

Financial Report

April 30, 2019

Fishhawk Community Development District III

FISHHAWK COMMUNITY DEVELOPMENT DISTRICT III

TABLE OF CONTENTS

Period Ended April 30, 2019

	<u>Page</u>
I. Financial Section:	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet - Governmental Funds	9
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	12
Notes to Financial Statements	13
II. Compliance Section:	
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 <i>Government Auditing Standards</i>	27
Management Comments	29
Independent Auditor's Report on Compliance with the Requirements of Section 218.415, Florida Statutes	31

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Fishhawk Community Development District III

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 III*, (the "District") as of and for the seven months ended April 30, 2019, 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

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 principles 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 April 30, 2019, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 9, subsequent to April 30, 2019, the District merged with Fishhawk Community Development District I and Fishhawk Community Development District II and ceased operations. As part of the merger the District continued operations under its new name, Fishhawk Ranch Community Development District. 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 starting on page 3, 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 November 5, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

McDiernit Davis & Company, LLC

Orlando, Florida
November 5, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of *Fishhawk Community Development District III*, Hillsborough County, Florida's (the "District") financial accomplishments provide an overview of the District's financial activities for the period ended April 30, 2019. Please read it in conjunction with the District's Independent Auditor's Report, financial statements and accompanying notes.

This information is being presented to provide additional information regarding the activities of the District and to meet the disclosure requirements of Government Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued June 1999.

Financial Highlights

- The assets of the District exceeded its liabilities at April 30, 2019 by \$2,377,093, an increase in net position of \$746,162 in comparison with the prior year.
- At April 30, 2019, the District's governmental funds reported fund balances of \$2,382,579, an increase of \$655,076 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to *Fishhawk Community Development District III's* financial statements. The District's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements.

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 of the District's assets and liabilities, with the difference between the two 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 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 general government, maintenance and operations and parks and recreation related functions.

MANAGEMENT'S DISCUSSION AND ANALYSIS (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 outflows 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 government'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 individual governmental funds. 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 to be 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 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

Statement of Net Position - The District's net position was \$2,377,093 at April 30, 2019. The analysis that follows focuses on the net position of the District's governmental activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-Wide Financial Analysis (Continued):

	<u>Statement of Net Position</u>	
	April 30, 2019	September 30, 2018
Assets, excluding capital assets	\$ 2,445,646	\$ 1,761,227
Capital Assets, net of depreciation	30,532,025	30,528,010
Total assets	<u>32,977,671</u>	<u>32,289,237</u>
Liabilities, excluding long-term liabilities	323,050	253,892
Long-term Liabilities	30,277,528	30,404,414
Total liabilities	<u>30,600,578</u>	<u>30,658,306</u>
Net Position:		
Net investment in capital assets	931,732	800,831
Restricted for debt service	476,723	231,880
Restricted for capital projects	9,934	79,637
Unrestricted	958,704	518,583
Total net position	<u>\$ 2,377,093</u>	<u>\$ 1,630,931</u>

The following is a summary of the District's governmental activities for the period ended April 30, 2019 and the fiscal year ended September 30, 2018.

	<u>Changes in Net Position</u>	
	Period ended April 30, 2019	Year ended September 30, 2018
Revenues:		
Program revenues	\$ 1,604,321	\$ 1,728,056
General revenues	11,445	24,861
Total revenues	<u>1,615,766</u>	<u>1,752,917</u>
Expenses:		
General government	80,971	130,965
Maintenance and operations	250,925	413,970
Parks and recreation	232,336	443,052
Interest on long-term debt	305,372	531,621
Total expenses	<u>869,604</u>	<u>1,519,608</u>
Change in net position	746,162	233,309
Net position - beginning	1,630,931	1,397,622
Net position - ending	<u>\$ 2,377,093</u>	<u>\$ 1,630,931</u>

As noted above and in the statement of activities, the cost of all governmental activities during the period ended April 30, 2019 was \$869,604. The majority of these costs are interest on long-term debt.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the Government's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At April 30, 2019, the District's governmental funds reported combined ending fund balances of \$2,382,579. Of this total, \$12,488 is nonspendable, \$1,423,875 is restricted, \$230,863 is assigned and the remainder of \$715,353 is unassigned.

The fund balance of the general fund increased \$440,121 due to a decrease in expenditures. The debt service fund balance increased by \$284,658. The capital projects fund balance decreased by \$69,703.

General Fund Budgetary Highlights

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget to actual comparison for the general fund, including the original budget and final adopted budget, is shown on page 12. 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 is at the fund level.

Capital Asset and Debt Administration

Capital Assets - At April 30, 2019, the District had \$30,532,025 invested in infrastructure. More detailed information about the District's capital assets is presented in the notes to financial statements.

Capital Debt - At April 30, 2019, the District had \$7,175,000 in bonds outstanding. In addition, the District has \$23,150,351 in a payable to the Developer. More detailed information about the District's capital debt is presented in the notes to financial statements.

Requests for Information

If you have questions about this report or need additional financial information, contact *Fishhawk Community Development District III's* Finance Department at 12750 Citrus Park Lane, Suite 115, Tampa, Florida 33625.

FINANCIAL STATEMENTS

FISHHAWK COMMUNITY DEVELOPMENT DISTRICT III

STATEMENT OF NET POSITION

April 30, 2019

	Governmental Activities
Assets:	
Cash	\$ 956,862
Assessments receivable	5,887
Other receivables	7,097
Prepaid costs	7,259
Deposits	5,229
Restricted assets:	
Temporarily restricted investments	1,463,312
Capital Assets:	
Capital assets not being depreciated	27,939,281
Capital assets being depreciated, net	2,592,744
Total assets	<u>32,977,671</u>
Liabilities:	
Accounts payable and accrued expenses	63,067
Accrued interest payable	259,983
Noncurrent liabilities:	
Due within one year	130,000
Due in more than one year	30,147,528
Total liabilities	<u>30,600,578</u>
Net Position:	
Net investment in capital assets	931,732
Restricted for debt service	476,723
Restricted for capital projects	9,934
Unrestricted	958,704
Total net position	<u>\$ 2,377,093</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

FISHHAWK COMMUNITY DEVELOPMENT DISTRICT III

STATEMENT OF ACTIVITIES

Period Ended April 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		
Governmental activities:					
General government	\$ 80,971	\$ 127,689	\$ -	\$ -	\$ 46,718
Maintenance and operations	250,925	395,703	-	-	144,778
Parks and recreation	232,336	406,920	-	-	174,584
Interest on long-term debt	305,372	659,415	14,444	150	368,637
Total governmental activities	<u>\$ 869,604</u>	<u>\$ 1,589,727</u>	<u>\$ 14,444</u>	<u>\$ 150</u>	<u>734,717</u>
		General Revenues:			
			Investment income		4,842
			Miscellaneous		6,603
			Total general revenues		<u>11,445</u>
			Change in net position		746,162
			Net Position - beginning		<u>1,630,931</u>
			Net Position - ending		<u>\$ 2,377,093</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

FISHHAWK COMMUNITY DEVELOPMENT DISTRICT III

BALANCE SHEET
GOVERNMENTAL FUNDS

April 30, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Assets:				
Cash	\$ 956,862	\$ -	\$ -	\$ 956,862
Investments	-	1,411,435	51,877	1,463,312
Assessments receivable	3,381	2,506	-	5,887
Other receivables	7,097	-	-	7,097
Prepaid costs	7,259	-	-	7,259
Deposits	5,229	-	-	5,229
Total assets	<u>\$ 979,828</u>	<u>\$ 1,413,941</u>	<u>\$ 51,877</u>	<u>\$ 2,445,646</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued expenses	\$ 21,124	\$ -	\$ 41,943	\$ 63,067
Total liabilities	<u>21,124</u>	<u>-</u>	<u>41,943</u>	<u>63,067</u>
Fund balances:				
Nonspendable	12,488	-	-	12,488
Restricted for:				
Debt service	-	1,413,941	-	1,413,941
Capital projects	-	-	9,934	9,934
Assigned for capital projects	230,863	-	-	230,863
Unassigned	715,353	-	-	715,353
Total fund balances	<u>958,704</u>	<u>1,413,941</u>	<u>9,934</u>	<u>2,382,579</u>
Total liabilities and fund balances	<u>\$ 979,828</u>	<u>\$ 1,413,941</u>	<u>\$ 51,877</u>	

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 in the funds. 30,532,025

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Accrued interest payable	(259,983)	
Bonds & advances payable	<u>(30,277,528)</u>	<u>(30,537,511)</u>
Net Position of Governmental Activities		<u>\$ 2,377,093</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

FISHHAWK COMMUNITY DEVELOPMENT DISTRICT III

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Period Ended April 30, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues:				
Assessment revenue	\$ 889,781	\$ 659,415	\$ -	\$ 1,549,196
Tennis club revenue	40,531	-	-	40,531
Investment and miscellaneous income	11,445	14,444	150	26,039
Total revenues	<u>941,757</u>	<u>673,859</u>	<u>150</u>	<u>1,615,766</u>
Expenditures:				
Current:				
General government	80,971	-	-	80,971
Maintenance and operations	250,925	-	-	250,925
Parks and recreation	166,498	-	-	166,498
Debt Service:				
Interest	111	264,201	-	264,312
Principal	3,131	125,000	-	128,131
Capital Outlay	-	-	69,853	69,853
Total expenditures	<u>501,636</u>	<u>389,201</u>	<u>69,853</u>	<u>960,690</u>
Excess (Deficit) of Revenues Over Expenditures	<u>440,121</u>	<u>284,658</u>	<u>(69,703)</u>	<u>655,076</u>
Net change in fund balances	440,121	284,658	(69,703)	655,076
Fund Balances - beginning of year	<u>518,583</u>	<u>1,129,283</u>	<u>79,637</u>	<u>1,727,503</u>
Fund Balances - end of year	<u>\$ 958,704</u>	<u>\$ 1,413,941</u>	<u>\$ 9,934</u>	<u>\$ 2,382,579</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

FISHHAWK COMMUNITY DEVELOPMENT DISTRICT III

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

Period Ended April 30, 2019

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net Change in Fund Balances - total governmental funds (page 10)		\$ 655,076
<p>Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources; however, in the statement of net position the cost of those assets is recorded as capital assets. Depreciation of capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.</p>		
Capital outlay		69,853
Depreciation expense		(65,838)
<p>Repayments of long-term liabilities are reported as expenditures in governmental funds, while repayments reduce long-term liabilities in the statement of net position.</p>		
Repayment of bonds and capital lease payable		128,131
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Change in accrued interest	(39,815)	
Amortization of bond discount	(1,245)	(41,060)
Change in Net Position of Governmental Activities (page 8)		<u>\$ 746,162</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

FISHHAWK COMMUNITY DEVELOPMENT DISTRICT III

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

Period Ended April 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Assessment Revenue	\$ 883,500	\$ 883,500	\$ 889,781	\$ 6,281
Tennis Club Revenue	62,000	62,000	40,531	(21,469)
Investment and Miscellaneous Income	14,000	14,000	11,445	(2,555)
Total revenues	959,500	959,500	941,757	(17,743)
Expenditures:				
Current:				
General government	129,212	129,212	80,971	48,241
Maintenance and operations	515,050	515,050	250,925	264,125
Parks and recreation	315,238	315,238	166,498	148,740
Debt Service:				
Principal	-	-	3,131	(3,131)
Interest and other charges	-	-	111	(111)
Total expenditures	959,500	959,500	501,636	457,864
Excess (deficit) of revenues over expenditures	-	-	440,121	440,121
Fund Balance - beginning	518,583	518,583	518,583	-
Fund Balance - ending	\$ 518,583	\$ 518,583	\$ 958,704	\$ 440,121

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

Period ended April 30, 2019

Note 1 - Summary of Significant Accounting Policies:

Reporting Entity

Fishhawk Community Development District III, (the "District") was established on September 12, 2008 by Hillsborough County Ordinance 08-20 pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. The Act provides, among other things, the power to manage basic services for community development, the power to borrow money and issue bonds, and the power to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure. The District was established for the purpose 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 (the "Board"), which is composed of five members. One of the Supervisors is elected on an at large basis by landowners of the District. Ownership of land within the District entitles the owner to one vote per acre. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes. One of the Board of Supervisors is affiliated with the Developer.

The Board has 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 14, 39, and 61. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Period ended April 30, 2019

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

Government-Wide and Fund Financial Statements

The 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, 2) grants, contributions and investment earnings that are restricted to meeting the operational or capital requirements of a particular function or segment and 3) operating-type special assessments that are treated as charges for services (including assessments for maintenance and debt service). Other items not included among program revenues are reported instead as *general revenues*.

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 recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Period ended April 30, 2019

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued):

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. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

General Fund - is the District's primary operating fund. It is used to account for and report all financial resources not accounted for and reported in another fund.

Debt Service Fund - accounts for the accumulation of resources for the annual payment of principal and interest on long-term debt.

Capital Project 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, then unrestricted resources as they are needed.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Restricted Assets - These assets represent cash and investments set aside pursuant to bond covenants.

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

Investments of the District are reported at fair value, and are categorized within the fair value hierarchy established in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The District's investments consist of investments authorized in accordance with Section 218.415, Florida Statutes.

Inventory, prepaids and deposits - Inventory, prepaids and deposits are recorded as expenditures when consumed rather than when purchased in both government-wide and fund financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Period ended April 30, 2019

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued):

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

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

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

<u>Assets</u>	<u>Years</u>
Fitness Equipment	5
Vehicles	5
Infrastructure	30

Long Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as expenses. Bonds payable are reported net of premiums or discounts.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of 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 expenditures.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Period ended April 30, 2019

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued):

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any item that qualifies for reporting in this category for the period ended April 30, 2019.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District does not have any item that qualifies for reporting in this category for the period ended April 30, 2019.

Net Position Flow Assumption - Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted-net position is applied.

Fund Balance Flow Assumptions - Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Period ended April 30, 2019

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued):

Fund Balance Policies - Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes fund balance amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Supervisors is the highest level of decision-making authority for the government that can, by adoption of an ordinance or resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance or resolution remains in place until a similar action is taken to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board of Supervisors has authorized the District Manager to assign amounts for specific purposes. The Board of Supervisors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above an additional action is essential to either remove or revise a commitment.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Period ended April 30, 2019

Note 2 - Stewardship, Compliance and Accountability:

Budgetary Information

The District is required to establish a budgetary system and an approved annual budget for the General Fund. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at the fiscal year end. The legal level of budgetary control is at the fund level. Any budget amendments that increase the aggregate budgeted appropriations, at the fund level, must be approved by the Board of Supervisors.

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

1. Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
2. A public hearing is conducted to obtain comments.
3. Prior to October 1, the budget is legally adopted by the District Board.
4. All budget changes must be approved by the District Board.
5. The budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Note 3 - 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Period ended April 30, 2019

Note 3 - Deposits and Investments (Continued):

Investments

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The District uses a market approach in measuring fair value that uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities, or groups of assets and liabilities.

Assets or liabilities are classified into one of three levels. Level 1 is the most reliable and is based on quoted prices for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtaining quoted prices for identical or similar assets, or liabilities, in markets that are not active. Level 3 is the least reliable, and uses significant unobservable inputs that uses the best information available under the circumstances, which includes the District's own data in measuring unobservable inputs.

The District has the following recurring fair value measurements as of April 30, 2019:

- Money market mutual funds of \$1,412,468 are valued using Level 2 inputs.

Instead of establishing a written investment policy, the District elected to limit investments to those approved by Florida Statutes and the District Trust Indenture. Authorized District investments include, but are not limited to:

1. The Local Government Surplus Funds Trust Fund (SBA);
2. Securities and Exchange Commission Registered Money Market Funds with the highest credit quality rating from a nationally recognized rating agency;
3. Interest-bearing time deposits or savings accounts in qualified public depositories;
4. Direct obligations of the U.S. Treasury.

FISHHAWK COMMUNITY DEVELOPMENT DISTRICT III

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Period ended April 30, 2019

Note 3 - Deposits and Investments (Continued):

Investments made by the District at April 30, 2019 are summarized below. In accordance with GASB 31, investments are reported at fair value.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>
First American Government Obligation Fund, Class Z	\$ 1,412,468	AAAm	16 Days
U.S. Bank Money Market	50,844	N/A	N/A
	<u>\$ 1,463,312</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. Investments in U.S. Government securities and agencies must be backed by the full faith and credit of the United States Government. Short term bond funds shall be rated by a nationally recognized ratings agency and shall maintain the highest credit quality rating. Investment ratings by investment type are included in the preceding summary of investments.

Custodial Credit Risk:

In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At April 30, 2019, all of the District's bank deposits were in qualified public depositories.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At April 30, 2019, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk:

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

FISHHAWK COMMUNITY DEVELOPMENT DISTRICT III

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Period ended April 30, 2019

Note 3 - Deposits and Investments (Continued):

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 District manages its exposure to declines in fair values by investing primarily in pooled investments that have a weighted average maturity of less than three months.

Note 4 - Capital Assets:

Capital asset activity for the period ended April 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 950,453	\$ -	\$ -	\$ 950,453
Improvements under construction	26,918,975	69,853	-	26,988,828
Total capital assets not being depreciated	<u>27,869,428</u>	<u>69,853</u>	<u>-</u>	<u>27,939,281</u>
Capital Assets Being Depreciated:				
Infrastructure	3,315,936	-	-	3,315,936
Vehicles	20,211	-	-	20,211
Fitness equipment	71,320	-	-	71,320
Total Capital Assets Being Depreciated	<u>3,407,467</u>	<u>-</u>	<u>-</u>	<u>3,407,467</u>
Less Accumulated Depreciation for:				
Infrastructure	(663,186)	(64,477)	-	(727,663)
Vehicles	(20,211)	-	-	(20,211)
Fitness equipment	(65,488)	(1,361)	-	(66,849)
Total Accumulated Depreciation	<u>(748,885)</u>	<u>(65,838)</u>	<u>-</u>	<u>(814,723)</u>
Total Capital Assets Being Depreciated, net	<u>2,658,582</u>	<u>(65,838)</u>	<u>-</u>	<u>2,592,744</u>
Governmental Activities Capital Assets, net	<u>\$ 30,528,010</u>	<u>\$ 4,015</u>	<u>\$ -</u>	<u>\$ 30,532,025</u>
Depreciation was Allocated as Follows:				
Parks and recreation		<u>\$ 65,838</u>		

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Period ended April 30, 2019

Note 5 - Long-Term Liabilities:

Series 2011 Special Assessment Bonds

In September 2011, the District issued \$8,160,000 of Special Assessment Bonds, Series 2011. The Bonds consist of \$1,360,000 Term Bonds due on November 1, 2022 with a fixed interest rate of 6.75%, \$2,480,000 Term Bonds due November 1, 2032 with a fixed interest rate of 7.10%, and \$4,320,000 Term Bonds due November 1, 2041 with a fixed interest rate of 7.40%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the property within the District. Interest is paid semiannually on each May 1 and November 1. Principal on the Bonds is to be paid serially commencing November 1, 2012 through November 1, 2041.

The Series 2011 Bonds are subject to redemption at the option of the District prior to maturity at a redemption price as set forth in the Bond Indenture. The Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Indenture.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirements as defined in the Indenture. The requirement has been met at April 30, 2019.

The Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agreed to levy special assessments in annual amounts adequate to provide payment of debt service. Payment of principal and interest on the 2011 Bonds is secured by a pledge of and a first lien upon the pledged special assessment revenue. The District is in compliance with the requirements of the Bond Indenture.

As of April 30, 2019, total principal and interest remaining on the Series 2011 Special Assessment Revenue Bonds is \$14,771,064. Interest paid in the current period was \$264,201. Principal paid in the current period was \$125,000. Total special assessment revenue pledged for the period was \$659,415.

Developer Advance

In November 2008, the District and the Developer entered into a Construction Funding Agreement whereby the Developer will advance (non-interest bearing) the funds necessary to proceed with the design, engineering, and construction of improvements and facilities as set forth in the engineer's report dated October 2008.

Pursuant to the agreement, the Developer will be reimbursed from proceeds of any future Bonds issued by the District. In the event Bonds are not issued, the amounts will be deemed paid in lieu of taxes, fees, or assessments which may be levied or imposed by the District.

During the current year, there were no Developer advances for project costs, no funds were due to the District at April 30, 2019. Total Developer advances to the District as of April 30, 2019 were \$23,150,351. This amount is recorded as a long term liability on the government-wide financial statements.

FISHHAWK COMMUNITY DEVELOPMENT DISTRICT III

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Period ended April 30, 2019

Note 5 - Long-Term Liabilities (Continued):

Capital Lease

The District executed a capital lease for fitness equipment. The equipment has a five year useful life. The lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments.

The assets acquired through capital leases are as follows:

Fitness Equipment	\$ 11,665
Less: Accumulated depreciation	(7,194)
Total	<u>\$ 4,471</u>

The lease was repaid during the current period.

Long-term liability activity for the period ended April 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds Payable:					
Series 2011	\$ 7,300,000	\$ -	\$ (125,000)	\$ 7,175,000	\$ 130,000
Less: Discount	(49,068)	-	1,245	(47,823)	-
Capital Lease	3,131	-	(3,131)	-	-
Developer Advance	23,150,351	-	-	23,150,351	-
Governmental activity long-term liabilities	<u>\$ 30,404,414</u>	<u>\$ -</u>	<u>\$ (126,886)</u>	<u>\$ 30,277,528</u>	<u>\$ 130,000</u>

FISHHAWK COMMUNITY DEVELOPMENT DISTRICT III

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Period ended April 30, 2019

Note 5 - Long-Term Liabilities (Continued):

At April 30, 2019, the scheduled debt service requirements on the bonds payable were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 130,000	\$ 515,578
2021	140,000	506,465
2022	150,000	496,678
2023	160,000	486,215
2024	175,000	474,603
2025 - 2029	1,070,000	2,162,675
2030 - 2034	1,505,000	1,709,355
2035 - 2039	2,140,000	1,049,320
2040 - 2044	1,705,000	195,175
	<u>\$ 7,175,000</u>	<u>\$ 7,596,064</u>

The Developer advances have been omitted from the schedule above as there are no scheduled payments for the liability.

Note 6 - Related Party Transactions:

Related District Transaction:

The District is related to Fishhawk Community Development District I and Fishhawk Community Development District II 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 April 30, 2019, the District owed the other Districts \$118.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Period ended April 30, 2019

Note 7 - Management Company:

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

Note 8 - 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. These risks are covered by commercial insurance from independent third parties. The District filed one claim totaling \$7,946 under this commercial coverage during the last three years.

Note 9 - Subsequent Events:

Subsequent to year end, the District approved a merger with the related Fishhawk Community Development District I and Fishhawk Community Development District II to create a new District, Fishhawk Ranch Community Development District.

COMPLIANCE SECTION

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 III

We have audited, 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, the financial statements of the governmental activities and each major fund of *Fishhawk Community Development District III* (the "District") as of and for the period ended April 30, 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 5, 2019.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

McDiarmid Davis & Company, LLC

Orlando, Florida
November 5, 2019

MANAGEMENT COMMENTS

Board of Supervisors
Fishhawk Community Development District III

Report on the Financial Statements

We have audited the financial statements of *Fishhawk Community Development District III*, (the “District”) as of and for the fiscal period ended April 30, 2019, and have issued our report thereon dated November 5, 2019.

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 Reporting Requirements

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditor’s Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated November 5, 2019, 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 findings or recommendations made 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 for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in the notes to the financial statements.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

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

McDiernit Davis & Company, LLC

Orlando, Florida
November 5, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE REQUIREMENTS OF
SECTION 218.415, FLORIDA STATUTES**

To the Board of Supervisors
Fishhawk Community Development District III

We have examined *Fishhawk Community Development District III's* (the "District") compliance with the requirements of Section 218.415, Florida Statutes, during the period ended April 30, 2019. Management is responsible for the 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 the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States*, and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the period ended April 30, 2019.

MCDIRMIT DAVIS & COMPANY, LLC

Orlando, Florida
November 5, 2019