

STONELAKE RANCH COMMUNITY DEVELOPMENT DISTRICT

BASIC FINANCIAL REPORT

Year Ended September 30, 2016

STONELAKE RANCH COMMUNITY DEVELOPMENT DISTRICT

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Year Ended September 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Stonelake Ranch Community Development District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the *Stonelake Ranch Community Development District* (the "District"), as of and for the 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

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.

MCDIRMIT DAVIS & COMPANY, LLC

934 NORTH MAGNOLIA AVENUE, SUITE 100 ORLANDO, FLORIDA 32803
TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

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 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.

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 March 31, 2017, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

McDiarmid Davis & Company, LLC

Orlando, Florida
March 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the *Stonelake Ranch Community Development District's* (the "District") financial performance provides an overview of the District's financial activities for the fiscal years ended September 30, 2016 and 2015. Please read it in conjunction with the District's financial statements which immediately follow this discussion.

Financial Highlights

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

- The District's total assets exceeded its liabilities at September 30, 2016 by \$1,099,539, an increase of \$106,289 in the government wide statement on page 8, in comparison with the prior year. This increase is primarily attributable to debt service special assessments revenue in excess of interest expense. Government wide statements do not consider principal to be an expense.
- At September 30, 2016, the District's governmental funds reported a combined fund balance of \$355,861, a decrease of \$2,505 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The basic 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, liabilities, and deferred inflows/outflows of resources, with the difference 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 can be found on pages 7 and 8 of this report.

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 has one fund type: 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 year. Such information may be useful in evaluating a government'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 statement of revenues, expenditures and changes in fund balances provide reconciliations to facilitate this comparison between governmental funds and governmental activities.

The governmental fund financial statements can be found on pages 9 through 12 of this report.

Notes to Basic 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. The notes to basic financial statements can be found on pages 13 through 26 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. The following table reflects the condensed government-wide statements of net position as of September 30, 2016 and 2015:

Stonelake Ranch Community Development District
Statement of Net Position

	<u>September 30, 2016</u>	<u>September 30, 2015</u>
Assets, excluding capital assets	\$ 361,504	\$ 358,566
Capital Assets, net of depreciation	3,485,573	3,513,036
Total assets	3,847,077	3,871,602
Liabilities, excluding long-term liabilities	67,841	70,381
Long-term Liabilities	2,679,697	2,807,971
Total liabilities	2,747,538	2,878,352
Net Position		
Net investment in capital assets	805,876	705,065
Restricted for debt service	265,465	266,921
Unrestricted	28,198	21,264
Total net position	\$ 1,099,539	\$ 993,250

Governmental activities for the year ended September 30, 2016 increased the District's net position by \$106,289, as reflected in the table below:

Changes in Net Position
Year ended September 30,

	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues	\$ 324,954	\$ 283,057
General revenues	20	25
Total revenues	324,974	283,082
Expenses:		
General government	38,342	43,188
Physical environment	27,463	27,463
Interest on long-term debt	152,880	158,639
Total expenses	218,685	229,290
Change in net position	106,289	53,792
Net position - beginning	993,250	939,458
Net position - ending	\$ 1,099,539	\$ 993,250

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Analysis of the Government's Funds

As noted earlier, 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 District's net resources available for spending at the end of the fiscal year. The General and Debt Service Funds comprise the total governmental funds. The fund balance of the Debt Service Fund decreased by \$4,429 in the current year because debt service payments exceeded assessments. The fund balance of the General Fund increased \$6,934 from the prior year.

Capital Asset and Debt Administration

The District's investment in capital assets, net of accumulated depreciation, for its governmental activities as of September 30, 2016, amounts to \$3,485,573 and consists of land and improvements, infrastructure, and machinery and equipment.

At the end of the year, the District had total bonded debt outstanding of \$2,499,504 net of unamortized discounts. The District's debt represents bonds secured solely by a specified revenue source (i.e., revenue bonds). In addition, the District has a promissory note payable of \$180,193.

Additional information on the District's long-term debt can be found in Note 5 on pages 24 through 26 of this report.

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 is adopted using the same basis of accounting that is used in preparation of the fund financial statements. There were no amendments to the general fund budget. The legal level of budgetary control is at the fund level.

Requests for Information

This financial report is designed to provide a general overview of *Stonelake Ranch Community Development District's* finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Stonelake Ranch Community Development District; JPWard & Associates, LLC, 2041 NE 6th Avenue, Wilton Manors, Florida 33305.

FINANCIAL STATEMENTS

STONELAKE RANCH COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF NET POSITION

September 30, 2016

	Governmental Activities
Assets:	
Cash	\$ 33,841
Restricted assets:	
Temporarily restricted investments	327,663
Capital assets:	
Capital assets not being depreciated	2,687,669
Capital assets being depreciated, net	<u>797,904</u>
Total assets	<u>3,847,077</u>
Liabilities:	
Accounts payable and accrued expenses	5,643
Accrued interest payable	62,198
Noncurrent liabilities:	
Due within one year	85,000
Due in more than one year	<u>2,594,697</u>
Total liabilities	<u>2,747,538</u>
Net Position:	
Net investment in capital assets	805,876
Restricted for debt service	265,465
Unrestricted	<u>28,198</u>
Total net position	<u><u>\$ 1,099,539</u></u>

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

STONELAKE RANCH COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF ACTIVITIES

Year Ended September 30, 2016

<u>Functions/Programs</u>	<u>Program Revenue</u>			Net (Expense)
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	Revenue and
		<u>Services</u>	<u>and</u>	Changes in Net
			<u>Contributions</u>	Position
				<u>Governmental</u>
				<u>Activities</u>
Governmental Activities:				
General government	\$ 38,342	\$ 45,256	\$ -	\$ 6,914
Physical environment	27,463	-	-	(27,463)
Interest on long-term debt	152,880	279,301	397	126,818
Total governmental activities	<u>\$ 218,685</u>	<u>\$ 324,557</u>	<u>\$ 397</u>	<u>106,269</u>
General Revenues:				
Investment income				<u>20</u>
Change in net position				106,289
Net Position - beginning				<u>993,250</u>
Net Position - ending				<u>\$ 1,099,539</u>

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

STONELAKE RANCH COMMUNITY DEVELOPMENT DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Assets:			
Cash	\$ 33,841	\$ -	\$ 33,841
Investments	-	327,663	327,663
Total assets	<u>\$ 33,841</u>	<u>\$ 327,663</u>	<u>\$ 361,504</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued expenses	\$ 5,643	\$ -	\$ 5,643
Total liabilities	<u>5,643</u>	<u>-</u>	<u>5,643</u>
Fund Balances:			
Restricted for debt service	-	327,663	327,663
Unassigned	<u>28,198</u>	<u>-</u>	<u>28,198</u>
Total fund balances	<u>28,198</u>	<u>327,663</u>	355,861
Total liabilities and fund balances	<u>\$ 33,841</u>	<u>\$ 327,663</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

3,485,573

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

Accrued interest payable	(62,198)	
Bonds and note payable	<u>(2,679,697)</u>	<u>(2,741,895)</u>

Net Position of Governmental Activities

\$ 1,099,539

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

STONELAKE RANCH COMMUNITY DEVELOPMENT DISTRICT

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

Year Ended September 30, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Revenues:			
Special assessments	\$ 45,256	\$ 243,918	\$ 289,174
Special assessments - prepayments	-	35,383	35,383
Investment income	20	397	417
Total revenues	<u>45,276</u>	<u>279,698</u>	<u>324,974</u>
Expenditures:			
Current:			
General government	38,342	-	38,342
Debt service:			
Interest	-	155,251	155,251
Principal	-	128,876	128,876
Total expenditures	<u>38,342</u>	<u>284,127</u>	<u>322,469</u>
Excess (Deficit) of Revenues Over Expenditures	6,934	(4,429)	2,505
Fund Balances - beginning of year	<u>21,264</u>	<u>332,092</u>	<u>353,356</u>
Fund Balances - end of year	<u>\$ 28,198</u>	<u>\$ 327,663</u>	<u>\$ 355,861</u>

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

STONELAKE RANCH COMMUNITY DEVELOPMENT DISTRICT

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

Year Ended September 30, 2016

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

Net Change in Fund Balances - total governmental funds (page 10)		\$	2,505
Depreciation on capital assets is not recognized in the governmental fund statement, however, depreciation is reported as an expense in the statement of net position.			(27,463)
Repayments of long-term liabilities are reported as expenditures in governmental funds, while repayments reduce long-term liabilities in the statement of net position.			128,876
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.			
	Change in accrued interest	2,973	
	Amortization of bond discount	<u>(602)</u>	<u>2,371</u>
Change in Net Position of Governmental Activities (page 8)		\$	<u><u>106,289</u></u>

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

STONELAKE RANCH COMMUNITY DEVELOPMENT DISTRICT

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

Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Special Assessments	\$ 46,955	\$ 46,955	\$ 45,256	\$ (1,699)
Investment Income	30	30	20	(10)
Total revenues	<u>46,985</u>	<u>46,985</u>	<u>45,276</u>	<u>(1,709)</u>
Expenditures:				
Current:				
General government	<u>46,985</u>	<u>46,985</u>	<u>38,342</u>	<u>8,643</u>
Total expenditures	<u>46,985</u>	<u>46,985</u>	<u>38,342</u>	<u>8,643</u>
Net change in fund balance	-	-	6,934	6,934
Fund Balance - beginning	<u>21,264</u>	<u>21,264</u>	<u>21,264</u>	<u>-</u>
Fund Balance - ending	<u>\$ 21,264</u>	<u>\$ 21,264</u>	<u>\$ 28,198</u>	<u>\$ 6,934</u>

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

NOTES TO FINANCIAL STATEMENTS

STONELAKE RANCH COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2016

Note 1 - Organization and Operations

The Stonelake Ranch Community Development District (the "District") was established on September 9, 2003, pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190 of the Florida Statutes by Hillsborough County Ordinance 03-24. The Act provides, among other things, the power to manage basic services for community development, the 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 purpose of planning, financing, constructing, operating and maintaining certain portions of community-wide infrastructure. The District consists of 664 acres of land and is located entirely within Hillsborough County, Florida.

The District is governed by a Board of Supervisors (the "Board"), which is composed of five members. The Supervisors are elected on an at large basis by the owners of property within the District, and ownership of land within the District entitles the owner to one vote per acre. All of the Board members are affiliated with Stonelake Ranch, LLC (the "Developer") at September 30, 2016. The District is economically dependent on the Developer. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has a final responsibility for:

- Assessing and levying special assessments
- Approving and adopting budgets
- Exercising control over facilities and property
- Controlling the use of funds generated by the District
- Hiring the District Manager, District Engineer and District Attorney
- Financing, operating and maintaining improvements.

Note 2 - Summary of Significant Accounting Policies:

The accounting policies of the District conform to Generally Accepted Accounting Principles (GAAP) as applicable to governments in accordance with those promulgated by the Governmental Accounting Standards Board (GASB). The District's more significant accounting policies are described below:

The Financial Reporting Entity

The criteria used for including component units consist of identification of legally separate organizations for which the Board of Supervisors of the District are financially accountable. This criteria also includes identification of organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting district's financial statements to be misleading or incomplete. Based upon this review, there were no potential component units of the District.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 2 - Summary of Significant Accounting Policies (Continued):

Basis of Presentation

Financial Statements - Government-Wide and Fund Financial Statements

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

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. All of the district's activities are classified as governmental activities.

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by assessments, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The business-type activities are reported separately in government-wide financial statements; however, at September 30, 2016, the District did not have any business-type activities and therefore, no business-type activities are reported. Assessments and other items not properly included as program revenues (i.e., charges to customers or applicants who purchase, use or directly benefit from goods or services) are reported as general revenues. In the government-wide statement of net position, the governmental activities column is presented on a consolidated basis, if applicable, and is reported on a full-accrual, economic resource basis, which recognizes all noncurrent assets and receivables as well as all noncurrent debt and obligations, when and if applicable.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The net costs, by function, are also supported by general revenues. The statement of activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The government-wide focus is more on the ability to sustain the District as an entity and the change in the District's net position resulting from the current year's activities.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 2 - Summary of Significant Accounting Policies (Continued):

Basis of Presentation (Continued)

Financial Statements - Fund Financial Statements

The accounts of the District are organized on the basis of funds. The operations of the funds are accounted for with separate self-balancing accounts that comprise their assets, liabilities, fund equity, revenues and expenditures.

The District reports the following governmental funds:

General Fund - This fund is used to account for all operating activities of the District. At this time, revenues are derived principally from non-ad valorem assessments and interest income.

Debt Service Fund - This fund is used to account for the accumulation of resources for and the payment of long-term debt principal, interest and other financing costs.

For the year ended September 30, 2016, the District does not report any proprietary funds.

Measurement Focus, Basis of Accounting and Presentation

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the basic financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. Governmental funds use the current financial resources measurement focus and the government-wide statements use the economic resources measurement focus.

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental fund financial statements are presented on the modified accrual basis of accounting under which revenue is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current year.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 2 - Summary of Significant Accounting Policies (Continued):

Budget

A budget is adopted for the General Fund on an annual basis. Appropriations lapse at fiscal year-end. Changes or amendments to the total budgeted expenditures of the District must be approved by the District Board of Supervisors.

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 property owner's comments.
- c. Prior to October 1, the budget is legally adopted by the District Board.
- d. The budgets are adopted on a basis consistent with generally accepted accounting principles.

Cash, Cash Equivalents and 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 2 - Summary of Significant Accounting Policies (Continued):

Capital Assets

Capital assets, which include land and improvements, infrastructure and machinery and equipment, are reported in the governmental activities column in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of one year. Such assets are recorded at 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.

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

<u>Assets</u>	<u>Years</u>
Infrastructure	20 - 40
Machinery and equipment	15

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.

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 year ended September 30, 2016.

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 year ended September 30, 2016.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 2 - Summary of Significant Accounting Policies (Continued):

Special Assessments

The District's Assessments are included on the property tax bill that all landowner's receive. The Florida Statutes provide that special assessments may be collected by using the Uniform Method. Under the Uniform Method, the District's Assessments will be collected together with County and other taxes. These Assessments will appear on a single tax bill issued to each landowner subject to such. The statutes relating to enforcement of County taxes provided that County taxes become due and payable on November 1 of the year when assessed or as soon thereafter as certified tax roll is received by the Tax Collector and constitute a lien upon the land from January 1 of such year until paid or barred by operation of law. Such taxes (together with any assessments, being collected by the Uniform Method) are to be billed, and landowners in the District are required to pay all such taxes and assessments, without preference in payment of any particular increment of the tax bill, such as the increment owing for the District's Assessments. Upon any receipt of moneys by the Tax Collector from the Assessments, such moneys will be delivered to the District.

All city, county, school and special district ad valorem taxes, non-ad valorem special assessments and voter-approved ad valorem taxes levied to pay principal of an interest on bonds, including the District Assessments, that are collected by the Uniform Method are payable at one time. If a taxpayer does not make complete payment of the total amount, he or she cannot designate specific line items on his or her tax bill as deemed paid in full and such partial payment is not to be accepted and is to be returned to the taxpayer, provided, however that a taxpayer may contest a tax assessment pursuant to certain conditions in Florida Statutes and other applicable law.

Under the Uniform Method, if the Assessments are paid during November when due or at any time within thirty (30) days after mailing of the original tax notice or during the following three months, the taxpayer is granted a variable discount equal to 4% in November and decreasing one percentage point per month to 1% in February. March payments are without discount. Pursuant to Section 197.222, Florida Statutes, taxpayers may elect to pay estimated taxes, which may include non-ad valorem special assessments such as the District's Assessments in quarterly installments with a variable discount equal to 6% on June 30 decreasing to 3% on December 31, with no discount on March 31. All unpaid taxes and assessments become delinquent on April 1 of the year following assessment, and the Tax Collector is required to collect taxes prior to April 1 and after that date to institute statutory procedures upon delinquency to collect assessed taxes. Delay in the mailing of the notices to taxpayers may result in a delay throughout this process.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 2 - Summary of Significant Accounting Policies (Continued):

Special Assessments (Continued)

Certain taxpayers that are entitled to claim homestead tax exemption under Section 196.031(1), Florida Statutes may defer payment of a portion of the taxes and non-ad valorem assessments and interest accumulated on a tax certificate, which may include non-ad valorem special assessments. Deferred taxes and assessments bear interest at a variable rate not to exceed 7%. The amount that may be deferred varies based on whether the applicant is younger than 65 or is 65 years old or older; provided that applicants with a household income for the previous calendar year of less than \$10,000 or applicants with less than the designated amount for the additional homestead exemption under Section 196.075, Florida Statutes that are 65 year old or older may defer taxes and assessments in their entirety.

Collection of Delinquent Assessments under the Uniform Method is, in essence, based upon the sale by the Tax Collector of "tax certificates" and remittance of the proceeds of such sale to the District for payment of the Assessment due.

Equity Classifications

Government-wide statements:

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation, if applicable, and reduced by the outstanding balances of any bonds, or other borrowings that are attributable to the acquisition, construction or improvement of those assets
- b. Restricted net position - consist of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - all other net position that do not meet the definition of "restricted" or "net investment in capital assets."

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 2 - Summary of Significant Accounting Policies (Continued):

Fund Statements

The District presents fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement requires that governmental fund financial statements presents fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has no Nonspendable fund balances as of September 30, 2016.

Restricted - This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants.

Committed - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Board of Supervisors (the "Board"). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed fund balance as of September 30, 2016.

Assigned - This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District Manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District did not have any assigned fund balances as of September 30, 2016.

Unassigned - This classification includes the residual fund balance for the General Fund.

When the District has expenditures for which committed, assigned or unassigned fund balance is available, the District would consider committed funds to be spent first, then assigned funds and lastly unassigned funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 2 - Summary of Significant Accounting Policies (Continued):

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 - Deposits and Investments:

Deposits

The District maintains deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida securities equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories.

Under this method, all the District's deposits are fully insured or collateralized at the highest level of security as defined by Governmental Accounting Standards Board, Statement Number 40, *Deposits and Investment Disclosures (an Amendment of Governmental Accounting Standards Board, Statement Number 3)*.

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 adopted GASB 72 during the fiscal year.

Under GASB 72, assets or liabilities are classified into one of three levels. Level 1 is the most reliable and is based on quoted price 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.

STONELAKE RANCH COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 3 - Deposits and Investments (Continued):

The following is a summary of the District's investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>
Wells Fargo Government Money Market Fund Institutional Class #1751	\$ 327,663	AAAm	42 days

The District has the following recurring fair value measurements as of September 30, 2016:

- Money market mutual funds of \$327,663 are valued using Level 2 inputs.

These deposits and investments are reflected in the accompanying statement of net position and balance sheet - governmental funds in cash and cash equivalents.

Credit Risk

Florida Statutes require the money market mutual funds held by the District to have the highest credit quality rating from a nationally recognized rating agency. The money market mutual funds held by the District are rated AAAm by Standard and Poor's and AAA-mf by Moody's Investors Service.

Custodial Risk

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District has no formal policy for custodial risk. The money market mutual funds are not evidenced by securities that exist in physical or book entry form.

Interest Rate Risk

Florida Statutes provide that the investment portfolio be structured in such manner as to provide sufficient liquidity to pay obligations as they come due.

Concentration Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2016, the District's investments were not subject to custodial credit risk.

STONELAKE RANCH COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 4 - Capital Assets:

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

	Beginning Balance October 1, 2015	Additions	Disposals	Balance at September 30, 2016
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land and improvements	\$ 2,687,669	\$ -	\$ -	\$ 2,687,669
Capital Assets Being Depreciated:				
Infrastructure	1,178,132	-	-	1,178,132
Machinery and equipment	950	-	-	950
Total capital assets being depreciated	1,179,082	-	-	1,179,082
Total capital assets	3,866,751	-	-	3,866,751
Less Accumulated Depreciation for:				
Infrastructure	(353,137)	(27,400)	-	(380,537)
Machinery and equipment	(578)	(63)	-	(641)
Total accumulated depreciation	(353,715)	(27,463)	-	(381,178)
Total capital assets being depreciated, net	825,367	(27,463)	-	797,904
Governmental activities capital assets, net	<u>\$ 3,513,036</u>	<u>\$ (27,463)</u>	<u>\$ -</u>	<u>\$ 3,485,573</u>

Provision for depreciation was charged to functions as follows:

Governmental Activities:

Physical environment	<u>\$ 27,463</u>
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STONELAKE RANCH COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 5 - Long-Term Debt:

Summary of Long-Term Debt of Governmental Activities

Long-term debt of the governmental activities at September 30, 2016 is comprised of the following:

\$3,615,000 Special Assessment Revenue Bonds, Series 2004A; due in annual installments commencing 2005 through 2034; interest payable semi-annually at 5.9% (net of unamortized bond discounts of \$10,496).	\$ 2,499,504
Promissory note to Stonelake Ranch, LLC for the acquisition of District assets; payable from excess funds in the Bond Reserve Account, Series 2004, as provided in the Bond Indenture.	<u>180,193</u>
	<u><u>\$ 2,679,697</u></u>

The following is a summary of changes in governmental activities long-term debt for the year ended September 30, 2016:

	<u>Balance October 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Amortization</u>	<u>Balance September 30, 2016</u>	<u>Due Within One Year</u>
Special Assessment Revenue Bonds, Series 2004A	\$ 2,630,000	\$ -	\$ (120,000)	\$ -	\$ 2,510,000	\$ 85,000
Note Payable	189,069	-	(8,876)	-	180,193	-
Original Issue Discount	(11,098)	-	-	602	(10,496)	-
Total	<u>\$ 2,807,971</u>	<u>\$ -</u>	<u>\$ (128,876)</u>	<u>\$ 602</u>	<u>\$ 2,679,697</u>	<u>\$ 85,000</u>

STONELAKE RANCH COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 5 - Long-Term Debt (Continued):

Summary of Significant Debt Terms of Governmental Activities

\$3,615,000 Special Assessment Revenue Bonds, Series 2004A - The District previously issued \$3,615,000 Series 2004A for the purpose of funding certain capital projects within the boundaries of the District. The bonds bear interest at 5.90% and mature in May 2034. Interest is payable semi-annually on the first day of each May and November. The bonds are secured by a pledge of revenues derived from the collection of non-ad valorem special assessments.

The District is required by the Bond Indenture to levy and collect special assessments pursuant to Florida Statutes, Section 190.022. The collection of these assessments is restricted and applied to the debt service requirements of the Bond issue. Further, the District covenants to levy special assessments in annual amounts adequate to provide for the payment of principal and interest on the Bonds as they become due.

The Bonds are subject to mandatory redemption at par on a schedule of annual redemptions starting May 1, 2005 through May 2034, the maturity date. The District is required to redeem the Bonds at par prior to the schedule from the proceeds of any assessments prepaid in full, or moneys received as a result of condemnation or destruction of the project. The Bonds are subject to redemption at the option of the District at a premium from May 2014 through April 2015 and at par on or after May 2015.

The Bond Indenture requires a reserve fund equal to 7.189% of the Bonds outstanding at September 30, 2016. As of September 30, 2016, the reserve fund account balance was sufficient to satisfy this requirement.

Total principal and interest remaining the Bonds is \$4,092,675. For the current year ended September 30, 2016, total principal and interest paid on the Bonds was \$275,170 and special assessment revenue pledged was \$279,301.

The annual debt service requirements for the Series 2004A Special Assessment Revenue Bonds consist of:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 85,000	\$ 148,090	\$ 233,090
2018	90,000	143,075	233,075
2019	95,000	137,765	232,765
2020	100,000	132,160	232,160
2021	105,000	126,260	231,260
2022 - 2026	645,000	528,640	1,173,640
2027 - 2031	875,000	312,700	1,187,700
2032 - 2034	515,000	53,985	568,985
	<u>\$ 2,510,000</u>	<u>\$ 1,582,675</u>	<u>\$ 4,092,675</u>

STONELAKE RANCH COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2016

Note 5 - Long-Term Debt (Continued):

\$274,655 Note Payable - The note payable is evidenced by a promissory note between the District and Stonelake Ranch, LLC, the Developer. The note obligates the District to pay the Developer for the acquisition of District assets from excess funds in the Bond Reserve Account, Series 2004, as provided for in the Bond Indenture. The promissory note bears interest at the rate earned on certain trust accounts. The District acquired assets in excess of the reserve account, including anticipated earnings. In the event of a refinancing of the Bond Reserve Account, Series 2004, the promissory note will mature and all outstanding principal and interest shall be paid to the Developer from the remaining funds in the Bond Reserve Account, Series 2004. In the current year, principal of \$8,876 and interest of \$81 was paid.

Note 6 - Risk Management:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. To mitigate this risk, the District purchases an insurance policy that provides coverage of up to a \$2,000,000 general liability for each occurrence and an annual aggregate coverage of approximately \$4,000,000 for the policy year ending September 30, 2016. Another insurance policy carried by the District during the year includes public official's liability. Deductible amounts ranged from \$0 to \$2,500. There have been no claims against the District during the last three fiscal years.

Note 7 - Concentration:

A significant portion of the District's activity is dependent upon the continued involvement of the Developer, Stonelake Ranch, LLC, the loss of which could have a materially adverse effect on the District's ability to pay the principal and interest on the District Series 2004 Bonds, along with the operations of the District. For the period ending September 30, 2016, the Developer's share of annual assessment revenue was 21%. Prepayment of total lot debt is not mandatory by property owners.

All of the members of the Board of Supervisors are affiliated with the Developer.

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
Stonelake Ranch Community Development District

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 the *Stonelake Ranch Community Development District* (the "District") as of and for the 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 report thereon dated March 31, 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 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.

MCDIRMIT DAVIS & COMPANY, LLC

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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 and contracts, 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.

McDiarmid Davis & Company, LLC

Orlando, Florida
March 31, 2017

MANAGEMENT COMMENTS

Board of Supervisors
Stonelake Ranch Community Development District

Report on the Financial Statements

We have audited the financial statements of the *Stonelake Ranch Community Development District*, (the “District”) as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated March 31, 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

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*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 31, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i).1., Rules of the Auditor General, require 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 such findings 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.

29MCDIRMIT DAVIS & COMPANY, LLC

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Financial Condition

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

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

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

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

Purpose of this Letter

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

McDiernit Davis & Company, LLC

Orlando, Florida
March 31, 2017

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

Board of Supervisors
Stonelake Ranch Community Development District

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and 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 year ended September 30, 2016.

McDirmit Davis & Company, LLC

Orlando, Florida
March 31, 2017