

**K-BAR RANCH
COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2015**

**K-BAR RANCH COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-6
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet – Governmental Funds	9
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	10
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Notes to the Financial Statements	13-21
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	22
Notes to Required Supplementary Information	23
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>	24-25
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA	26
MANAGEMENT LETTER PURSUANT TO THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA	27-28



INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
K-Bar Ranch Community Development District
Hillsborough County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of K-Bar Ranch Community Development District, Hillsborough County, Florida ("District") as of and for the fiscal year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance

Report on Other Legal and Regulatory Requirements

We have also issued our report dated March 31, 2016, on our consideration of the District's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.



March 31, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of K-Bar Ranch Community Development District, Hillsborough County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2015. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year resulting in a deficit net position balance of (\$1,327,407).
- The change in the District's total net position in comparison with the prior fiscal year was (\$5,248,142), a decrease. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2015, the District's governmental funds reported combined ending fund balances of \$1,460,515, an increase of \$479,081 in comparison with the prior fiscal year. A portion of the fund balance is non-spendable for prepaid items and deposits, restricted for debt service and capital projects, assigned to capital reserves and subsequent year's expenditures, and the remainder is unassigned fund balance which is available for spending at the District's discretion.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

The government-wide financial statements include all governmental activities that are principally supported by assessments and Developer contributions. The District does not have any business-type activities. The governmental activities of the District include the general government, recreation and maintenance functions.

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.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

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 District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	NET POSITION	
	SEPTEMBER 30,	
	2015	2014
Assets, excluding capital assets	\$ 1,495,212	\$ 1,014,648
Capital assets, net of depreciation	6,980,437	12,384,208
Total assets	8,475,649	13,398,856
Liabilities, excluding long-term liabilities	245,140	164,698
Long-term liabilities	9,557,916	9,313,423
Total liabilities	9,803,056	9,478,121
Net Position		
Net investment in capital assets	(2,100,321)	3,555,789
Restricted		
Debt service	205,952	178,582
Capital projects	7,591	-
Unrestricted	559,371	186,364
Total net position	\$ (1,327,407)	\$ 3,920,735

The District's net position decreased during the most recent fiscal year. The decrease is primarily the result of conveyances in the current fiscal year.

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

	CHANGES IN NET POSITION	
	SEPTEMBER 30,	
	2015	2014
Revenues:		
Program revenues		
Charges for services	\$ 1,332,696	\$ 934,030
Operating grants and contributions	161	195
Capital grants and contributions	265,001	553,222
General revenues		
Unrestricted investment earnings	183	15
Total revenues	1,598,041	1,487,462
Expenses:		
General government	107,831	368,378
Physical environment	683,827	236,089
Culture and recreation	48,201	45,011
Conveyances	5,126,169	-
Interest on long-term debt	547,890	318,163
Deferred obligations	332,265	-
Total expenses	6,846,183	967,641
Change in net position	(5,248,142)	519,821
Net position - beginning	3,920,735	3,400,914
Net position - ending	\$ (1,327,407)	\$ 3,920,735

As noted above and in the statement of activities, the cost of all governmental activities for the fiscal year ended September 30, 2015 was \$6,846,183. The costs of the District's activities were primarily funded by program revenues. Program revenues are comprised primarily of assessments. The majority of the change in program revenues is the result of an increase in assessments and a decrease in Developer contributions for capital infrastructure improvements. The increase in expenses is primarily due to conveyances in the current fiscal year, the recognition of deferred obligations, and an increase in depreciation due to the completion of certain capital assets. Also, Bonds were issued in the prior fiscal year which resulted in debt issue costs in fiscal year 2014 and an increase in interest on long-term debt in the current fiscal year.

GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2015

Actual general fund expenditures for the fiscal year ended September 30, 2015 were less than appropriations due primarily to anticipated costs which were not incurred in the current fiscal year. Actual general fund revenues for the fiscal year ended September 30, 2015 were greater than budgeted amounts due to Developer contributions received in accordance with a funding agreement approved during the fiscal year to fund recreational amenity enhancements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2015, the District had \$7,363,940 invested in land, infrastructure under construction, infrastructure, and improvements. In the government-wide financial statements depreciation of \$383,503 has been taken, which resulted in a net book value of \$6,980,437. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Capital Debt

At September 30, 2015, the District had \$9,230,000 Bonds outstanding. During the 2015 fiscal year, the District recognized a deferred cost obligation of \$332,265 and authorized the issuance of a promissory note in the amount of \$40,675. More detailed information about the District's capital debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

As of March 31, 2016, the District pre-closed on its \$4,700,000 Series 2016 Special Assessment Refunding Bonds (the "Series 2016 Bonds") for purposes of refinancing the Series 2006 Bonds. The Series 2016 Bonds will have a fixed rate of four percent (4.0%) interest, and the final closing is scheduled to occur on April 1, 2016. The Series 2016 Bonds will become due on May 1, 2036; interest is to be paid semiannually on each May 1 and November 1. In connection with issuance of the Series 2016 Bonds, the Original Developer has agreed to accept a lump sum payment in the amount of \$60,000, in full settlement of the District's deferred cost obligation (discussed in further detail in the notes to the financial statements), and upon final closing the District's deferred cost obligation will be satisfied.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, land owners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact K-Bar Ranch Community Development District's Finance Department at 3434 Colwell Avenue, Suite 200, Tampa Florida, 33614.

FINANCIAL STATEMENTS

**K-BAR RANCH COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

	Governmental Activities
ASSETS	
Cash	\$ 566,505
Prepaid items and deposits	27,563
Restricted assets:	
Investments	901,144
Capital assets	
Non-depreciable assets	208,416
Depreciable assets, net	6,772,021
Total assets	8,475,649
 LIABILITIES	
Accounts payable and accrued expenses	34,697
Accrued interest payable	210,443
Non-current liabilities:	
Due within one year	220,506
Due in more than one year	9,337,410
Total liabilities	9,803,056
 NET POSITION	
Net investment in capital assets	(2,100,321)
Restricted for:	
Debt service	205,952
Capital projects	7,591
Unrestricted	559,371
Total net position	\$ (1,327,407)

See notes to the financial statements

**K-BAR RANCH COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 107,831	\$ 107,831	\$ -	\$ -	\$ -
Physical environment	683,827	473,374	-	265,001	54,548
Culture and recreation	48,201	48,201	-	-	-
Conveyances	5,126,169	-	-	-	(5,126,169)
Interest on long-term debt	547,890	703,290	161	-	155,561
Deferred obligations	332,265	-	-	-	(332,265)
Total governmental activities	6,846,183	1,332,696	161	265,001	(5,248,325)
General revenues:					
					183
					183
					(5,248,142)
					3,920,735
					\$ (1,327,407)

See notes to the financial statements

**K-BAR RANCH COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

	Major Funds			Total Governmental Fund
	General	Debt Service	Capital Project	
ASSETS				
Cash	\$ 566,505	\$ -	\$ -	\$ 566,505
Investments	-	893,553	7,591	901,144
Prepaid items and deposits	27,563	-	-	27,563
Total assets	<u>\$ 594,068</u>	<u>\$ 893,553</u>	<u>\$ 7,591</u>	<u>\$ 1,495,212</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 34,697	\$ -	\$ -	\$ 34,697
Total liabilities	<u>34,697</u>	<u>-</u>	<u>-</u>	<u>34,697</u>
Fund balances:				
Nonspendable:				
Prepaid items and deposits	27,563	-	-	27,563
Restricted for:				
Debt service	-	893,553	-	893,553
Capital projects	-	-	7,591	7,591
Assigned to:				
Capital reserves	84,846	-	-	84,846
Subsequent year's expenditures	295,000	-	-	295,000
Unassigned	151,962	-	-	151,962
Total fund balances	<u>559,371</u>	<u>893,553</u>	<u>7,591</u>	<u>1,460,515</u>
Total liabilities and fund balances	<u>\$ 594,068</u>	<u>\$ 893,553</u>	<u>\$ 7,591</u>	<u>\$ 1,495,212</u>

See notes to the financial statements

**K-BAR RANCH COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

Fund balance - governmental funds \$ 1,460,515

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

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

Cost of capital assets	7,363,940	
Accumulated depreciation	<u>(383,503)</u>	6,980,437

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

Accrued interest payable	(210,443)	
Promissory note	(40,675)	
Developer payable	(332,265)	
Bonds payable	<u>(9,184,976)</u>	<u>(9,768,359)</u>
Net position of governmental activities		<u><u>\$ (1,327,407)</u></u>

See notes to the financial statement

**K-BAR RANCH COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2015**

	Major Funds			Total Governmental Fund
	General	Debt Service	Capital Project	
REVENUES				
Assessments	\$ 629,406	\$ 703,290	\$ -	\$ 1,332,696
Developer contributions	265,000	-	-	265,000
Interest and other revenues	183	161	1	345
Total revenues	894,589	703,451	1	1,598,041
EXPENDITURES				
Current:				
General government	107,831	-	-	107,831
Physical environment	343,664	-	-	343,664
Culture and recreation	26,184	-	-	26,184
Debt service:				
Principal	-	130,000	-	130,000
Interest	-	467,378	-	467,378
Capital outlay	84,578	-	-	84,578
Total expenditures	562,257	597,378	-	1,159,635
Excess (deficiency) of revenues over (under) expenditures	332,332	106,073	1	438,406
OTHER FINANCING SOURCES (USES)				
Promissory note	40,675	-	-	40,675
Transfer in (out)	-	(7,250)	7,250	-
Total other financing sources (uses)	40,675	(7,250)	7,250	40,675
Net change in fund balances	373,007	98,823	7,251	479,081
Fund balances - beginning	186,364	794,730	340	981,434
Fund balances - ending	\$ 559,371	\$ 893,553	\$ 7,591	\$ 1,460,515

See notes to the financial statements

**K-BAR RANCH COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

Net change in fund balances - total governmental funds		\$	479,081
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures; however, the cost of capital assets is eliminated in the statement of activities and capitalized in the statement of net position.			39,850
Certain accrued obligations not normally expected to be liquidated with expendable available financial resources are not reported in the governmental fund financial statements, but are recognized in the government-wide financial statements.			(332,265)
Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net assets and are eliminated in the statement of activities.			130,000
Governmental funds report Developer advances as financial resources when cash is received, whereas these amounts are eliminated in the statement of activities and recognized as long-term liabilities in the statement of net position.			(40,675)
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds. The details of the differences are as follows:			
Conveyance of capital assets	(5,126,169)		
Depreciation of capital assets	(317,452)		
Amortization of original issue discount	(1,553)		
Change in accrued interest	(78,959)		(5,524,133)
Change in net position of governmental activities		\$	<u><u>(5,248,142)</u></u>

See notes to the financial statements

**K-BAR RANCH COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

K-Bar Ranch Community Development District ("District") was established on October 20, 2005 by the City of Tampa, Florida Ordinance No. 2005-291, 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, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

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

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected on an at large basis by landowners of the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes. At September 30, 2015, three of the Board members are affiliated with M/I Homes of Tampa, LLC and Lennar Homes, LLC ("Developers").

The Board has the responsibility for:

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Assessments

Assessments, including debt service assessments and operations and maintenance assessments, are non-ad valorem assessments imposed on all lands located within the District and benefited by the District's activities. Operation and maintenance assessments are levied by the District prior to the start of the fiscal year which begins October 1st and ends on September 30th. Operation and maintenance special assessments are imposed upon all benefitted lands within the District. Debt service assessments are imposed upon certain lots and lands described in each resolution imposing the special assessment for each of the series of Bonds issued by the District.

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

The District reports the following major governmental funds:

General Fund

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

Debt Service Fund

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

Capital Projects Fund

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

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first for qualifying expenditures, then unrestricted resources as they are needed.

Assets, Liabilities and Net Position or Equity

Restricted Assets

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Deposits and Investments

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

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 Florida Statutes. The District may invest any surplus public funds in the following:

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

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. In addition, surplus funds may be deposited into certificates of deposit which are insured. Any unspent proceeds are required to be held in investments allowed in as specified in the Bond Indenture.

The District records all interest revenue related to investment activities in the respective funds and reports investments at fair value.

Inventories and Prepaid Items

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

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

Capital Assets

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

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

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

<u>Asset</u>	<u>Years</u>
Landscape/hardscape	15
Recreational facilities	25
Stormwater management	25
Underground electrical	25
Furniture and equipment	5

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Unearned Revenue

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

Long-Term Obligations

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

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

Deferred Outflows/Inflows of Resources

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

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

Fund Equity/Net Position

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Fund Equity/Net Position (Continued)

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

Other Disclosures

Use of Estimates

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

NOTE 3 – BUDGETARY INFORMATION

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

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

- a) Each year, the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) A public hearing is conducted to obtain comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

The District's cash balance was 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.

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Investments

The District's investments were held as follows at September 30, 2015:

	Fair Value	Credit Risk	Weighted Average Maturities
First American Treasury Obligation Fund - Class Z	\$ 292,108	S&P AAAm	43 days
US Bank Money Market	609,036	Not rated	N/A
Total Investments	<u>\$ 901,144</u>		

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

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

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

However, the Bond Indentures limit the type of investments held using unspent proceeds.

NOTE 5 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 186,140	\$ -	\$ -	\$ 186,140
Infrastructure under construction	11,713,694	22,276	(11,713,694)	22,276
Total capital assets, not being depreciated	<u>11,899,834</u>	<u>22,276</u>	<u>(11,713,694)</u>	<u>208,416</u>
Capital assets, being depreciated				
Landscape/hardscape	-	1,197,518	-	1,197,518
Recreational facilities	550,425	-	-	550,425
Stormwater management	-	4,864,720	-	4,864,720
Underground electrical	-	525,287	-	525,287
Furniture and equipment	-	17,574	-	17,574
Total capital assets, being depreciated	<u>550,425</u>	<u>6,605,099</u>	<u>-</u>	<u>7,155,524</u>
Less accumulated depreciation for:				
Landscape/hardscape	-	(79,835)	-	(79,835)
Recreational facilities	(66,051)	(22,017)	-	(88,068)
Stormwater management	-	(194,589)	-	(194,589)
Underground electrical	-	(21,011)	-	(21,011)
Total accumulated depreciation	<u>(66,051)</u>	<u>(317,452)</u>	<u>-</u>	<u>(383,503)</u>
Total capital assets, being depreciated, net	<u>484,374</u>	<u>6,287,647</u>	<u>-</u>	<u>6,772,021</u>
Governmental activities capital assets, net	<u>\$ 12,384,208</u>	<u>\$ 6,309,923</u>	<u>\$(11,713,694)</u>	<u>\$ 6,980,437</u>

NOTE 5 – CAPITAL ASSETS (Continued)

The infrastructure intended to serve the District has been estimated at a total cost of approximately \$24.4 million (consisting of: 2006 Project, 2011 Project, Parcel O-1 Project and Parcel Q Project). The infrastructure includes stormwater management facilities, water and wastewater facilities, transportation improvements, landscaping improvements, and an amenity center. The 2006 and 2011 Projects were certified complete. A portion of the project costs was financed with the proceeds from the issuance of Bonds, described in Note 6, with the remainder funded by Mobley Homes of Florida, Inc. (the “Original Developer”) and the Developers. In addition, infrastructure improvements of approximately \$5,126,000 were completed and conveyed to other entities for ownership and maintenance responsibilities.

In connection with the 2006 Project, it was determined that deferred costs exist as the Original Developer paid for project costs totaling \$3,076,813 in excess of the proceeds available from the issuance of Series 2006 Bonds. Funds from the Series 2006 trust accounts may be used to pay deferred costs as they become available, including any excess funds in the reserve account over the debt service reserve requirement. At September 30, 2015, the Series 2006 reserve account balance was \$332,265. When the Bonds have been paid in full, a debt service reserve requirement will no longer exist and, therefore, the funds in the reserve account can then be used to pay for deferred costs (or sooner, as outlined in the Bond Indenture). Accordingly, this amount has been recognized as the amount due the Original Developer for deferred costs (the “Deferred Costs Obligation”) as the District’s ability to repay the deferred obligation is limited to existing resources available from the Series 2006 trust accounts. Subsequent to fiscal year end, \$177,842 was paid to the Original Developer from the deferred cost trust account, of which \$162,038 was transferred from the reserve account to the deferred cost account due to substantial absorption. See Notes 6 and 12 for more information.

During the current fiscal year, the District authorized the borrowing and issuance of a promissory note in the amount of \$40,675 for the purpose of financing the costs of construction of roundabout modifications paid for by one of the Developers. Repayment is to be made from operations and maintenance assessments that will be levied on the benefited properties within the District. Accordingly, a liability of \$40,675 exists for the promissory note as of September 30, 2015. See Note 6 for more information.

Depreciation expense was charged to function/programs as follows:

Governmental activities:	
Physical environment	\$ 295,435
Culture and recreation	22,017
Total depreciation expense	<u>\$ 317,452</u>

NOTE 6 – LONG-TERM LIABILITIES

At September 30, 2015, the District had Bond issues as follows:

Series	Issue Date	Original Face Amount	Interest Rate	Maturity
Special Assessment Bonds:				
Series 2006	August 16, 2006	\$ 5,625,000	5.45%	May 1, 2036
Series 2011	July 1, 2011	145,000	6.5%	November 1, 2024
Series 2011	July 1, 2011	535,000	7.5%	November 1, 2041
Series 2014				
Parcel O-1 Project	July 10, 2014	335,000	4.75%	November 1, 2024
Parcel O-1 Project	July 10, 2014	550,000	5.125%	November 1, 2034
Parcel O-1 Project	July 10, 2014	920,000	5.375%	November 1, 2044
Parcel Q Project	July 10, 2014	375,000	4.75%	November 1, 2024
Parcel Q Project	July 10, 2014	610,000	5.125%	November 1, 2034
Parcel Q Project	July 10, 2014	1,030,000	5.375%	November 1, 2044

The Special Assessment Bonds, Series 2006, 2011, and 2014 were issued to finance the acquisition and construction of certain improvements for the benefit of the District.

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Interest is to be paid semiannually for each Bond series on each May 1 and November 1. Principal is to be paid serially for the Series 2006 Bonds on each May 1 and on November 1 for Series 2011 and 2014.

The Series 2006, 2011, and 2014 Bonds are subject to redemption at the option of the District prior to maturity. The Series 2006, 2011, and 2014 Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indentures.

The Bond Indentures established debt service reserve requirements as well as other restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District was in compliance with the requirements at September 30, 2015.

Original Developer Liability and Promissory Note

As discussed in Note 5 above, the District owed the Original Developer \$332,265 for deferred costs related to the Series 2006 Project and owed one of the Developers \$40,675 for a promissory note issued to finance certain project construction costs. These balances owed are not included in the maturity schedule below.

Long-term Debt Activity

Changes in long-term liability activity for the fiscal year ended September 30, 2015 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2006	\$ 4,875,000	\$ -	\$ 120,000	\$ 4,755,000	\$ 125,000
Series 2011	665,000	-	10,000	655,000	10,000
Series 2014	3,820,000	-	-	3,820,000	55,000
Original issue discount	(46,577)	-	(1,553)	(45,024)	-
Promissory note	-	40,675	-	40,675	30,506
Original Developer liability	-	332,265	-	332,265	-
Total	\$ 9,313,423	\$ 372,940	\$ 128,447	\$ 9,557,916	\$ 220,506

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

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2016	\$ 190,000	\$ 503,429	\$ 693,429
2017	200,000	493,235	693,235
2018	215,000	482,531	697,531
2019	220,000	471,164	691,164
2020	235,000	459,383	694,383
2021-2025	1,385,000	2,093,765	3,478,765
2026-2030	1,810,000	1,674,029	3,484,029
2031-2035	2,365,000	1,115,684	3,480,684
2036-2040	1,405,000	512,651	1,917,651
2041-2045	1,205,000	162,325	1,367,325
Total	\$ 9,230,000	\$ 7,968,196	\$ 17,198,196

NOTE 7 – DEVELOPERS TRANSACTIONS

The Developers own a portion of land within the District; therefore, assessment revenues in the general and debt service funds include the assessments levied on those lots owned by the Developers.

During the current fiscal year, the District entered into a General Funding Agreement with the Developers whereby the Developers provided the District \$265,000 to construct additional capital infrastructure improvements, consisting of enhancements to the recreational amenity infrastructure.

NOTE 8 – CONCENTRATION

The District’s activity is dependent upon the continued involvement of the Developers, the loss of which could have a material adverse effect on the District’s operations.

NOTE 9 – OPERATING LEASES

The District has entered into outdoor lighting agreements with Tampa Electric Company for certain lighting equipment within the District. Each of the contacts is for a term of 10 years and shall continue thereafter for successive one year terms until terminated by either party upon providing the other party with ninety days prior written notice of termination.

Minimum future payments on these leases as of September 30, 2015 are as follows:

Year ending September 30:	Amount
2016	\$ 39,102
2017	39,102
2018	39,102
2019	39,102
2020	39,102
2021-2024	87,976
Total	<u>\$ 283,486</u>

Rental payments for the fiscal year ended September 30, 2015 totaled \$87,571.

NOTE 10 – MANAGEMENT COMPANY

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

NOTE 11 – RISK MANAGEMENT

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

NOTE 12 – SUBSEQUENT EVENTS

Bond Issuance

As of March 31, 2016, the District pre-closed on its \$4,700,000 Series 2016 Special Assessment Refunding Bonds (the “Series 2016 Bonds”) for purposes of refinancing the Series 2006 Bonds. The Series 2016 Bonds will have a fixed rate of four percent (4.0%) interest, and the final closing is scheduled to occur on April 1, 2016. The Series 2016 Bonds will become due on May 1, 2036; interest is to be paid semiannually on each May 1 and November 1. In connection with issuance of the Series 2016 Bonds, the Original Developer has agreed to accept a lump sum payment in the amount of \$60,000, in full settlement of the District’s Deferred Costs Obligation (discussed in further detail in Notes 5 and 6), and upon final closing the District’s Deferred Costs Obligation will be satisfied.

**K-BAR RANCH COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
	Original and Final	Actual Amounts	
REVENUES			
Assessments	\$ 620,447	\$ 629,406	\$ 8,959
Developer contributions	-	265,000	265,000
Interest and other revenues	-	183	183
Total revenues	<u>620,447</u>	<u>894,589</u>	<u>274,142</u>
EXPENDITURES			
Current:			
General government	101,565	107,831	(6,266)
Physical environment	445,682	343,664	102,018
Culture and recreation	38,200	26,184	12,016
Capital outlay	35,000	84,578	(49,578)
Total expenditures	<u>620,447</u>	<u>562,257</u>	<u>58,190</u>
Excess (deficiency) of revenues over (under) expenditures	-	332,332	332,332
OTHER FINANCING SOURCES			
Promissory note	-	40,675	40,675
Total other financing sources	<u>-</u>	<u>40,675</u>	<u>40,675</u>
Net change in fund balances	<u>\$ -</u>	<u>373,007</u>	<u>\$ 373,007</u>
Fund balance - beginning		<u>186,364</u>	
Fund balance - ending		<u>\$ 559,371</u>	

See notes to required supplementary information

**K-BAR RANCH COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2015.

Actual general fund expenditures for the fiscal year ended September 30, 2015 were less than appropriations due primarily to anticipated costs which were not incurred in the current fiscal year. Actual general fund revenues for the fiscal year ended September 30, 2015 were greater than budgeted amounts due to Developer contributions received in accordance with a funding agreement approved during the fiscal year to fund recreational amenity enhancements.



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
K-Bar Ranch Community Development District
Hillsborough County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of K-Bar Ranch Community Development District, Hillsborough County, Florida (the "District") as of and for the fiscal year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated March 31, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink, likely reading "B. Law & Associates".

March 31, 2016



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

To the Board of Supervisors
K-Bar Ranch Community Development District
Hillsborough County, Florida

We have examined K-Bar Ranch Community Development District, Hillsborough County, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2015. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

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

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

Grau & Associates

March 31, 2016



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

To the Board of Supervisors
K-Bar Ranch Community Development District
Hillsborough County, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of K-Bar Ranch Community Development District, Hillsborough County, Florida ("District") as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated March 31, 2016.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 31, 2016, should be considered in conjunction with this management letter.

Purpose of this Letter

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

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

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

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

Grau & Associates

March 31, 2016

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

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

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

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

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2014.

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2015.

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2015.

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

5. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2015 financial audit report.

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

7. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2015. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.