statements.

**Special Purpose Financial Statements**

These special purpose financial statements are presented for the purpose of complying with state law, which requires separate financial reporting for Special Districts overlapping two or more counties and, accordingly, does not present entity-wide financial statements in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34. All other relevant aspects of GASB Statement No. 34 have been incorporated into this report.

Entity-wide financial statements are prepared at the county-wide level by the County and include the District. Copies of that report can be obtained from the County Clerk's office.

**Basis of Presentation**

The financial transactions of the District are recorded in an individual special revenue fund.

■ **Description of Funds and Account Groups**

- **Governmental Fund Type**—Governmental funds are those through which most governmental functions are financed. The acquisition, use, and balances of the District's expendable financial resources and the related liabilities are accounted for through a special revenue fund. The measurement focus is upon determination of changes in financial position rather than upon net income determination.
- **Special Revenue Funds**—Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than the debt service or capital projects.
- **Restricted Fund Balance**—Fund Balance should be reported as restricted when constraints placed on the use of resources such as enabling legislation, which authorizes the government to assess, levy, charge, or otherwise mandate payment of resources.
- **Assigned Fund Balance**—Fund Balance should be reported as assigned when funds are constrained by the government's intent to be used for specific purposes.

**Measurement Focus**

Governmental fund types are accounted for on a "spending" or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. Reported fund balance (net current assets) is considered a measure of "available, spendable, or appropriable resources." Governmental fund type operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS  
RAINBOW LAKES ESTATES MUNICIPAL SERVICE DISTRICT  
RAINBOW LAKES ESTATES, FLORIDA  
(Continued)**

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Basis of Accounting**

Governmental fund type revenues and expenditures are recognized on the modified accrual basis. This method recognizes revenues in the accounting period in which they become available and measurable. Expenditures are recognized in the period in which the fund liability is incurred (except unmatured interest on general long-term debt, which is recognized when due). Property taxes levied for the 2015 calendar year are not considered available at September 30, 2015, since a legally enforceable claim did not exist as of that date, and those revenues are not collected in sufficient time thereafter to be used for fiscal 2015 expenditures.

**Budgetary Requirements**

The following procedures are utilized by the County in establishing and/or amending the budgetary information contained in the financial statements (the District's budget is included in the County's budget):

- On or before June 1 of each year, the Clerk of the Circuit Court, Sheriff, Supervisor of Elections, and Tax Collector each submit a proposed operating budget for the ensuing fiscal year to the Board.
- The proposed operating budget of the Property Appraiser must be presented to the Board on or before June 1 of each year and is simultaneously submitted by the Property Appraiser to the State of Florida, Department of Revenue, from which the final approval of the budget of the Property Appraiser must emanate.

On or before July 15 of each year, or within 15 days after the receipt of the certified taxable property values from the Property Appraiser, whichever occurs last, the Clerk of the Circuit Court, as Clerk to the Board (and budget officer), presents to the Board a proposed budget for the fiscal year commencing the following October 1. Pursuant to the provisions of Section 129.01, Florida Statutes, the proposed budgets as submitted contain balanced statements of estimated revenues (including unexpended fund balances to be carried forward) and proposed appropriations for each fund required to be presented by laws or by sound financial practices, including the general, special revenue, debt service, and capital projects funds.

- Following is a preliminary review of the proposed budgets by the Board, whose members make such changes as are deemed necessary (provided that the proposed budget for each fund remains balanced), the Board causes a notice of proposed property taxes to be mailed to each County property taxpayer. Included in the notice is a statement of the Board's intent to hold a public hearing to consider adoption of the tentative millage rates and budgets, as well as a comparison of the taxpayer's proposed property tax bill with the actual tax bill of the preceding year.
- Following successful completion of the above-referenced public hearings, the Board advertises and subsequently conducts a second public hearing to finally adopt a millage rate and budget for each of the taxing entities under their jurisdiction. These public hearings are ordinarily held prior to October 1 of each year. If, however, for some reason the Board is unable to finally adopt a budget prior to October 1, state law permits the readoption by resolution of the budget of the preceding year as an interim measure.

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS  
RAINBOW LAKES ESTATES MUNICIPAL SERVICE DISTRICT  
RAINBOW LAKES ESTATES, FLORIDA  
(Continued)**

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Budgetary Requirements (Concluded)**

- Pursuant to the provisions of Section 129.07, Florida Statutes, the Board is prohibited from expending or contracting for the expenditure of any amount in excess of the total amount budgeted in any fund. It is, however, legally permissible at the present time for the budgets of individual departments included within a particular fund to be overexpended in total without requiring mandatory action by either the Board, the Clerk of the Circuit Court, as Clerk to the Board (the budget officer), or the County Administrator. Transfers of appropriate amounts between funds require approval of the Board.
- Subsequent to final adoption of the budget by the Board, changes to the budget, as enacted, are only required (by either statutory law or current management practices) when revenues not anticipated in the original budget document are received which management wishes to have appropriated during the current year, resulting in an increase to the total appropriations of a fund. Such increases can only be incorporated into the budget document following approval by the Board at a duly advertised public hearing held to consider the adoption of the supplemental budgets.
- Adoption and execution of the budgets are governed in accordance with applicable provisions of the Florida Statutes.
- Formal budgetary integration at the object level is used as a management control device for all governmental funds of the Board for which annual budgets are adopted, including the general, special revenue, debt service, and capital projects funds. The level at which expenditures may not legally exceed appropriations is the fund level.
- Budgets for the general fund, special revenue, debt service, and capital projects funds are adopted on a basis consistent with generally accepted accounting principles.
- All appropriations lapse at the end of each fiscal year, although the Board expects to honor purchase orders and contracts in process, subject to authority provided in the subsequent year's budgets.

**Property Taxes**

Under Florida law, the assessment of all properties and the collection of all county, municipal, and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State of Florida regulating tax assessment are also designed to assure a consistent property valuation method state-wide. Florida Statutes permit counties to levy property taxes at a rate of up to 10 mills.

The tax levy of the County is established by the Board prior to October 1 of each year and the Tax Collector incorporates the mileages into the total tax levy, which includes the municipalities, independent districts, and the County School Board tax requirements and produces the tax bill.

All property is reassessed according to its fair market value on January 1 of each year. Each assessment roll is submitted to the Executive Director of the State of Florida, Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of Florida Statutes.

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS  
RAINBOW LAKES ESTATES MUNICIPAL SERVICE DISTRICT  
RAINBOW LAKES ESTATES, FLORIDA  
(Continued)**

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Property Taxes (Concluded)**

All taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. Taxes paid in March are without discount.

On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. Delinquent taxes on real property bear interest at 18% per year or as bid in a public sale of tax certificates. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by the County.

Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the seven-year statute of limitations.

The Board does not accrue its portion of the County-held tax sale certificates or personal property tax warrants because such amounts are not measurable and available as of the balance sheet date.

Key dates in the property tax cycle for the fiscal year ended September 30, 2015, were as follows:

Assessment Roll Certified	June 2014
Beginning of Fiscal Year for Which Taxes Have Been Levied	October 2014
Property Taxes Levied	October 2014
Tax Bills Issued	November 1, 2014
Property Taxes Due by:	
For Maximum Discount	November 30, 2014
Delinquent After	March 31, 2015
Tax Certificates (Liens) Sold on Unpaid Property Taxes	No later than June 1, 2015

**Equity in Pooled Cash and Investments**

The Board maintains a pooled cash fund, which allows the various funds of the Board to pool monies for investment purposes. The Board maintains records to identify the equity of each fund investing in the pool as well as amounts borrowed from the pool. Investment earnings of the pool are recorded as earned and are allocated to the participating funds based on the respective funds average daily balance. The equity in pooled cash consists of cash, U.S. Treasuries, federal instrumentalities, commercial paper, and money market funds.

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS  
RAINBOW LAKES ESTATES MUNICIPAL SERVICE DISTRICT  
RAINBOW LAKES ESTATES, FLORIDA  
(Continued)**

**Note 1 - Summary of Significant Accounting Policies (Concluded)**

**Capital Assets**

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the statement of net assets of the County. Property and equipment with initial individual costs that equal or exceed \$1,000 and estimated useful lives of over one year are recorded as capital assets. Buildings and improvements with initial individual cost that equal or exceed \$25,000 are recorded as capital assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The District capitalizes major expenditures for additions and improvements. Expenditures for maintenance and repairs are charged to operating expenses.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	10-30
Machinery, Equipment, and Vehicles	5
Infrastructure	15-50

**Note 2 - Cash and Equity in Pooled Cash and Investments**

**Cash and Investments**

At September 30, 2015, the District's carrying amount of cash deposits accounts was \$1,077,844. These funds are pooled as part of the County pooled cash funds. The pooled cash and investments of the County consist of cash, U.S. treasuries, federal instrumentalities, commercial paper, and money market funds. The County's cash deposits are held by a bank that qualifies as a public depository under the *Florida Security for Public Deposits Act*, as required by Chapter 280, Florida Statutes. The County maintains an investment policy managing pooled cash and investments. Further information on the County's pooled cash and investments can be found in the notes to the annual financial statements of the County.

**Note 3 - Capital Assets**

Land, buildings and improvements, and tangible personal property of the District are reported as capital assets in the statement of net assets as part of the basic financial statements of the County. Upon acquisition, such assets are recorded as expenditures in the special revenue fund of the District and capitalized at cost in the capital asset accounts of the County.

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**  
**RAINBOW LAKES ESTATES MUNICIPAL SERVICE DISTRICT**  
**RAINBOW LAKES ESTATES, FLORIDA**  
*(Concluded)*

**Note 3 - Capital Assets (Concluded)**

Capital asset activity for the year ended September 30, 2015, was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>(Decreases)</b>	<b>Ending Balance</b>
<b>Capital Assets, Not Being Depreciated</b>				
Land	\$ 188,367	\$ 0	\$ 0	\$ 188,367
Construction in Progress	110,671	62,954	(3,150)	170,475
<b>Total Capital Assets, Not Being Depreciated</b>	<u>299,038</u>	<u>62,954</u>	<u>(3,150)</u>	<u>358,842</u>
<b>Capital Assets, Being Depreciated</b>				
Buildings	974,053	0	0	974,053
Improvements	970,637	94,653	0	1,065,290
Machinery, Equipment, and Vehicles	690,879	3,957	(52,712)	642,124
Infrastructure	2,827,795	0	0	2,827,795
<b>Total Capital Assets, Being Depreciated</b>	<u>5,463,364</u>	<u>98,610</u>	<u>(52,712)</u>	<u>5,509,262</u>
<b>Less Accumulated Depreciation</b>				
Buildings	(575,303)	(28,813)	0	(604,116)
Improvements	(429,236)	(77,603)	0	(506,839)
Machinery, Equipment, and Vehicles	(619,393)	(26,917)	52,712	(593,598)
Infrastructure	(273,003)	(59,886)	0	(332,889)
<b>Total Accumulated Depreciation</b>	<u>(1,896,935)</u>	<u>(193,219)</u>	<u>52,712</u>	<u>(2,037,442)</u>
<b>Total Capital Assets Being Depreciated, Net</b>	<u>3,566,429</u>	<u>(94,609)</u>	<u>0</u>	<u>3,471,820</u>
<b>Total Capital Assets, Net</b>	<u>\$ 3,865,467</u>	<u>\$ (31,655)</u>	<u>\$ (3,150)</u>	<u>\$ 3,830,662</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015  
RAINBOW LAKES ESTATES MUNICIPAL SERVICE DISTRICT  
RAINBOW LAKES ESTATES, FLORIDA**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 193,887	\$ 193,887	\$ 193,798	\$ (89)
Permits and Fees	128,155	128,155	132,173	4,018
Charges for Services	85	85	43	(42)
Investment Income	2,185	2,185	8,775	6,590
Miscellaneous Revenues	5,320	5,320	17,984	12,664
<b>Total Revenues</b>	329,632	329,632	352,773	23,141
<b>Expenditures</b>				
Current:				
General Government	747,016	747,016	267,457	479,559
Transportation	312,943	312,943	213,613	99,330
<b>(Total Expenditures)</b>	(1,059,959)	(1,059,959)	(481,070)	578,889
<b>Net Change in Fund Balance</b>	(730,327)	(730,327)	(128,297)	602,030
<b>Fund Balance, Beginning of Year</b>	730,327	730,327	1,204,164	473,837
<b>Fund Balance, End of Year</b>	\$ 0	\$ 0	\$ 1,075,867	\$ 1,075,867

## **OTHER REPORTS**

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

The Honorable Board of County Commissioners  
Marion 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 special purpose financial statements of the Rainbow Lakes Estates Municipal Service District (the District), as of and for the year ended September 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated May 13, 2016, which was modified to state that the special purpose financial statements are not intended to be a complete presentation of Marion County, Florida.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the special purpose 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 of 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 on the District's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Certified Public Accountants**

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

The Honorable Board of County Commissioners  
Marion County, Florida

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF SPECIAL PURPOSE FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Concluded)**

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

*Durvis, Gray and Company, LLP*

May 13, 2016  
Ocala, Florida

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH  
SECTION 218.415, FLORIDA STATUTES**

The Honorable Board of County Commissioners  
Marion County, Florida

**Report on Compliance**

We have examined the Rainbow Lakes Estates Municipal Service District's (the District) compliance with the requirements of Section 218.415, Florida Statutes, as of and for the year ended September 30, 2015, as required by Section 10.556(10)(a), *Rules of the Auditor General*.

**Management's Responsibility**

Management is responsible for the District's compliance with those requirements.

**Accountants' Responsibility**

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.

**Opinion**

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

**Restriction on Use**

The report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the District, it's management, and the Board of County Commissioners of Marion County, Florida, and is not intended to be, and should not be used by anyone other than these specified parties.

*Purvis, Gray and Company, LLP*

May 13, 2016  
Ocala, Florida

**Certified Public Accountants**

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## MANAGEMENT LETTER

The Honorable Board of County Commissioners  
Marion County, Florida

### Report on the Financial Statements

We have audited the special purpose financial statements of the Rainbow Lakes Estates Municipal Service District (the District), as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated May 13, 2016, which was modified to state that the special purpose financial statements are not intended to be a complete presentation of Marion County, Florida.

### Auditors' Responsibility

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

### Other Reports

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Special Purpose Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on Compliance with Section 218.415, Florida Statutes. Disclosures in these reports, which are dated May 13, 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 significant findings or recommendations in the preceding annual financial audit report.

### Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority of the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes of the financial statements (see Note 1 of the accompanying special purpose financial statements).

### Financial Condition

Section 10.554(1)(i)5a. 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 the District has met one 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 District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

### Certified Public Accountants

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The Honorable Board of County Commissioners  
Marion County, Florida

**MANAGEMENT LETTER**  
*(Concluded)*

**Financial Condition (Concluded)**

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 the financial information provided by same.

**Annual Financial Report**

Sections 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether 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.

**Special District Component Units**

Section 10.554(1)(i)5.d., *Rules of the Auditor General*, requires that we determine whether or not a special district is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

**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 contract and 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 identified 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 Commissioners, and applicable management, and is not intended and should not be used by anyone other than those specified parties.



May 13, 2016  
Ocala, Florida