

**FISHHAWK COMMUNITY DEVELOPMENT DISTRICT II
HILLSBOROUGH COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2012**

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

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2-5
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets	6
Statement of Activities	7
Fund Financial Statements:	
Balance Sheet – Governmental Funds	8
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	9
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Notes to the Financial Statements	12-21
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	22
Notes to Required Supplementary Information	23
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
MANAGEMENT LETTER PURSUANT TO THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA	25-27



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Fishhawk Community Development District II, Hillsborough County, Florida ("District") as of and for the fiscal year ended September 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2013, 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, 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* and should be considered in assessing the results of our audit.

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.

Grau & Associates

March 20, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Fishhawk Community Development District II, Hillsborough County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2012. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the fiscal year ended September 30, 2012 resulting in a net asset balance of \$20,444,794.
- The change in the District's total net assets in comparison with the prior fiscal year was \$1,820,757, an increase. The key components of the District's net assets and change in net assets are reflected in the table in the government-wide financial analysis section.
- At September 30, 2012, the District's governmental funds reported combined ending fund balances of \$4,299,795, a decrease of (\$1,939,893) in comparison with the prior fiscal year. The total fund balance is nonspendable for prepaids and deposits, restricted for debt service and capital projects assigned for future repairs and maintenance 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 assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements include all governmental activities that are principally supported by special assessment revenues. The District does not have any business-type activities. The governmental activities of the District include the general government (management), public safety, maintenance and parks and recreation 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 balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

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

	NET ASSETS	
	SEPTEMBER 30,	
	2012	2011
Assets, excluding capital assets	\$ 5,608,533	\$ 7,698,081
Capital assets, net of depreciation	28,848,297	30,362,159
Total assets	<u>34,456,830</u>	<u>38,060,240</u>
Liabilities, excluding long-term liabilities	762,036	1,086,203
Long-term liabilities	13,250,000	18,350,000
Total liabilities	<u>14,012,036</u>	<u>19,436,203</u>
Net Assets		
Invested in capital assets, net of related debt	23,671,832	22,644,723
Restricted for debt service	528,667	1,441,267
Restricted for capital projects	1,440,439	2,282,446
Unrestricted	(5,196,144)	(7,744,399)
Total net assets	<u>\$ 20,444,794</u>	<u>\$ 18,624,037</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The District's net assets 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. Bond debt related to capital assets not owned by the District is included in the unrestricted portion of net assets.

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

The District's net assets increased during the most recent fiscal year. The majority of the increase is as a result of the collection of prepaid assessments used to reduce the long-term liability.

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

	CHANGES IN NET ASSETS FOR THE FISCAL YEAR ENDED SEPTEMBER 30,	
	2012	2011
Revenues:		
Program revenues		
Charges for services	\$ 7,249,786	\$ 7,480,757
Operating grants and contributions	-	49
Capital grants and contributions	-	5,330
General revenues	4,198	6,408
Total revenues	<u>7,253,984</u>	<u>7,492,544</u>
Expenses:		
General government	239,686	226,068
Infrastructure and maintenance costs	2,727,361	1,685,418
Public safety	69,362	76,377
Parks and recreation	1,432,234	1,469,561
Interest	964,584	1,210,281
Total expenses	<u>5,433,227</u>	<u>4,667,705</u>
Change in net assets	<u>1,820,757</u>	<u>2,824,839</u>
Net assets - beginning	18,624,037	15,799,198
Net assets - ending	<u>\$ 20,444,794</u>	<u>\$ 18,624,037</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2012 was \$5,433,227. The costs of the District's activities were primarily funded by program revenues. As in the prior year, program revenues are comprised primarily of assessments. The majority of the decrease from the prior year is the result of less prepaid assessment revenue collected in the current year in comparison to the prior 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 expenditures in the general fund did not exceed appropriations for the fiscal year ended September 30, 2012.

The variance between budgeted and actual general fund revenues for the 2012 fiscal year is primarily because less revenues were generated for the Palmetto Club than anticipated. The actual general fund expenditures for the 2012 fiscal year were lower than budgeted amounts due primarily to anticipated costs which were not incurred in the current fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2012, the District had \$38,258,874 invested in infrastructure under construction, recreational facilities, stormwater and water systems and other improvements. In the government-wide financial statements depreciation of \$9,410,577 has been taken, which resulted in a net book value of \$28,848,297. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Capital Debt

At September 30, 2012, the District had \$13,250,000 Bonds outstanding for its governmental activities. More detailed information about the District's capital debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

The District does not anticipate any additional major projects or significant changes to its infrastructure maintenance program for fiscal year 2013. In addition, it is anticipated that the general operations of the District will remain fairly constant.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

**FISHHAWK COMMUNITY DEVELOPMENT DISTRICT II
HILLSBOROUGH COUNTY, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 939,722
Investments	2,926
Assessment receivable	967
Assessment - prepayments receivable	52,078
Due from Developer	263,633
Due from other government	90,735
Other receivables	5,188
Prepays and deposits	84,377
Restricted assets:	
Temporarily restricted	
Investments	3,378,258
Deferred charges	790,649
Capital assets:	
Nondepreciable	9,737,827
Depreciable, net	19,110,470
Total assets	34,456,830
LIABILITIES	
Accounts payable and accrued expenses	131,253
Contracts and retainage payable	257,599
Accrued interest payable	333,939
Deposits payable	2,000
Due to Developer	6,134
Due to other governments	679
Due to HOA	25,232
Unearned revenue	5,200
Non-current liabilities:	
Due within one year	275,000
Due in more than one year	12,975,000
Total liabilities	14,012,036
NET ASSETS	
Invested in capital assets, net of related debt	23,671,832
Restricted for debt service	528,667
Restricted for capital projects	1,440,439
Unrestricted	(5,196,144)
Total net assets	\$ 20,444,794

See notes to the financial statements

**FISHHAWK COMMUNITY DEVELOPMENT DISTRICT II
HILLSBOROUGH COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
Primary government:			
Governmental activities:			
General government	\$ 239,686	\$ 239,686	\$ -
Infrastructure and maintenance costs	2,727,361	1,722,724	(1,004,637)
Public safety	69,362	17,633	(51,729)
Parks and recreation	1,432,234	225,660	(1,206,574)
Interest on long-term debt	964,584	5,044,083	4,079,499
Total governmental activities	<u>5,433,227</u>	<u>7,249,786</u>	<u>1,816,559</u>
General revenues:			
Unrestricted investment earnings			4,198
Total general revenues			<u>4,198</u>
Change in net assets			1,820,757
Net assets - beginning			18,624,037
Net assets - ending			<u>\$ 20,444,794</u>

See notes to the financial statements

**FISHHAWK COMMUNITY DEVELOPMENT DISTRICT II
HILLSBOROUGH COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
ASSETS				
Cash and cash equivalents	\$ 939,722	\$ -	\$ -	\$ 939,722
Investments	2,926	1,896,688	1,481,570	3,381,184
Assessment receivable	-	967	-	967
Assessment - prepayment receivable	-	52,078	-	52,078
Due from Developer	-	-	263,633	263,633
Other receivables	5,188	-	-	5,188
Due from other fund	47,166	-	-	47,166
Due from other government	90,735	-	-	90,735
Prepays and deposits	84,377	-	-	84,377
Total assets	<u>\$ 1,170,114</u>	<u>\$ 1,949,733</u>	<u>\$ 1,745,203</u>	<u>\$ 4,865,050</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 131,253	\$ -	\$ -	\$ 131,253
Contracts and retainage payable	-	-	257,599	257,599
Deposits payable	2,000	-	-	2,000
Due to Developer	-	6,134	-	6,134
Due to other government	679	-	-	679
Due to HOA	25,232	-	-	25,232
Due to other fund	-	-	47,166	47,166
Deferred revenue	95,192	-	-	95,192
Total liabilities	<u>254,356</u>	<u>6,134</u>	<u>304,765</u>	<u>565,255</u>
Fund balances:				
Nonspendable:				
Prepays and deposits	84,377	-	-	84,377
Restricted for:				
Debt service	-	1,943,599	-	1,943,599
Capital projects	-	-	1,440,438	1,440,438
Assigned to:				
Future repairs and maintenance	580,903	-	-	580,903
Unassigned	250,478	-	-	250,478
Total fund balances	<u>915,758</u>	<u>1,943,599</u>	<u>1,440,438</u>	<u>4,299,795</u>
Total liabilities and fund balances	<u>\$ 1,170,114</u>	<u>\$ 1,949,733</u>	<u>\$ 1,745,203</u>	<u>\$ 4,865,050</u>

See notes to the financial statements

**FISHHAWK COMMUNITY DEVELOPMENT DISTRICT II
HILLSBOROUGH COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

Total fund balances - governmental funds		\$ 4,299,795
Amounts reported for governmental activities in the statement of net assets 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 assets includes those capital assets in the net assets of the government as a whole.		
Cost of capital assets	38,258,874	
Accumulated depreciation	<u>(9,410,577)</u>	28,848,297
Assets that are not available to pay for current-period expenditures are deferred in the fund statements.		
		89,992
Bond issuance costs are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net assets includes these costs, net of amortization.		
Bond issuance costs	1,018,942	
Accumulated amortization	<u>(228,293)</u>	790,649
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	(333,939)	
Bonds payable	<u>(13,250,000)</u>	<u>(13,583,939)</u>
Net assets of governmental activities		<u>\$ 20,444,794</u>

See notes to the financial statements

**FISHHAWK COMMUNITY DEVELOPMENT DISTRICT II
HILLSBOROUGH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
REVENUES				
Assessments	\$ 1,962,410	\$ 4,315,071	\$ -	\$ 6,277,481
Assessments - prepayments	-	729,012	-	729,012
Interest	4,198	-	-	4,198
Palmetto Club revenue	135,668	-	-	135,668
Miscellaneous revenue	17,633	-	-	17,633
Total revenues	<u>2,119,909</u>	<u>5,044,083</u>	<u>-</u>	<u>7,163,992</u>
EXPENDITURES				
Current:				
General government	239,686	-	-	239,686
Maintenance and operations	1,116,417	-	-	1,116,417
Public safety	69,362	-	-	69,362
Parks and recreation	641,766	-	-	641,766
Debt Service:				
Principal	-	5,100,000	-	5,100,000
Interest	-	1,049,104	-	1,049,104
Capital outlay	24,381	-	863,169	887,550
Total expenditures	<u>2,091,612</u>	<u>6,149,104</u>	<u>863,169</u>	<u>9,103,885</u>
Excess (deficiency) of revenues over (under) expenditures	28,297	(1,105,021)	(863,169)	(1,939,893)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	21,161	21,161
Transfers (out)	-	(21,161)	-	(21,161)
Total other financing sources (uses)	<u>-</u>	<u>(21,161)</u>	<u>21,161</u>	<u>-</u>
Net change in fund balances	28,297	(1,126,182)	(842,008)	(1,939,893)
Fund balances - beginning	<u>887,461</u>	<u>3,069,781</u>	<u>2,282,446</u>	<u>6,239,688</u>
Fund balances - ending	<u>\$ 915,758</u>	<u>\$ 1,943,599</u>	<u>\$ 1,440,438</u>	<u>\$ 4,299,795</u>

See notes to the financial statements

**FISHHAWK COMMUNITY DEVELOPMENT DISTRICT II
HILLSBOROUGH COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

Net change in fund balances - total governmental funds	\$ (1,939,893)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is eliminated and is capitalized in the statement of net assets as capital assets.	887,550
Depreciation of capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.	(1,445,143)
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.	5,100,000
Revenues in the statement of activities that do not provide current financial resources are deferred and not reported as revenues in the fund financial statements.	89,992
Conveyances of infrastructure improvements to other governments of previously capitalized capital assets is recorded as an expense in the statement of activities.	(956,269)
Amortization of deferred charges is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.	(29,194)
The change in accrued interest on long-term liabilities between the current and prior fiscal year is recorded in the statement of activities but not in the fund financial statements.	113,714
Change in net assets of governmental activities	<u>\$ 1,820,757</u>

See notes to the financial statements

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

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Fishhawk Community Development District II ("District") was established on December 16, 2002, pursuant to the Uniform Community Development District II Act of 1980, otherwise known as Chapter 190, Florida Statutes, by Hillsborough County Ordinance 02-23. The Act provides among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected on an at large basis by the owners of the property within the District. Ownership of land within the District entitles the owner to one vote per acre. At September 30, 2012, two of the Board members are affiliated with Fishhawk Communities LP ("Developer"). The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the final responsibility for:

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

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement 14, and Statement 39, an amendment of GASB Statement 14. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

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 assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Assessments

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

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

The District reports the following major governmental funds:

General Fund

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

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on the Series 2003, 2004, and 2007 Bonds.

Capital Projects Fund

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity

Restricted Assets

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

Deposits and Investments

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

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

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

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

The District records all interest revenue related to investment activities in the respective funds 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 government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Recreational facilities	20
Stormwater and water systems	25
Landscaping	15
Equipment	5

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Capital Assets (Continued)

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 Charges

In a prior year, in connection with the issuance of certain debt, the District incurred costs totaling \$1,018,942. In the government-wide financial statements that amount has been capitalized and amortized over the estimated life of the Bonds. At September 30, 2012 the District reported accumulated amortization of \$228,293.

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized ratably over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts.

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 fund expenditures.

Fund Equity/Net Assets

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

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

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

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

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

Net assets in the government-wide financial statements are categorized as invested in capital assets, net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt represents net assets related to infrastructure and property, plant and equipment, net of any related debt. Restricted net assets represent the assets restricted by the District's Bond covenants or other contractual restrictions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

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

Investments

The District's investments were held as follows at September 30, 2012:

	Fair Value	Credit Risk	Weighted Average Maturities
First American Treasury Obligation Fund			
CL Z	\$ 3,378,258	S&P AAAm	54 days
Florida Prime	1,593	S&P AAAm	39 days
Investment in Fund B Surplus Funds			
Trust Fund	1,333	Not rated	4.08 years
Total Investments	<u>\$ 3,381,184</u>		

Custodial credit 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 investments are not evidenced by securities that exist in physical or book entry form.

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

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

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

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

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at September 30, 2012 were as follows:

	<u>Due from</u>	<u>Due to</u>
General fund	\$ 47,166	\$ -
Capital project fund	-	47,166
	<u>\$ 47,166</u>	<u>\$ 47,166</u>

The outstanding balances between funds result primarily from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. In the case of the District, the balances between the general fund and the capital projects fund relate to payments made by the general fund on behalf of the capital projects fund that have not yet been transferred by the capital projects fund.

Interfund transfers for the fiscal year ended September 30, 2012 were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Debt service fund	\$ -	\$ 21,161
Capital project fund	21,161	-
	<u>\$ 21,161</u>	<u>\$ 21,161</u>

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

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2012 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Infrastructure under construction	\$ 9,878,093	\$ 816,003	\$ (956,269)	\$ 9,737,827
Total capital assets, not being depreciated	9,878,093	816,003	(956,269)	9,737,827
Capital assets, being depreciated				
Recreational facilities	15,755,759	-	-	15,755,759
Stormwater and water systems	7,228,920	-	-	7,228,920
Landscaping	5,464,821	17,953	-	5,482,774
Equipment	-	53,594	-	53,594
Total capital assets, being depreciated	28,449,500	71,547	-	28,521,047
Less accumulated depreciation for:				
Recreational facilities	(4,699,832)	(787,788)	-	(5,487,620)
Stormwater and water systems	(1,445,785)	(289,157)	-	(1,734,942)
Landscaping	(1,819,817)	(365,518)	-	(2,185,335)
Equipment	-	(2,680)	-	(2,680)
Total accumulated depreciation	(7,965,434)	(1,445,143)	-	(9,410,577)
Total capital assets, being depreciated, net	20,484,066	(1,373,596)	-	19,110,470
Governmental activities capital assets	\$ 30,362,159	\$ (557,593)	\$ (956,269)	\$ 28,848,297

Depreciation expense was charged to function/programs as follows:

Maintenance and operations	\$ 654,675
Parks and recreation	790,468
Total depreciation	\$ 1,445,143

The Series 2007 project cost, which is under construction, has been estimated at \$14.7 million. The infrastructure will include roadways, wastewater and water systems, landscape and streetscape, and recreational amenities. A portion of the project costs will be funded with proceeds from the Series 2007 Bonds with the remainder to be funded by the Developer or the issuance of additional Bonds. Upon completion, certain infrastructure assets will be conveyed to other entities for ownership and maintenance. During the current year, the District conveyed the water and reclaimed water system to the County with a cost of \$956,269.

At September 30, 2012, the District had commitments on contracts of approximately \$14,500.

In connection with the 2004 and 2007 projects, if the District determines that there are deferred costs which exist at the completion of the projects, these costs will be paid from amounts held in the Deferred Cost trust accounts. The trust accounts are funded from excess reserves for each of the Bond series. The projects have not been certified complete and the District has not yet determined if a liability exists for deferred costs. At September 30, 2012, a balance of \$156,920 and \$33,859 is held in the Series 2004 and 2007 Deferred Cost accounts respectively.

NOTE 7 – LONG TERM LIABILITIES

Series 2003

On July 1, 2003, the District issued \$46,050,000 of Special Assessment Revenue Bonds, consisting of \$6,000,000 Series 2003A Term Bonds due May 1, 2034 with a fixed interest rate of 6.25%, and \$40,050,000 Series 2003B Term Bonds due on November 1, 2007 with a fixed interest rate of 5.00%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Series 2003A Bonds is paid serially commencing May 1, 2005 through May 1, 2034. Principal on the Series 2003B Bonds was due in one lump sum on November 1, 2007. The Series 2003B Bonds were paid off in a prior year.

NOTE 7 – LONG TERM LIABILITIES (Continued)

Series 2003 (Continued)

The Series 2003A Bonds are subject to redemption at the option of the District in whole or in part at any time on or after May 1, 2013 at a redemption price as set forth in the Bond Indenture. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirement as defined in the Bond Indenture. The Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service. The District is in compliance with the requirements of the Bond Indenture at September 30, 2012.

Series 2004

On July 1, 2004, the District issued \$25,405,000 of Special Assessment Revenue Bonds, consisting of \$6,135,000 Series 2004A Term Bonds due May 1, 2034 with a fixed interest rate of 6.125%, and \$19,270,000 Series 2004B Term Bonds due on November 1, 2014 with a fixed interest rate of 7.04%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Series 2004A Bonds is paid serially commencing May 1, 2005 through May 1, 2034. Principal on the Series 2004B Bonds is due in one lump sum on November 1, 2014.

The Series 2004A Bonds are subject to redemption at the option of the District in whole or in part at any time on or after May 1, 2013 at a redemption price as set forth in the Bond Indenture. The Series 2004 Bonds are subject to extraordinary mandatory redemption prior to its selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture. This occurred during the current fiscal year, as the District collected assessments from lot closings and prepaid \$745,000 of the Series 2004B Bonds.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirement as defined in the Bond Indenture. The Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service. The District is in compliance with the requirements of the Bond Indenture at September 30, 2012.

Series 2007

On May 1, 2007, the District issued \$13,225,000 of Special Assessment Revenue Bonds, consisting of \$2,420,000 Term Bonds due May 1, 2038 with a fixed interest rate of 5.25%, and \$10,805,000 Term Bonds due on May 1, 2012 with a fixed interest rate of 5.00%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Series 2007A Bonds is paid serially commencing May 1, 2009 through May 1, 2038. Principal on the Series 2007B Bonds is due in one lump sum on May 1, 2012. During the current year, the remaining balance outstanding of \$4,095,000 was paid in full.

The Series 2007A Bonds are subject to redemption at the option of the District in whole or in part at any time on or after May 1, 2017 at a redemption price as set forth in the Bond Indenture. The Series 2007 Bonds are subject to extraordinary mandatory redemption prior to its selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Series 2007 (Continued)

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirement as defined in the Bond Indenture. The Bond Indenture has certain other restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service. The District is in compliance with the requirements of the Bond Indenture at September 30, 2012.

Changes in long-term liability activity for the fiscal year ended September 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2003A	\$ 5,350,000	\$ -	\$ 110,000	\$ 5,240,000	\$ 115,000
Series 2004A	5,500,000	-	110,000	5,390,000	120,000
Series 2004B	1,095,000	-	745,000	350,000	-
Series 2007A	2,310,000	-	40,000	2,270,000	40,000
Series 2007B	4,095,000	-	4,095,000	-	-
Total	\$ 18,350,000	\$ -	\$ 5,100,000	\$ 13,250,000	\$ 275,000

At September 30, 2012, the scheduled debt service requirements on the long - term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2013	\$ 275,000	\$ 801,453	\$ 1,076,453
2014	640,000	784,816	1,424,816
2015	310,000	742,657	1,052,657
2016	335,000	723,901	1,058,901
2017	350,000	703,644	1,053,644
2018-2022	2,110,000	3,173,120	5,283,120
2023-2027	2,875,000	2,446,875	5,321,875
2028-2032	3,875,000	1,463,113	5,338,113
2033-2037	2,325,000	305,131	2,630,131
2038	155,000	8,138	163,138
	\$ 13,250,000	\$ 11,152,848	\$ 24,402,848

NOTE 8 – PALMETTO CLUB OPERATIONS

The Palmetto Club is rented for events such as conferences, weddings, etc. Rental income for the fiscal year ended September 30, 2012 was \$135,668 of which \$3,246 is a receivable at year end. Rental income collected in advance of events occurring is reported as unearned revenues in the balance sheet and statement of net assets. At September 30, 2012, unearned revenue was \$5,200.

NOTE 9 – RELATED DISTRICT TRANSACTIONS

The District has entered into an agreement with Fishhawk Community Development District and Fishhawk Ranch Homeowner’s Association, Inc (“HOA”) for amenity management services provided by the HOA. The annual contract with the HOA is for \$424,992, of which the District is responsible for \$297,494 and Fishhawk Community Development District is responsible for the balance. For the fiscal year ended September 30, 2012, the District paid the HOA \$316,109 for services related to the contract. The District owes the HOA \$25,232 as of September 30, 2012.

NOTE 10 – DEVELOPER TRANSACTIONS AND CONCENTRATION

During the current fiscal year, the Developer owned lots within the District; therefore, assessment revenues in the general and debt service funds include assessments levied on those lots owned by the Developer. Of the total assessments, the Developer was billed \$172,850 for the operations and maintenance in the general fund and \$3,335,670 for debt service.

In addition, in the current year, the District constructed certain assets for the Developer at a cost of approximately \$263,633. That amount is reported as due from Developer on the balance sheet and statement of net assets.

The District's activities are dependent on the continued involvement of the Developer, the loss of which could have a material adverse effect on the District's operations.

NOTE 11 – MANAGEMENT COMPANY

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

NOTE 12 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. The District filed claims of approximately \$27,400 under this commercial insurance coverage in the last three years.

**FISHHAWK COMMUNITY DEVELOPMENT DISTRICT II
HILLSBOROUGH COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts <u>Original & Final</u>	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Assessments	\$ 1,916,409	\$ 1,962,410	\$ 46,001
Interlocal - Shared Facility Fee	48,776	-	(48,776)
Palmetto Club rental revenue	200,000	135,668	(64,332)
Interest and miscellaneous revenue	16,000	21,831	5,831
Total revenues	<u>2,181,185</u>	<u>2,119,909</u>	<u>(61,276)</u>
EXPENDITURES			
Current:			
General government	217,625	239,686	(22,061)
Maintenance and operations	1,165,910	1,116,417	49,493
Public safety	73,000	69,362	3,638
Parks and recreation	724,920	641,766	83,154
Capital outlay	10,000	24,381	(14,381)
Total expenditures	<u>2,191,455</u>	<u>2,091,612</u>	<u>99,843</u>
Excess (deficiency) of revenues over (under) expenditures	(10,270)	28,297	38,567
OTHER FINANCING SOURCES			
Use of fund balance	10,270	-	(10,270)
Net change in fund balances	<u>\$ -</u>	<u>28,297</u>	<u>\$ 28,297</u>
Fund balance - beginning		<u>887,461</u>	
Fund balance - ending		<u>\$ 915,758</u>	

See notes to required supplementary information

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

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

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual expenditures in the general fund did not exceed appropriations for the fiscal year ended September 30, 2012.

The variance between budgeted and actual general fund revenues for the 2012 fiscal year is primarily because less revenues were generated for the Palmetto Club than anticipated. The actual general fund expenditures for the 2012 fiscal year were lower than budgeted amounts due primarily to anticipated costs which were not incurred in the current fiscal year.



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

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

We have audited the financial statements of the governmental activities and each major fund of Fishhawk Community Development District II, Hillsborough County, Florida ("District") as of and for the fiscal year ended September 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 20, 2013. 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.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and 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*.

This report is intended for the information of the management, Board of Supervisors of Fishhawk Community Development District II, Hillsborough County, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Grau & Associates
March 20, 2013



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

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

We have audited the accompanying basic financial statements of Fishhawk Community Development District II ("District") as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated March 20, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In addition, we have issued our 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* dated March 20, 2013. Disclosures in that report should be considered in conjunction with this management letter.

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for 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.**

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. This letter is intended for the information and use of management, Board of Supervisors of Fishhawk Community Development District II, Hillsborough County, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

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

Grau & Associates

March 20, 2013

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, 2011.

2. A statement as to whether or not the local governmental entity complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

The District complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

3. 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, 2012.

4. Violations of 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 more than inconsequential.

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, 2012.

5. For matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors, the following may be reported based on professional judgment:

- a. Violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse.
- b. Deficiencies in internal control that are not significant deficiencies.

There were no such matters discovered by, or that came to the attention of, the auditor, that, in our judgment, are required to be reported, for the fiscal year ended September 30, 2012.

REPORT TO MANAGEMENT (Continued)

6. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.
7. 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, 2012 financial audit report.
8. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
9. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and no deteriorating financial condition was noted. 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.