

***ZEPHYR LAKES COMMUNITY
DEVELOPMENT DISTRICT***

Advanced Meeting Package

***Board of Supervisors
Regular Meeting***

***Tuesday
July 10,
2018***

9:00 a.m.

***RESIDENCE INN
2101 Northpoint Parkway
Lutz, Florida***

Note: The Advanced Meeting Package is a working document and thus all materials are considered DRAFTS prior to presentation and Board acceptance, approval or adoption.

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT AGENDA

Residence Inn
2101 Northpoint Parkway.
Lutz, Florida

District Board of Supervisors	Mike Lawson Doug Draper Lori Price Ted Sanders	Chairman Vice Chairman Assistant Secretary Assistant Secretary
District Manager	Paul Cusmano	DPFG
District Attorney	Vivek Babbar	Straley, Robin & Vericker
District Engineer	Tonja Stewart	Stantec Consulting Services, Inc.

All cellular phones and pagers must be turned off during the meeting.

The District Agenda is comprised of seven different sections:

The meeting will begin promptly with the first section which is called **Audience Questions and Comments on Agenda Items**. The Audience Comment portion of the agenda is where individuals may comment on matters that concern the District. Each individual is limited to three (3) minutes for such comment. The Board of Supervisors or Staff is not obligated to provide a response until sufficient time for research or action is warranted. IF THE COMMENT CONCERNS A MAINTENANCE RELATED ITEM, THE ITEM WILL NEED TO BE ADDRESSED BY THE DISTRICT MANAGER OUTSIDE THE CONTEXT OF THIS MEETING. The second section is called **District Counsel and District Engineer Reports**. This section allows the District Engineer, and Attorney to update the Board of Supervisors on any pending issues that are being researched for Board action. The third section is the **Landscaping and Ponds** section and contains items that often require District Engineer, Operations Manager, and Landscape Contractor to discuss and update the Board. The fourth section is the **Business Administration** section and contains items that require the review and approval of the District Board of Supervisors as a normal course of business. The fifth section is called **Business Items**. The business items section contains items for approval by the District Board of Supervisors that may require discussion, motion and votes on an item-by-item basis. Occasionally, certain items for decision within this section are required by Florida Statute to be held as a Public Hearing. During the Public Hearing portion of the agenda item, each member of the public will be permitted to provide one comment on the issue, prior to the Board of Supervisors' discussion, motion and vote. Agendas can be reviewed by contacting the Manager's office at (813) 374-9105 at least seven days in advance of the scheduled meeting. Requests to place items on the agenda must be submitted in writing with an explanation to the District Manager at least fourteen (14) days prior to the date of the meeting. The sixth section is called **Staff Reports**. This section allows the District Manager and Maintenance Supervisor to update the Board of Supervisors on any pending issues that are being researched for Board action. The seventh section which is called **Audience Comments on Other Items** provides members of the Audience the opportunity to comment on matters of concern to them that were not addressed during the meeting. The same guidelines used during the first audience comment section will apply here as well. The final section is called **Supervisor Requests**. This is the section in which the Supervisors may request Staff to prepare certain items in an effort to meet residential needs.

Public workshops sessions may be advertised and held in an effort to provide informational services. These sessions allow staff or consultants to discuss a policy or business matter in a more informal manner and allow for lengthy presentations prior to scheduling the item for approval. Typically no motions or votes are made during these sessions.

Pursuant to provisions of the Americans with Disabilities Act, any person requiring special accommodations to participate in this meeting is asked to advise the District Office at (813) 374-9105, at least 48 hours before the meeting. If you are hearing or speech impaired, please contact the Florida Relay Service at 1 (800) 955-8770, who can aid you in contacting the District Office.

Any person who decides to appeal any decision made by the Board with respect to any matter considered at the meeting is advised that this same person will need a record of the proceedings and that accordingly, the person may need to ensure that a verbatim record of the proceedings is made, including the testimony and evidence upon which the appeal is to be based.

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT

Date of Meeting: Tuesday July 10, 2018
Time: 9:00 a.m.
Location: Residence Inn
2101 Northpointe Parkway
Lutz, Florida 33558

Conference Call No.: (563) 999-2090
Code: 686859#

AGENDA

I. Roll Call

II. Audience Comments

III. Consent Agenda

A. Approval of Minutes from June 12, 2018 Regular Meeting **Exhibit 1**

B. Acceptance of May 2018 Unaudited Financial Statement **Exhibit 2**

IV. Business Matters

A. Financial Statements September 30, 2017 **Exhibit 3**

V. Staff Reports

A. District Manager

B. Attorney

C. District Engineer

VI. Supervisors Requests

VII. Audience Questions and Comments on Other Items

VII. Adjournment

EXHIBIT 1.

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**MINUTES OF MEETING
ZEPHYR LAKES
COMMUNITY DEVELOPMENT DISTRICT**

9 The Regular Meeting of the Board of Supervisors of the Zephyr Lakes Community Development
10 District was held on Tuesday, June 12, 2018 at 9:00 a.m. at the Residence Inn 2101 Northpointe Parkway,
11 Lutz, Florida 33558.

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FIRST ORDER OF BUSINESS – Roll Call

16 Mr. Cusmano called the meeting to order.

17 Present and constituting a quorum were:

18 Mike Lawson Board Supervisor, Chairman
19 Doug Draper Board Supervisor, Vice Chairman
20 Lori Price Board Supervisor, Assistant Secretary

21 Also present were:

22 Paul Cusmano District Manager, DPF
23 Vivek Babbar District Attorney, Straley, Robin & Vericker (*via phone*)
24 Lore Yeira Assistant District Manager, DPF

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The following is a summary of the discussions and actions taken at the June 12, 2018 Zephyr Lakes CDD Board of Supervisors meeting.

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SECOND ORDER OF BUSINESS – Audience Comments

33 There being none, the next item followed.

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THIRD ORDER OF BUSINESS – Consent Agenda

36 Mr. Cusmano presented the meeting minutes from the May 1, 2018 meeting and the unaudited
37 financial statements for April 2018 and asked for comments, questions, or corrections.

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39

A. Approval of the Minutes from May 1, 2018 Regular Meeting

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B. Acceptance of the April 2018 Unaudited Financial Statements

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On a MOTION by Mr. Lawson, SECONDED by Mr. Draper, WITH ALL IN FAVOR, the Board accepted
Items A & B for the Zephyr Lakes Community Development District.

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47
48

FOURTH ORDER OF BUSINESS – Business Matters

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A. Presentation of the Fiscal Year 2018-2019 Proposed Budget

51 Mr. Cusmano presented the proposed budget for Fiscal Year 2018-2019 and asked for comments,
52 questions, or corrections.

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54
55

On a MOTION by Mr. Lawson, SECONDED by Ms. Price, WITH ALL IN FAVOR, the Board approved
the **proposed budget for Fiscal Year 2018-2019** for the Zephyr Lakes Community Development District.

56
57

B. Consideration and Adoption of Resolution 2018-03 Approving the Proposed Budget and Setting of the Public Hearing

58 Mr. Cusmano presented Resolution 2018-03 to adopt the proposed budget and asked for comments,
59 questions, or corrections. Mr. Lawson called for a motion to adopt the resolution.

42 On a MOTION by Mr. Lawson, SECONDED by Mr. Draper, ITH ALL IN FAVOR, the Board adopted
43 **Resolution 2018-03** for the Zephyr Lakes Community Development District.

44 **FIFTH ORDER OF BUSINESS – Staff Reports**

45 **A. District Manager**

46 There being none, next item followed.

47 **B. Attorney**

48 There being none, next item followed.

49 **C. District Engineer**

50 There being none, next item followed.

51 **SIXTH ORDER OF BUSINESS – Supervisors Requests**

52 There being none, next item followed.

53 **SEVENTH ORDER OF BUSINESS – Audience Questions and Comments on Other Items**

54 There being none, next item followed.

55 **EIGHTH ORDER OF BUSINESS – Adjournment**

56 On a MOTION by Mr. Lawson, SECONDED by Ms. Price, WITH ALL IN FAVOR, the Board adjourned
57 the meeting for the Zephyr Lakes Community Development District.

58
59 **Each person who decides to appeal any decision made by the Board with respect to any matter considered*
60 *at the meeting is advised that person may need to ensure that a verbatim record of the proceedings is made,*
61 *including the testimony and evidence upon which such appeal is to be based.*
62

63 **Meeting minutes were approved at a meeting by vote of the Board of Supervisors at a publicly noticed**
64 **meeting held on _____.**

66 _____
67 **Signature**

68 _____
69

70 **Printed Name**

71 **Title:** **Secretary** **Assistant Secretary**

66 _____
67 **Signature**

68 _____
69

70 **Printed Name**

71 **Title:** **Chairman** **Vice Chairman**

EXHIBIT 2.

**Zephyr Lakes
Community Development District**

**Financial Statements
(Unaudited)**

May 31, 2018

Zephyr Lakes CDD
Balance Sheet
May 31, 2018

	GENERAL FUND
<u>ASSETS:</u>	
CASH	\$ 502
DEVELOPER RECEIVABLE	701
TOTAL ASSETS	\$ 1,203
<u>LIABILITIES:</u>	
ACCOUNTS PAYABLE	\$ 786
<u>FUND BALANCE:</u>	
ASSIGNED:	-
UNASSIGNED:	417
TOTAL LIABILITIES & FUND BALANCE	\$ 1,203

Zephyr Lakes CDD
General Fund
Statement of Revenues, Expenses and Changes in Fund Balance
For The Period Starting October 1, 2017 Ending May 31, 2018

	<u>FY2018 ADOPTED BUDGET</u>	<u>BUDGET YEAR-TO-DATE</u>	<u>ACTUAL YEAR-TO-DATE</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUE				
SPECIAL ASSESSMENTS - ON-ROLL	\$ 103,683	\$ 69,122	\$ 40,512	\$ (28,610)
DEVELOPER FUNDING	-	-	-	-
INTEREST	-	-	-	-
MISC. REVENUE	-	-	-	-
TOTAL REVENUE	<u>103,683</u>	<u>69,122</u>	<u>40,512</u>	<u>(28,610)</u>
EXPENDITURES				
ADMINISTRATIVE:				
PAYROLL - BOS	12,000	8,000	600	7,400
PAYROLL TAXES	918	612	46	566
PAYROLL SERVICES FEE	676	451	188	263
TRAVEL PER DIEM - BOS	75	50	-	50
MANAGEMENT CONSULTING SERVICES	21,000	14,000	14,000	-
PLANNING AND COORDINATING SERVICES	36,000	24,000	24,000	-
BANKING SERVICES	120	80	24	56
MISCELLANEOUS	316	211	150	61
PUBLIC OFFICIAL & GENERAL LIABILITY INS.	2,651	1,767	-	1,767
AUDITING SERVICES	4,000	2,667	-	2,667
REGULATORY AND PERMIT FEES	175	175	175	-
LEGAL ADVERTISEMENTS	1,200	800	216	584
ENGINEERING SERVICES	4,000	2,667	-	2,667
LEGAL SERVICES - GENERAL	7,000	4,667	1,117	3,550
WEBSITE DEVELOPMENT & HOSTING	720	480	480	-
CONTINGENCY	-	-	-	-
TOTAL ADMINISTRATIVE	<u>90,851</u>	<u>60,626</u>	<u>40,996</u>	<u>19,630</u>
INSURANCE:				
INSURANCE (PO, Liability, Property & Casualty)	2,651	2,651	2,550	101
TOTAL INSURANCE	<u>2,651</u>	<u>2,651</u>	<u>2,550</u>	<u>101</u>
PHYSICAL ENVIRONMENT:				
FIELD MANAGER	8,781	5,854	-	5,854
FIELD TRAVEL EXPENDITURES	1,400	933	10	923
TOTAL FIELD OPERATIONS	<u>10,181</u>	<u>6,787</u>	<u>10</u>	<u>6,777</u>
TOTAL EXPENDITURES	<u>103,683</u>	<u>70,064</u>	<u>43,556</u>	<u>19,731</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	-	(942)	(3,044)	(2,102)
FUND BALANCE - BEGINNING	-	-	3,460	3,460
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ (942)</u>	<u>\$ 416</u>	<u>\$ 1,358</u>

Zephyr Lakes CDD
Cash Reconciliation - General Fund
May 31, 2018

Balance Per Bank Statement	\$ <u>BU Acct</u> 501.65
Less: Outstanding Checks	-
<i>Adjusted Bank Balance</i>	<u>501.65</u>
Beginning Cash Balance Per Books	\$ 511.65
Cash Receipts	4,886.50
Cash Disbursements	(4,896.50)
<i>Balance Per Books</i>	<u>501.65</u>

**Zephyr Lakes CDD
Check Register
FY 2018**

DATE	Check No	PAYEE	DESCRIPTION	DEPOSIT	DISBURSMT	New BU
		EOY Balance 9-30-17				3,460.27
10/02/2017	2108	Egis Insurance Advisors, LLC	Ins FY 2018		2,550.00	910.27
10/12/2017		Paychex	Deposit	19.88		930.15
		EOM Balance 10-31-17		19.88	2,550.00	930.15
11/02/2017		Developer Funding	GF 2018-01	4,750.00		5,680.15
11/03/2017	2109	DPFG MANAGEMENT & CONSULTING,	CDD/Field Mgmt - October		4,750.00	930.15
11/09/2017		Developer Funding	GF 2017-20/GF 2018-02	377.20		1,307.35
11/10/2017	2110	FLORIDA DEPT OF ECONOMIC OPPO	Annual Filing FY 2018		175.00	1,132.35
11/10/2017	2111	Straley Robin Vericker	Legal Svcs thru 9/15/17		25.00	1,107.35
11/10/2017	2112	TAMPA BAY TIMES	Legal Ad		117.20	990.15
11/10/2017	2113	Venturesin.com, Inc.	Web Site Hosting - October		60.00	930.15
11/10/2017	ACH11102017	Paychex	Payroll Fee		10.00	920.15
11/17/2017	2114	Straley Robin Vericker	Legal Svcs thru 10/15/17		146.60	773.55
11/17/2017	2115	Venturesin.com, Inc.	Web Site Hosting - November		60.00	713.55
11/30/2017		Developer Funding	GF 2018-03	5,469.24		6,182.79
11/30/2017	2116	DPFG MANAGEMENT & CONSULTING,	CDD/Field Mgmt - November		4,750.00	1,432.79
		EOM Balance 11-30-17		10,596.44	10,093.80	1,432.79
12/07/2017		Board Member	Payroll		183.87	1,248.92
12/07/2017		Paychex	Payroll Taxes		92.63	1,156.29
12/08/2017		Paychex	Payroll Fees		55.50	1,100.79
12/14/2017		Developer Funding	GF 2018-04	4,810.00		5,910.79
12/15/2017	2117	DPFG MANAGEMENT & CONSULTING,	CDD/Field Mgmt - December		4,750.00	1,160.79
12/15/2017	2118	Venturesin.com, Inc.	Web Site Hosting - December		60.00	1,100.79
12/26/2017	10020	Board Member	Payroll		188.44	912.35
12/28/2017	10021	Board Member	Payroll		184.70	727.65
		EOM Balance 12-31-17		4,810.00	5,515.14	727.65
01/31/2018	2119	DPFG MANAGEMENT & CONSULTING,	CDD/Field Mgmt - January		4,750.00	-4,022.35
01/31/2018		Developer Funding	GF 2018-05	4,982.20		959.85
01/31/2018		Bank United	Service Charge		12.00	947.85
		EOM Balance 1-31-18		4,982.20	4,762.00	947.85
02/01/2018	2120	Business Observer	Legal Ad		127.50	820.35
02/01/2018	2121	Straley Robin Vericker	Legal Svcs thru 12/15/17		44.70	775.65
02/01/2018	2122	Venturesin.com, Inc.	Web Site Hosting - January		60.00	715.65
02/12/2018	ACH02122018	Paychex	Payroll Fees		132.00	583.65
02/22/2018		Developer Funding	GF 2018-07	4,962.50		5,546.15
02/22/2018	2123	DPFG MANAGEMENT & CONSULTING,	CDD/Field Mgmt - February		4,750.00	796.15
02/22/2018	2124	Straley Robin Vericker	Legal Svcs thru 1/15/18		152.50	643.65
02/22/2018	2125	Venturesin.com, Inc.	Web Site Hosting - February		60.00	583.65
		EOM Balance 2-28-18		4,962.50	5,326.70	583.65
03/01/2018		Developer Funding	GF 2018-08	4,901.50		5,485.15
03/02/2018	2126	DPFG MANAGEMENT & CONSULTING,	CDD/Field Mgmt - March		4,750.00	735.15
03/02/2018	2127	Straley Robin Vericker	Legal Svcs thru 2/15/18		151.50	583.65
03/14/2018	2128	Venturesin.com, Inc.	Web Site Hosting - March		60.00	523.65
		EOM Balance 3-31-18		4,901.50	4,961.50	523.65
04/27/2018	2129	DPFG MANAGEMENT & CONSULTING,	CDD/Field Mgmt - April		4,750.00	-4,226.35
04/27/2018		Developer Funding	GF 2018-09	4,813.27		586.92
04/27/2018	2130	IRA DOUG DRAPER	Mileage - BOS Mtg - 4/3/18		3.27	583.65
04/27/2018	2131	Venturesin.com, Inc.	Web Site Hosting		60.00	523.65
04/30/2018		Bank United	Service Charge		12.00	511.65
		EOM Balance 4-30-18		4,813.27	4,825.27	511.65
05/08/2018		Developer Funding	GF 2018-10	4,886.50		5,398.15
05/09/2018	2132	DPFG MANAGEMENT & CONSULTING,	CDD/Field Mgmt - May		4,750.00	648.15
05/09/2018	2133	Straley Robin Vericker	Legal Svcs thru 4/15/18		136.50	511.65
05/10/2018	ACH05102018	Paychex	Payroll Fees		10.00	501.65
		EOM Balance 5-31-18		4,886.50	4,896.50	501.65

EXHIBIT 3.

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT

FINANCIAL STATEMENTS

September 30, 2017

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT
FINANCIAL STATEMENTS
September 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
Zephyr Lakes Community Development District
City of Zephyr Lakes, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Zephyr Lakes Community Development District, City of Zephyr Lakes, Florida ("District") as of and for the year ended September 30, 2017, 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, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 - 6 and page 21 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 April 23, 2018, on our consideration of Zephyr Lakes Community Development District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Zephyr Lakes Community Development District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated April 23, 2018 on our consideration of the District's compliance with 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.



DiBartolomeo, McBee, Hartley & Barnes, P.A.
Fort Pierce, Florida
April 23, 2018

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2017

Our discussion and analysis of Zephyr Lakes Community Development District, City of Zephyr Lakes, Florida (“District”) financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2017. 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 most recent fiscal year resulting in a net position balance of \$4,060.
- The change in the District's total net position in comparison with the prior fiscal year was \$1,610, an increase. 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, 2017, the District's governmental funds reported combined ending fund balances of \$3,460. The general fund balance is unassigned 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 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 and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2017

The government-wide financial statements include all governmental activities that are principally supported by developer contributions. The District does not have any business-type activities. The governmental activities of the District include the general government (management) and maintenance and operations.

Fund Financial Statements

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the 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 two 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 and capital projects fund. Both funds are 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.

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2017

GOVERNMENT WIDE FINANCIAL ANALYSIS

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

Key components of net position were as follows:

	2017	2016
Current assets	\$ 3,602	\$ 2,333
Capital assets	600	600
Total assets	4,202	2,933
Current liabilities	142	483
Total liabilities	142	483
Net position		
Net invested in capital assets	600	600
Unrestricted	3,460	1,850
Total net position	\$ 4,060	\$ 2,450

The District's net position increased during the most recent fiscal year. The majority of the change represents the degree to which program revenues exceeded the ongoing cost of operations.

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

	2017	2016
Program revenues	\$ 70,477	\$ 73,102
Total revenues	70,477	73,102
Expenses		
General government	68,867	73,211
Total expenses	68,867	73,211
Change in net position	1,610	(109)
Net position - beginning of year	2,450	2,559
Net position - end of year	\$ 4,060	\$ 2,450

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2017 was \$68,867, which primarily consisted of costs associated with general expenditures and constructing and maintaining certain capital improvements of the District. The costs of the District's activities were funded by developer contributions.

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2017

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 did not exceed expenditures appropriations for the fiscal year ended September 30, 2017.

The variance between budgeted and actual general fund revenues is not considered significant. The actual general fund expenditures for the current fiscal year were lower than budgeted amounts due primarily to costs being lower than anticipated.

CAPITAL ASSETS

Capital Assets

At September 30, 2017, the District had \$600 invested in construction in process. Construction in process has not completed as of September 30, 2017 and therefore is not depreciated to date. Once projects are complete, items will transfer to depreciable assets. More detailed information about the District's capital assets is presented in the notes of the financial statements.

ECONOMIC FACTORS, NEXT YEAR'S BUDGET AND OTHER INFORMATION

For the fiscal year 2018, the District anticipates that the cost of general operations will remain fairly constant. In connection with the District's future infrastructure maintenance and replacement plan, the District Board has included in the budget, an estimate of those anticipated future costs and has assigned a portion of current available resources for that purpose.

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 Zephyr Lakes Community Development District's Finance Department at 250 International Parkway, Suite 280, Lake Mary, FL 32746.

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF NET POSITION

September 30, 2017

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash and cash equivalents	\$ 3,460
Due from developer	142
Capital assets:	
Non-depreciable	<u>600</u>
TOTAL ASSETS	<u><u>\$ 4,202</u></u>
LIABILITIES	
Accounts payable	<u>\$ 142</u>
TOTAL LIABILITIES	<u>142</u>
NET POSITION	
Net investment in capital assets	600
Unrestricted	<u>3,460</u>
TOTAL NET POSITION	<u><u>\$ 4,060</u></u>

The accompanying notes are an integral part of this financial statement

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF ACTIVITIES
Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues Operating Contributions	Net (Expense) Revenues and Changes in Net Position Governmental Activities
Governmental activities			
General government	\$ 68,867	\$ 70,477	\$ 1,610
Total governmental activities	\$ 68,867	\$ 70,477	1,610
	Change in net position		1,610
		Net position - October 1, 2016	2,450
		Net position - September 30, 2017	\$ 4,060

The accompanying notes are an integral part of this financial statement

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2017

	MAJOR FUNDS		TOTAL GOVERNMENTAL FUNDS
	GENERAL	CAPITAL PROJECTS	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,460	\$ -	\$ 3,460
Due from developer	142	-	142
TOTAL ASSETS	\$ 3,602	\$ -	\$ 3,602
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES			
Accounts payable	\$ 142	\$ -	\$ 142
TOTAL LIABILITIES	142	-	142
FUND BALANCES			
Unassigned	3,460	-	3,460
TOTAL FUND BALANCES	3,460	-	3,460
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,602	\$ -	\$ 3,602

The accompanying notes are an integral part of this financial statement

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2017

Total Governmental Fund Balances in the Balance Sheet, Page 9	\$	3,460
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Amount reported for governmental activities in the Statement of Net
Assets are different because:

Capital asset used in governmental activities are not financial
resources and therefore are not reported in the governmental funds:

Governmental capital assets		600
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Net Position of Governmental Activities, Page 7	\$	<u>4,060</u>
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The accompanying notes are an integral part of this financial statement

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended September 30, 2017

	<u>MAJOR FUNDS</u>		<u>TOTAL GOVERNMENTAL FUNDS</u>
	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	
REVENUES			
Developer contributions	\$ 70,477	\$ -	\$ 70,477
TOTAL REVENUES	<u>70,477</u>	<u>-</u>	<u>70,477</u>
EXPENDITURES			
General government	<u>68,867</u>	<u>-</u>	<u>68,867</u>
TOTAL EXPENDITURES	<u>68,867</u>	<u>-</u>	<u>68,867</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	1,610	-	1,610
FUND BALANCE			
Beginning of year	<u>1,850</u>	<u>-</u>	<u>1,850</u>
End of year	<u>\$ 3,460</u>	<u>\$ -</u>	<u>\$ 3,460</u>

The accompanying notes are an integral part of this financial statement

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2017

Net Change in Fund Balances - Total Governmental Funds, Page 11	<u>\$ 1,610</u>
Change in Net Position of Governmental Activities, Page 8	<u>\$ 1,610</u>

The accompanying notes are an integral part of this financial statement

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A- NATURE OF ORGANIZATION AND REPORTING ENTITY

Zephyr Lakes Community Development District ("District") was created on July 14, 2014 by the City Council of City of Zephyr Lakes, Florida Ordinance No. 1232-14 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 majority of the Board members are affiliated with the Developer. The Supervisors are elected on an at large basis by the qualified electors of the property owners within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the responsibility for:

1. Assessing 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.

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.

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements (continued)

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.

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 economic 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.

Assessments

Assessments are non-ad valorem assessments on benefited lands within the District. Assessments are levied to pay for the operations and maintenance of the District. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. The District's annual assessments for operations are billed and collected by the County Tax Collector. The amounts remitted to the District are net of applicable discounts or fees and include interest on monies held from the day of collection to the day of distribution.

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

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

Capital Projects Fund

The capital projects fund accounts for the financial resources to be used for the acquisition or construction of major infrastructure with the District.

Assets, Liabilities and Net Position or Equity

Restricted Assets

These assets represent cash and investments set aside pursuant to contractual restrictions.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) 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.

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position or Equity (continued)

Deposits and Investments (continued)

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

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 one year. 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>Assets</u>	<u>Years</u>
Improvements	10 - 20
Infrastructure	20 - 40

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.

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 over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts. Bond issuance costs are expensed when incurred.

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position or Equity (continued)

Long-Term Obligations (continued)

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 uses.

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

The statement of net position reports, as applicable, a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. For example, the District would record deferred outflows of resources 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).

The statement of net position reports, as applicable, a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For example, when an asset is recorded in the governmental fund financial statements, but the revenue is not available, the District reports a deferred inflow of resources until such times as the revenue becomes available.

Fund Equity/Net Position

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

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.

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position or Equity (continued)

Fund Equity/Net Position (continued)

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

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

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

Other Disclosures

Use of Estimates

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

NOTE C - 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.

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE C - BUDGETARY INFORMATION (CONTINUED)

- b) Public hearings are conducted to obtain public 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 D – DEPOSITS AND INVESTMENTS

Deposits

The District's cash balances, including certificates of deposit, 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.

NOTE E – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2017 was as follows:

	<u>Balance</u> <u>10/01/2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>09/30/17</u>
Governmental activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 600	\$ -	\$ -	\$ 600
Total capital assets, not being depreciated	<u>600</u>	<u>-</u>	<u>-</u>	<u>600</u>
Governmental activities capital assets - net	<u>\$ 600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 600</u>

NOTE F - MANAGEMENT COMPANY

The District has contracted with a management company to perform services which include financial and accounting advisory services. Certain employees of the management company also serve as officers of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, computer and other administrative costs.

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE G – SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to September 30, 2017, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended September 30, 2017. Management has performed their analysis through April 23, 2018, the audit completion date.

NOTE H - 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; natural disasters; and environmental remediation. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

NOTE I – CONCENTRATION

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

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL – GENERAL FUND
Year Ended September 30, 2017

	<u>* BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES			
Developer contributions	\$ 103,683	\$ 70,477	\$ (33,206)
TOTAL REVENUES	<u>103,683</u>	<u>70,477</u>	<u>(33,206)</u>
 EXPENDITURES			
Current			
General government	<u>103,683</u>	<u>68,867</u>	<u>34,816</u>
TOTAL EXPENDITURES	<u>103,683</u>	<u>68,867</u>	<u>34,816</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES			
	<u>\$ -</u>	1,610	<u>\$ 1,610</u>
 FUND BALANCES			
Beginning of year		<u>1,850</u>	
End of year		<u>\$ 3,460</u>	

* Original and final budget.

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT
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).

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, 2017.

The variance between budgeted and actual general fund revenues is not considered significant. The actual general fund expenditures for the current fiscal year were lower than budgeted amounts due primarily to anticipated costs which were not incurred in the current fiscal year.

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

To the Board of Directors
Zephyr Lakes Community Development District
City of Zephyr Lakes, Florida

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Zephyr Lakes Community Development District, as of September 30, 2017 and for the year ended September 30, 2017, which collectively comprise the Zephyr Lakes Community Development District's basic financial statements and have issued our report thereon dated April 23, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 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 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This report is intended 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 purpose.

DiBartolomeo, McBee, Hartley & Barnes

DiBartolomeo, McBee, Hartley & Barnes, P.A.

Fort Pierce, Florida

April 23, 2018

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 Directors
Zephyr Lakes Community Development District
City of Zephyr Lakes, Florida

We have examined the District's compliance with the requirements of Section 218.415, Florida Statutes with regards to the District's investments during the year ended September 30, 2017. 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 year ended September 30, 2017.

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 Zephyr Lakes Community Development District, City of Zephyr Lakes, Florida and is not intended to be and should not be used by anyone other than these specified parties.

DiBartolomeo, McBee, Hartley & Barnes

DiBartolomeo, McBee Hartley & Barnes, P.A.
Fort Pierce, Florida
April 23, 2018

Management Letter

To the Board of Supervisors
Zephyr Lakes Community Development District
City of Zephyr Lakes, Florida

Report on the Financial Statements

We have audited the financial statements of Zephyr Lakes Community Development District as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated April 23, 2018.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant'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 and schedule, which are dated April 23, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. Refer to Note A in the notes to the financial statements.

Financial Condition

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

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report for the Zephyr Lakes Community Development District for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.


Other Matters

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

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

Purpose of this Letter

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


DiBartolomeo, McBee, Hartley & Barnes, P.A.
Fort Pierce, Florida
April 23, 2018