

**FISHHAWK COMMUNITY DEVELOPMENT DISTRICT II
HILLSBOROUGH COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2016**

**FISHHAWK COMMUNITY DEVELOPMENT DISTRICT II
HILLSBOROUGH COUNTY, FLORIDA**

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INDEPENDENT AUDITOR'S REPORT

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

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, Hillsborough County, Florida ("District") as of and for the fiscal year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated March 30, 2017, on our consideration of the District's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.



March 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Fishhawk Community Development District II, Hillsborough County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2016. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets plus deferred outflows of resources of the District exceeded its liabilities at the close of the most recent fiscal year resulting in a net position balance of \$8,252,558.
- The change in the District's total net position in comparison with the prior fiscal year was (\$668,560), a decrease. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2016, the District's governmental funds reported combined ending fund balances of \$3,755,344, an increase of \$472,097 in comparison with the prior fiscal year. A portion of the fund balance is restricted for debt service and capital projects, non-spendable for prepaid items, assigned to capital reserves, and the remainder is unassigned fund balance which is available for spending at the District's discretion.
- During fiscal year 2016, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Please see New Accounting Standards Adopted in Note 2 of the financial statements for additional information.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

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

Governmental Funds

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

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

The District maintains three governmental funds for external reporting. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and capital projects fund, all of which are considered major funds.

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

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

The District's net position reflects its investment in capital assets (e.g. land, land improvements, and infrastructure) less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

NET POSITION SEPTEMBER 30,		
	2016	2015
Current and other assets	\$ 3,873,748	\$ 3,431,035
Capital assets, net of depreciation	15,375,001	16,925,358
Total assets	19,248,749	20,356,393
Deferred outflows of resources	86,517	91,324
Total assets and deferred outflows	19,335,266	20,447,717
Current liabilities	304,694	742,987
Long-term liabilities	10,778,014	10,783,612
Total liabilities	11,082,708	11,526,599
Net position		
Net investment in capital assets	11,326,815	12,716,472
Restricted for debt service	47,497	56,028
Restricted for capital projects	861,435	852,634
Unrestricted	(3,983,189)	(4,704,016)
Total net position	\$ 8,252,558	\$ 8,921,118

The District's net position decreased during the most recent fiscal year. The majority of the decrease represents the extent to which the cost of operations and depreciation expense exceeded ongoing program revenues.

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

CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED SEPTEMBER 30,		
	2016	2015
Revenues:		
Program revenues		
Charges for services	\$ 2,924,882	\$ 2,870,225
Operating grants and contributions	1,248	-
Capital grants and contributions	1,078	-
General revenues		
Unrestricted investment earnings	4,323	4,204
Miscellaneous	240,785	50,617
Total revenues	3,172,316	2,925,046
Expenses:		
General government	161,815	174,451
Maintenance and operations	1,920,473	2,394,802
Parks and recreation	1,296,882	923,926
Interest	461,706	470,571
Total expenses	3,840,876	3,963,750
Change in net position	(668,560)	(1,038,704)
Net position - beginning	8,921,118	9,959,822
Net position - ending	\$ 8,252,558	\$ 8,921,118

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2016 was \$3,840,876. The costs of the District's activities were primarily funded by program revenues. As in the prior year, program revenues are comprised primarily of assessments. The overall increase in revenues is primarily due to refunds received in the current fiscal for property taxes and utility charges on County owned streetlights paid by the District in prior years. The majority of the decrease in total expenses was the result of a decrease in professional services including the landscape maintenance and repairs, and in utility charges due to correction on the billing of certain streetlights.

GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual expenditures in the general fund did not exceed appropriations for the fiscal year ended September 30, 2016.

The variance between budgeted and actual general fund revenues for the current fiscal year is primarily the result of the receipt of vendor refunds that were not budgeted. In addition, fewer landowners took advantage on the early payment discount than anticipated leading to higher collections on assessments. The actual general fund expenditures for the current fiscal year were lower than budgeted amounts due primarily to anticipated costs which were not incurred in the current fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2016, the District had \$31,233,678 invested in capital assets for its governmental activities. In the government-wide financial statements depreciation of \$15,858,677 has been taken, which resulted in a net book value of \$15,375,001. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Capital Debt

At September 30, 2016, the District had \$10,855,000 Bonds outstanding for its governmental activities. More detailed information about the District's capital debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

The District does not anticipate any additional major projects or significant changes to its infrastructure maintenance program for fiscal year 2017. In addition, it is anticipated that the general operations of the District will remain fairly constant.

The Board has initiated discussions related to the merger of the District with Fishhawk Community Development District I and Fishhawk Community Development District III; however, no formal action has been taken.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide homeowners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Fishhawk Community Development District II's Finance Department at 12750 Citrus Park Lane, Suite 115, Tampa, Florida 33625.

FINANCIAL STATEMENTS

**FISHHAWK COMMUNITY DEVELOPMENT DISTRICT II
HILLSBOROUGH COUNTY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,203,991
Due from other Districts	1,042
Other receivables	30,450
Prepays and deposits	51,411
Restricted assets:	
Investments	1,586,854
Capital assets:	
Nondepreciable	423,471
Depreciable, net	14,951,530
Total assets	19,248,749
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding (debit)	86,517
Total deferred outflows of resources	86,517
 LIABILITIES	
Accounts payable and accrued expenses	117,904
Accrued interest payable	186,290
Deposits payable	500
Non-current liabilities:	
Due within one year	410,000
Due in more than one year	10,368,014
Total liabilities	11,082,708
 NET POSITION	
Net investment in capital assets	11,326,815
Restricted for debt service	47,497
Restricted for capital projects	861,435
Unrestricted	(3,983,189)
Total net position	\$ 8,252,558

See notes to the financial statements

**FISHHAWK COMMUNITY DEVELOPMENT DISTRICT II
HILLSBOROUGH COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

Functions/Programs Primary government:	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:				
General government	\$ 161,815	\$ -	\$ -	\$ -
Maintenance and operations	1,920,473	-	-	(101,107)
Parks and recreation	1,296,882	-	1,078	(1,215,396)
Interest on long-term debt	461,706	1,248	-	402,835
Total governmental activities	3,840,876	1,248	1,078	(913,668)
General revenues:				
Unrestricted investment earnings				4,323
Miscellaneous income				240,785
Total general revenues				245,108
Change in net position				(668,560)
Net position- beginning				8,921,118
Net position- ending				\$ 8,252,558

See notes to the financial statements

**FISHHAWK COMMUNITY DEVELOPMENT DISTRICT II
HILLSBOROUGH COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
ASSETS				
Cash and cash equivalents	\$ 2,203,991	\$ -	\$ -	\$ 2,203,991
Investments	-	725,419	861,435	1,586,854
Other receivables	30,450	-	-	30,450
Due from other Districts	1,042	-	-	1,042
Prepays and deposits	51,411	-	-	51,411
Total assets	<u>\$ 2,286,894</u>	<u>\$ 725,419</u>	<u>\$ 861,435</u>	<u>\$ 3,873,748</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 117,904	\$ -	\$ -	\$ 117,904
Deposits payable	500	-	-	500
Total liabilities	<u>118,404</u>	<u>-</u>	<u>-</u>	<u>118,404</u>
Fund balances:				
Nonspendable:				
Prepays and deposits	51,411	-	-	51,411
Restricted for:				
Debt service	-	725,419	-	725,419
Capital projects	-	-	861,435	861,435
Assigned to:				
Capital reserves	1,857,045	-	-	1,857,045
Unassigned	260,034	-	-	260,034
Total fund balances	<u>2,168,490</u>	<u>725,419</u>	<u>861,435</u>	<u>3,755,344</u>
Total liabilities and fund balances	<u>\$ 2,286,894</u>	<u>\$ 725,419</u>	<u>\$ 861,435</u>	<u>\$ 3,873,748</u>

See notes to the financial statements

**FISHHAWK COMMUNITY DEVELOPMENT DISTRICT II
HILLSBOROUGH COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

Total fund balances - governmental funds \$ 3,755,344

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

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

Cost of capital assets	31,233,678	
Accumulated depreciation	<u>(15,858,677)</u>	15,375,001

Deferred charges on refunding of long-term debt are shown as deferred outflows/inflows of resources in the government-wide financial statements; however, this amount is expensed in the governmental fund financial statements.

86,517

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

Accrued interest payable	(186,290)	
Bonds payable	<u>(10,778,014)</u>	<u>(10,964,304)</u>
Net position of governmental activities		<u><u>\$ 8,252,558</u></u>

See notes to the financial statements

**FISHHAWK COMMUNITY DEVELOPMENT DISTRICT II
HILLSBOROUGH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
REVENUES				
Assessments	\$ 1,981,181	\$ 863,293	\$ -	\$ 2,844,474
Interest	4,323	1,248	1,078	6,649
Palmetto Club revenue	80,408	-	-	80,408
Miscellaneous revenue	240,785	-	-	240,785
Total revenues	<u>2,306,697</u>	<u>864,541</u>	<u>1,078</u>	<u>3,172,316</u>
EXPENDITURES				
Current:				
General government	161,815	-	-	161,815
Maintenance and operations	1,105,650	-	1,628	1,107,278
Parks and recreation	481,218	-	-	481,218
Debt Service:				
Principal	-	415,000	-	415,000
Interest	-	456,406	-	456,406
Capital outlay	78,502	-	-	78,502
Total expenditures	<u>1,827,185</u>	<u>871,406</u>	<u>1,628</u>	<u>2,700,219</u>
Excess (deficiency) of revenues over (under) expenditures	479,512	(6,865)	(550)	472,097
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	9,351	9,351
Transfers (out)	-	(9,351)	-	(9,351)
Total other financing sources (uses)	<u>-</u>	<u>(9,351)</u>	<u>9,351</u>	<u>-</u>
Net change in fund balances	479,512	(16,216)	8,801	472,097
Fund balances - beginning	<u>1,688,978</u>	<u>741,635</u>	<u>852,634</u>	<u>3,283,247</u>
Fund balances - ending	<u>\$ 2,168,490</u>	<u>\$ 725,419</u>	<u>\$ 861,435</u>	<u>\$ 3,755,344</u>

See notes to the financial statements

**FISHHAWK COMMUNITY DEVELOPMENT DISTRICT II
HILLSBOROUGH COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

Net change in fund balances - total governmental funds	\$ 472,097
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, the cost of capital assets is eliminated in the statement of activities and capitalized in the statement of net position.	78,502
Depreciation of capital assets is not recognized in the governmental fund financial statements, but is reported as an expense in the statement of activities.	(1,614,822)
Repayment of long-term liabilities are reported as expenditures in the governmental fund financial statements, but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.	415,000
Removing previously capitalized items is recorded as an expense in the statement of activities.	(14,037)
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds. The details of the differences are as follows:	
Amortization of deferred amount on refunding	(4,807)
Amortization of original issue discount/premium	(4,402)
Change in accrued interest	3,909
Change in net position of governmental activities	\$ (668,560)

See notes to the financial statements

**FISHHAWK COMMUNITY DEVELOPMENT DISTRICT II
HILLSBOROUGH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Fishhawk Community Development District II ("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 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 the Board of Supervisors ("Board"), which is composed 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. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the final responsibility for:

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Assessments

Assessments, including debt service assessments and operation and maintenance assessments, are non-ad valorem 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 in the District. Debt service special assessments are imposed upon certain lots and lands described in each resolution imposing the special assessment for each series of Bonds issued by the District.

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

The District reports the following major governmental funds:

General Fund

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

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt.

Capital Projects Fund

This fund accounts for the financial resources to be used for the acquisition or construction of major infrastructure within the District.

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 for qualifying expenditures, then unrestricted resources as they are needed.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Standards Adopted

During fiscal year 2016, the District adopted three new accounting standards as follows:

GASB 72, Fair Value Measurement and Application

The Statement improves financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No. 6, *Measurement of Elements of Financial Statements*, and other relevant literature.

GASB 76 - The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

The Statement identifies—in the context of the current governmental financial reporting environment—the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles.

GASB 79 - Certain External Investment Pools and Pool Participants

This Statement establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement also establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost.

Assets, Liabilities and Net Assets or Equity

Restricted Assets

These assets represent cash and investments set aside pursuant to Bond covenants or other contractual restrictions.

Deposits and Investments

The District's cash on hand and demand deposits are considered to be cash and cash equivalents.

The District has adopted a written investment policy, which complies with the requirements of Section 218.415 Florida Statutes. All investments comply with the requirements of the written investment policy. The District may invest any surplus public funds in the following:

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

In addition, surplus funds may be deposited into certificates of deposit which are insured. Any unspent proceeds are required to be held in investments as specified in the Bond Indenture.

The District records all interest revenue related to investment activities in the respective funds. Investments are measured at amortized cost or reported at fair value as required by generally accepted accounting principles.

Inventories and Prepaid Items

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Recreational facilities	20
Stormwater and water systems	25
Landscaping	15
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.

Refundings of Debt

For current refundings and advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and recognized ratably as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. In connection with the refunding, \$4,807 was recognized as a component of interest expense in the current fiscal year.

Unearned Revenue

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

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized ratably over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts. Bond issuance costs are expensed when incurred.

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

Deferred Outflows/Inflows of Resources

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Deferred Outflows/Inflows of Resources (Continued)

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

Fund Equity/Net Position

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

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

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

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

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

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

Other Disclosures

Use of Estimates

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

NOTE 3 – BUDGETARY INFORMATION

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

NOTE 3 – BUDGETARY INFORMATION (Continued)

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

- a) Each year the 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 budget changes must be approved by the District Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

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

Investments

The District's investments were held as follows at September 30, 2016:

	Amortized cost	Credit Risk	Weighted Average Maturities
First American Treasury Obligation Fund			
CL Z	\$ 1,586,854	S&P AAAM	39 days
Total Investments	<u>\$ 1,586,854</u>		

Credit risk – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

Concentration risk – The District places no limit on the amount the District may invest in any one issuer.

Interest rate risk – The District does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

The Bond indenture limits the type of investments held using unspent Bond proceeds.

Fair Value Measurement – When applicable, the District measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- *Level 1:* Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the District has the ability to access;
- *Level 2:* Investments whose inputs - other than quoted market prices - are observable either directly or indirectly; and,
- *Level 3:* Investments whose inputs are unobservable.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Money market investments that have a maturity at the time of purchase of one year or less and are held by governments other than external investment pools should be measured at amortized cost. Accordingly, the District's investments have been reported at amortized cost above.

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended September 30, 2016 were as follows:

	Transfer In	Transfer Out
Debt service fund	\$ -	\$ 9,351
Capital projects fund	9,351	-
	<u>\$ 9,351</u>	<u>\$ 9,351</u>

Transfers from the debt service fund to the capital projects fund are to move excess reserves and interest earnings on the reserve accounts to the deferred cost trust accounts. Transfers are in accordance with the Bond Indenture.

NOTE 6 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land and land improvements	\$ 344,969	\$ -	\$ -	\$ 344,969
Infrastructure under construction	14,037	78,502	(14,037)	78,502
Total capital assets, not being depreciated	<u>359,006</u>	<u>78,502</u>	<u>(14,037)</u>	<u>423,471</u>
Capital assets, being depreciated				
Recreational facilities	15,886,659	-	-	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	<u>30,810,207</u>	<u>-</u>	<u>-</u>	<u>30,810,207</u>
Less accumulated depreciation for:				
Recreational facilities	(7,891,269)	(804,945)	-	(8,696,214)
Stormwater and water systems	(2,602,413)	(289,157)	-	(2,891,570)
Landscaping	(3,715,336)	(510,001)	-	(4,225,337)
Equipment	(34,837)	(10,719)	-	(45,556)
Total accumulated depreciation	<u>(14,243,855)</u>	<u>(1,614,822)</u>	<u>-</u>	<u>(15,858,677)</u>
Total capital assets, being depreciated, net	<u>16,566,352</u>	<u>(1,614,822)</u>	<u>-</u>	<u>14,951,530</u>
Governmental activities capital assets	<u>\$ 16,925,358</u>	<u>\$ (1,536,320)</u>	<u>\$ (14,037)</u>	<u>\$ 15,375,001</u>

Depreciation expense was charged to function/programs as follows:

Maintenance and operations	\$ 799,158
Parks and recreation	815,664
Total depreciation	<u>\$ 1,614,822</u>

The Series 2007 project cost, which is under construction, has been estimated at \$14.7 million. The infrastructure will include roadways, wastewater and water systems, landscape and streetscape, and recreational amenities. A portion of the project costs will be funded with proceeds from the Series 2007 Bonds with the remainder to be funded by the Developer or the issuance of additional Bonds. Upon completion, certain infrastructure assets will be conveyed to other entities for ownership and maintenance.

NOTE 6 – CAPITAL ASSETS (Continued)

In connection with the 2007 project, if the District determines that there are deferred costs which exist at the completion of the project; these costs will be paid from amounts held in the Deferred Cost trust account. The trust account is funded from excess reserves of the Series 2007 Bond. The project has not been certified complete and the District has not yet determined if a liability exists for deferred costs. At September 30, 2016, a balance of \$54,258 is held in the Series 2007 Deferred Cost account.

NOTE 7 – LONG-TERM LIABILITIES

Series 2007

On May 1, 2007, the District issued \$13,225,000 of Special Assessment Revenue Bonds, consisting of \$2,420,000 Series 2007A Term Bonds due May 1, 2038 with a fixed interest rate of 5.25%, and \$10,805,000 Series 2007B 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. The Series 2007B Bonds was paid off in a prior fiscal year.

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, 2017 at a redemption price as set forth in the Bond Indenture. The Series 2007 Bonds are subject to extraordinary mandatory redemption prior to its selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirement as defined in the Bond Indenture. The Bond Indenture has certain other 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 agrees 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 at September 30, 2016.

Series 2013

On March 13, 2013 the District issued \$9,890,000 of Special Assessment Revenue Refunding Bonds, Series 2013, consisting of \$4,690,000 Serial Bonds due May 1, 2025 with a variable interest rates, \$2,065,000 Term Bonds due on May 1, 2029 with a fixed interest rate of 4.125%, and \$3,135,000 Term Bonds due May 1, 2034 with a fixed interest rate of 4.375%. The Bonds were issued to refund and redeem the outstanding Series 2003A and Series 2004A Bonds. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Series 2013 Bonds is paid serially commencing May 1, 2013 through May 1, 2034.

The Series 2013 Bonds are subject to redemption at the option of the District in whole or in part at any time at a redemption price as set forth in the Bond Indenture. The Series 2013 Bonds are subject to extraordinary mandatory redemption prior to its selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirement as defined in the Bond Indenture. The Bond Indenture has certain other 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 agrees 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 at September 30, 2016.

Changes in long-term liability activity for the fiscal year ended September 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2007A	\$ 2,130,000	\$ -	\$ (50,000)	\$ 2,080,000	\$ 50,000
Series 2013	9,140,000	-	(365,000)	8,775,000	360,000
Bond Discount	(81,388)	-	4,402	(76,986)	-
Total	<u>\$ 11,188,612</u>	<u>\$ -</u>	<u>\$ (410,598)</u>	<u>\$ 10,778,014</u>	<u>\$ 410,000</u>

NOTE 7 – LONG-TERM LIABILITIES (Continued)

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

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2017	\$ 410,000	\$ 447,090	\$ 857,090
2018	425,000	436,988	861,988
2019	435,000	425,138	860,138
2020	445,000	411,675	856,675
2021	465,000	397,058	862,058
2022-2026	2,610,000	1,704,388	4,314,388
2027-2031	3,195,000	1,104,706	4,299,706
2032-2036	2,570,000	352,800	2,922,800
2037-2038	300,000	23,100	323,100
	<u>\$ 10,855,000</u>	<u>\$ 5,302,943</u>	<u>\$ 16,157,943</u>

NOTE 8 – PALMETTO CLUB OPERATIONS

The Palmetto Club is rented for events such as conferences, weddings, etc. Rental income for the fiscal year ended September 30, 2016 was \$80,408 of which \$1,826 is a receivable at year end.

NOTE 9 – RELATED DISTRICT TRANSACTIONS

The District has entered into an agreement with Fishhawk Community Development District, Fishhawk III Community Development District and Fishhawk Ranch Homeowners Association, Inc ("HOA") for amenity management services provided by the HOA. The contract with the HOA for the current fiscal year provides for an annual payment of approximately \$595,000, with provision for true-up payments relating to payroll and employee reimbursements, for a total annual amount not to exceed \$625,000. Fishhawk is responsible for approximately 36% of the costs, Fishhawk III is responsible for approximately 13.2% and the District is responsible for the balance. For the fiscal year ended September 30, 2016, the District paid the HOA \$302,243 for services related to the contract, however after a true-up was conducted, the HOA owes the District \$26,450 as of September 30, 2016.

The District is related to Fishhawk Community Development District I 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. On September 30, 2016, the District was owed \$1,042 by the other Districts.

NOTE 10 – MANAGEMENT COMPANY

The District has contracted with a management company to perform management services, which include financial and accounting 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 11 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. The District filed six claims of approximately \$40,000 under this commercial coverage during the last three years, which does not exceed coverage limits.

NOTE 11 – RISK MANAGEMENT (Continued)

There are two pending or threatened litigations and/or claims being handled by a law firm for the District's insurer. One is involving a bicycle accident on a District trail on August 15, 2012 ("Matter One"), and a second claim involving a bicycle accident on a District trail ("Matter Two"), the facts of this claim have been alleged and the claim is in the discovery stage. Matter One has been noticed by the court that since no record activity has occurred in the case for over a year, the court will dismiss for failure to prosecute if no record activity occurs so the outcome of that claim is speculative. Matter Two is proceeding and is the discovery phase of the case and may result in a settlement. As of the report date, the outcomes cannot be determined and, therefore, no amounts related to these matters have been reflected in the financial statements.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent to fiscal year end, the District will be issuing \$1,995,000 of Special Assessment Revenue Refunding Bonds, Series 2017 that will be due May 1, 2034 with a fixed interest rate of 3.76%. The Bonds are being issued to refund the Special Assessment Revenue Bonds, Series 2007A. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Series 2017 Bonds is to be paid serially commencing May 1, 2018 through May 1, 2034.

**FISHHAWK COMMUNITY DEVELOPMENT DISTRICT II
HILLSBOROUGH COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts Original & Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Assessments	\$ 1,896,335	\$ 1,981,181	\$ 84,846
Palmetto Club revenue	85,200	80,408	(4,792)
Interest	-	4,323	4,323
Miscellaneous revenue	28,563	240,785	212,222
Total revenues	2,010,098	2,306,697	296,599
EXPENDITURES			
Current:			
General government	183,800	161,815	21,985
Maintenance and operations	1,091,436	1,105,650	(14,214)
Parks and recreation	504,783	481,218	23,565
Capital outlay	230,079	78,502	151,577
Total expenditures	2,010,098	1,827,185	182,913
Excess (deficiency) of revenues over (under) expenditures	\$ -	479,512	\$ 479,512
Fund balance - beginning		1,688,978	
Fund balance - ending		\$ 2,168,490	

See notes to required supplementary information

**FISHHAWK COMMUNITY DEVELOPMENT DISTRICT II
HILLSBOROUGH COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual expenditures in the general fund did not exceed appropriations for the fiscal year ended September 30, 2016.

The variance between budgeted and actual general fund revenues for the current fiscal year is primarily the result of the receipt of vendor refunds that were not budgeted. In addition, fewer landowners took advantage on the early payment discount than anticipated leading to higher collections on assessments. The actual general fund expenditures for the current fiscal year were lower than budgeted amounts due primarily to anticipated costs which were not incurred in the current fiscal year.



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

To the Board of Supervisors
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, Hillsborough County, Florida ("District") as of and for the fiscal year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated March 30, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Bhav & Associates

March 30, 2017



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

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

We have examined Fishhawk Community Development District II, Hillsborough County, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2016. Management is responsible for District's compliance with those requirements. Our responsibility is to express an opinion on 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2016, except that the individual assigned to make investment decisions did not have the required hours of continuing education for the year. The District should adopt the alternative guidelines for investments according to Florida Statute 218.415 or ensure the investment officer obtains the required hours.

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

Grau & Associates

March 30, 2017



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

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of Fishhawk Community Development District II, Hillsborough County, Florida ("District") as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated March 30, 2017.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 30, 2017, should be considered in conjunction with this management letter.

Purpose of this Letter

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

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

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

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

Grau & Associates

March 30, 2017

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

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

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

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

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2015.

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2016.

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2016.

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

5. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2016 financial audit report.

6. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.

7. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2016. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.