

Financial Report

Year Ended September 30 2019

**K-Bar Ranch Community
Development District**

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Year Ended September 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
K-Bar Ranch Community Development District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the *K-Bar Ranch Community Development District* (the "District"), as of and for the fiscal year ended September 30, 2019, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the *K-Bar Ranch Community Development District*, as of September 30, 2019, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis starting on page 3, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 26, 2020, on our consideration of the *K-Bar Ranch Community Development District's*, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

McDiernit Davis

Orlando, Florida
March 26, 2020

Our discussion and analysis of the *K-Bar Ranch Community Development District* (the "District") financial accomplishments provide an overview of the District's financial activities for the year ended September 30, 2019. Please read it in conjunction with the District's Independent Auditor's Report, financial statements and accompanying notes.

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

Financial Highlights

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year resulting in a deficit net position balance of (\$1,034,275), an increase of \$210,082 in comparison with the prior year.
- At September 30, 2019, the District's governmental funds reported fund balances of \$1,548,358, an increase of \$290,978 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the *K-Bar Ranch Community Development District's* financial statements. The District's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements.

Government-Wide Financial Statements

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

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

Notes to Financial Statements

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

Government-Wide Financial Analysis

Statement of Net Position

The District's net position was (\$1,034,275) at September 30, 2019. The following analysis focuses on the net position of the District's governmental activities.

	<u>2019</u>	<u>2018</u>
Assets, excluding capital assets	\$ 1,617,129	\$ 1,298,408
Capital Assets, net of depreciation	5,889,525	6,228,319
Total assets	<u>7,506,654</u>	<u>7,526,727</u>
Liabilities, excluding long-term liabilities	234,689	211,410
Long-term Liabilities	8,306,240	8,559,674
Total liabilities	<u>8,540,929</u>	<u>8,771,084</u>
Net Position:		
Net investment in capital assets	1,112,090	1,299,203
Restricted for debt service	225,394	179,346
Unrestricted	(2,371,759)	(2,722,906)
Total net position	<u>\$ (1,034,275)</u>	<u>\$ (1,244,357)</u>

K-Bar Ranch Community Development District
Management's Discussion and Analysis

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

Changes in Net Position

	<u>2019</u>	<u>2018</u>
Revenues:		
Program revenues	\$ 1,632,314	\$ 1,500,274
General revenues	13,777	4,834
Total revenues	<u>1,646,091</u>	<u>1,505,108</u>
Expenses:		
General government	110,849	114,760
Culture and recreation	134,685	135,173
Physical environment	775,107	760,677
Roads and streets	9,350	-
Interest on long-term debt	406,018	416,173
Total expenses	<u>1,436,009</u>	<u>1,426,783</u>
Change in net position	<u>210,082</u>	<u>78,325</u>
Net position, beginning of year	<u>(1,244,357)</u>	<u>(1,322,682)</u>
Net position, ending	<u>\$ (1,034,275)</u>	<u>\$ (1,244,357)</u>

As noted above and in the statement of activities, the cost of all governmental activities during the year ended September 30, 2019 was \$1,436,009. The majority of these costs are physical environment expenses.

Financial Analysis of the Government's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At September 30, 2019, the District's governmental funds reported combined ending fund balances of \$1,548,358. Of this total, \$37,158 is non-spendable, \$626,183 is restricted, \$291,941 is assigned and the remainder of \$593,076 is unassigned.

General Fund Budgetary Highlights

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget to actual comparison for the general fund, including the original budget and final adopted budget, is shown on page 12. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. There were no budget amendments during the year. The legal level of budgetary control is at the fund level.

Capital Asset and Debt Administration

Capital Assets

At September 30, 2019, the District had \$7,618,546 invested in capital assets for its governmental activities. In the government-wide financial statements depreciation of \$1,729,021 has been taken, which resulted in a net book value of \$5,889,525. More detailed information about the District's capital assets is presented in the notes to financial statements.

Capital Debt

At September 30, 2019, the District had \$8,345,000 in bonds outstanding for its governmental activities. More detailed information about the District's capital debt is presented in the notes to financial statements.

Requests for Information

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

FINANCIAL STATEMENTS

K-Bar Ranch Community Development District
Statement of Net Position
September 30, 2019

	<u>Governmental Activities</u>
Assets:	
Cash	\$ 953,788
Prepaid costs	21,262
Deposits	15,896
Restricted assets:	
Temporarily restricted investments	626,183
Capital assets:	
Capital assets not being depreciated	186,140
Capital assets being depreciated, net	5,703,385
Total assets	<u>7,506,654</u>
Liabilities:	
Accounts payable and accrued expenses	68,771
Accrued interest payable	165,918
Noncurrent liabilities:	
Due within one year	255,000
Due in more than one year	8,051,240
Total liabilities	<u>8,540,929</u>
Net Position:	
Net investment in capital assets	1,112,090
Restricted for:	
Debt Service	225,394
Unrestricted	(2,371,759)
Net position	<u>\$ (1,034,275)</u>

Statement of Activities

Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenue			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental activities:					
General government	\$ 110,849	\$ 99,441	\$ -	\$ -	\$ (11,408)
Culture and recreation	134,685	120,823	-	-	(13,862)
Physical environment	775,107	695,334	-	-	(79,773)
Roads and streets	9,350	8,388	-	-	(962)
Interest on long-term debt	406,018	694,925	13,403	-	302,310
Total governmental activities	\$ 1,436,009	\$ 1,618,911	\$ 13,403	\$ -	196,305
General Revenues:					
Investment income					13,537
Miscellaneous					240
Total general revenues					13,777
Change in net position					210,082
Net position, beginning					(1,244,357)
Net position, ending					\$ (1,034,275)

K-Bar Ranch Community Development District
Balance Sheet
Governmental Funds
September 30, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Assets:			
Cash	\$ 953,788	\$ -	\$ 953,788
Investments	-	626,183	626,183
Prepaid costs	21,262	-	21,262
Deposits	15,896	-	15,896
Total assets	<u>\$ 990,946</u>	<u>\$ 626,183</u>	<u>\$ 1,617,129</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued expenses	\$ 68,771	\$ -	\$ 68,771
Total liabilities	<u>68,771</u>	<u>-</u>	<u>68,771</u>
Fund Balances:			
Nonspendable	37,158	-	37,158
Restricted for Debt service	-	626,183	626,183
Assigned- capital reserves	291,941	-	291,941
Unassigned	593,076	-	593,076
Total fund balances	<u>922,175</u>	<u>626,183</u>	<u>1,548,358</u>
Total liabilities and fund balances	<u>\$ 990,946</u>	<u>\$ 626,183</u>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			5,889,525
Liabilities not due and payable from current available resources are not reported in governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide statements.			
	Accrued interest payable	(165,918)	
	Bonds payable	<u>(8,306,240)</u>	<u>(8,472,158)</u>
Net position of governmental activities			<u>\$ (1,034,275)</u>

K-Bar Ranch Community Development District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Revenues:			
Special assessments	\$ 923,986	\$ 667,908	\$ 1,591,894
Prepayment assessments	-	27,017	27,017
Investment income	13,537	13,403	26,940
Miscellaneous income	240	-	240
Total revenues	<u>937,763</u>	<u>708,328</u>	<u>1,646,091</u>
Expenditures:			
Current:			
General government	110,849	-	110,849
Physical environment	477,476	-	477,476
Roads and streets	9,350	-	9,350
Culture and recreation	93,522	-	93,522
Debt service:			
Interest	-	408,916	408,916
Principal	-	255,000	255,000
Total expenditures	<u>691,197</u>	<u>663,916</u>	<u>1,355,113</u>
Excess (deficit) of revenues over expenditures	246,566	44,412	290,978
Fund balances, beginning of year	675,609	581,771	1,257,380
Fund balances, end of year	<u>\$ 922,175</u>	<u>\$ 626,183</u>	<u>\$ 1,548,358</u>

K-Bar Ranch Community Development District
**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities**
Year Ended September 30, 2019

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

Net change in fund balances - total governmental funds (page 10)	\$	290,978
Depreciation on capital assets is not recognized in the governmental fund statement; however, it is reported as an expense in the statement of activities.		(338,794)
Repayments of long-term liabilities are reported as expenditures in governmental funds, while repayments reduce long-term liabilities in the statement of net position.		255,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accrued interest		4,464
Amortization of bond discount		(1,566)
		<u>2,898</u>
Change in net position of governmental activities (page 8)	\$	<u><u>210,082</u></u>

K-Bar Ranch Community Development District
**Statement of Revenues, Expenditures and Changes in
Fund Balance Budget and Actual - General Fund**
Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Special Assessments	\$ 915,300	\$ 915,300	\$ 923,986	\$ 8,686
Investment income	-	-	13,537	13,537
Miscellaneous	-	-	240	240
Total revenues	915,300	915,300	937,763	22,463
Expenditures:				
Current:				
General government	124,860	124,860	110,849	14,011
Physical environment	567,240	567,240	477,476	89,764
Roads and street	-	-	9,350	(9,350)
Culture and recreation	173,200	173,200	93,522	79,678
Capital reserve	50,000	50,000	-	50,000
Total expenditures	915,300	915,300	691,197	224,103
Excess (Deficit) of Revenues Over Expenditures	-	-	246,566	246,566
Net change in fund balance	-	-	246,566	246,566
Fund balance, beginning	675,609	675,609	675,609	-
Fund balance, ending	\$ 675,609	\$ 675,609	\$ 922,175	\$ 246,566

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The *K-Bar Ranch Community Development District*, (the “District”) was established on October 20, 2005 by the City of Tampa, Florida Ordinance No. 2005-291, pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. The Act provides, among other things, the power to manage basic services for community development, the power to borrow money and issue bonds, and the power to levy and collect non-ad valorem assessments for the financing and delivery of capital infrastructure. The District was established for the purpose of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District.

The District is governed by the Board of Supervisors (the “Board”), which is composed of five members. All five Supervisors are elected by qualified electors residing within the District. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes. At September 30, 2019, none of the Board members are affiliated with M/I Homes of Tampa, LLC and Lennar Homes, LLC (“Developers”).

The Board has the final responsibility for, among other things:

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

The financial statements were prepared in accordance with Governmental Accounting Standards Board (“GASB”) Statements 14, 39 and 61. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

Government-Wide and Fund Financial Statements

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants, contributions and investment income that are restricted to meeting the operational or capital requirements of a particular function or segment and 3) operating-type special assessments that are treated as charges for services (including assessments for maintenance and debt service). Other items not included among program revenues are reported instead as *general revenues*.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

General Fund

Is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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

Restricted Assets

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

Deposits and Investments

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

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

Prepaid Items

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., utilities system, stormwater system, landscaping and similar items), are reported in the applicable governmental activities column 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 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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	20-25
Stormwater management	25
Underground electrical	25
Landscape/Hardscape	15
Furniture and equipment	5-7

Long Term Obligations

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

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

Deferred Outflows/Inflows of Resources

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

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

Net Position Flow Assumption

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Flow Assumption

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

Fund Balance Policies

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

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

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

Other Disclosures

Use of Estimates

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

New Accounting Standards Issued

In fiscal year 2019, the District implemented Government Accounting Standards Boards (GASB) Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement requires additional note disclosures for certain debt issues. There was no effect on beginning balances of the District.

Additionally, the GASB has issued Statement No. 83, *Certain Asset Retirement Obligations* that is effective for this fiscal year. The District has reviewed this statement and determined that this pronouncement has no discernable impact on these financial statements.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

1. Each year the District Manager submits to the District Board proposed budgets for the fiscal year commencing the following October 1.
2. A public hearing is conducted to obtain public comments.
3. Prior to October 1, the budget is legally adopted by the District Board.
4. Subject to certain limited exceptions set forth in the District's appropriation resolutions adopted each year, all budget changes must be approved by the District Board.
5. The budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

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

Investments

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

Under GASB 72, assets or liabilities are classified into one of three levels. Level 1 is the most reliable and is based on quoted price for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtaining quoted prices for identical or similar assets, or liabilities, in markets that are not active. Level 3 is the least reliable, and uses significant unobservable inputs that uses the best information available under the circumstances, which includes the District's own data in measuring unobservable inputs.

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

- First American Government Obligation Fund of \$547,389 are valued using Level 2 inputs.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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

1. The State Board of Administration Local Government Investment Pool (SBA);
2. Securities and Exchange Commission Registered Money Market Funds with the highest credit quality rating from a nationally recognized rating agency;
3. Interest-bearing savings accounts and certificates of deposit in state-certified qualified public depositories;
4. Direct obligations of the U.S. Treasury.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>
First American Government Obligation Fund, Class Z	\$ 547,389	AAAm	24 Days
U.S. Bank Money Market	78,794	N/A	N/A
Total	<u>\$ 626,183</u>		

Credit Risk:

For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Investments in U.S. Government securities and agencies must be backed by the full faith and credit of the United States Government. Short term bond funds shall be rated by a nationally recognized ratings agency and shall maintain the highest credit quality rating. Investment ratings by investment type are included in the preceding summary of investments.

Custodial Credit Risk:

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

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

Concentration of Credit Risk:

The District's investment policy does not specify limits on the amount the District may invest in any one issuer.

Interest Rate Risk:

The District's investment policy does not specifically address interest rate risk; however, the general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments. The District manages its exposure to declines in fair values by investing primarily in pooled investments that have a weighted average maturity of less than three months.

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 186,140	\$ -	\$ -	\$ 186,140
Total capital assets, not being depreciated	<u>186,140</u>	<u>-</u>	<u>-</u>	<u>186,140</u>
Capital Assets Being Depreciated:				
Landscape/Hardscape	1,230,468	-	-	1,230,468
Recreational facilities	757,370			757,370
Stormwater management	4,864,720			4,864,720
Underground electrical	525,287			525,287
Equipment and furniture	54,561	-	-	54,561
Total capital assets, being depreciated	<u>7,432,406</u>	<u>-</u>	<u>-</u>	<u>7,432,406</u>
Less Accumulated Depreciation for:				
Landscape/Hardscape	(321,902)	(82,031)	-	(403,933)
Recreational facilities	(180,849)	(32,364)		(213,213)
Stormwater management	(778,356)	(194,589)	-	(972,945)
Underground electrical	(84,044)	(21,011)	-	(105,055)
Equipment and furniture	(25,076)	(8,799)	-	(33,875)
Total accumulated depreciation	<u>(1,390,227)</u>	<u>(338,794)</u>	<u>-</u>	<u>(1,729,021)</u>
Total capital assets being depreciated, net	<u>6,042,179</u>	<u>(338,794)</u>	<u>-</u>	<u>5,703,385</u>
Governmental activities capital assets, net	<u>\$ 6,228,319</u>	<u>\$ (338,794)</u>	<u>\$ -</u>	<u>\$ 5,889,525</u>

Depreciation expense for 2019 was charged \$297,631 to physical environment and \$41,163 to parks and recreation.

The infrastructure intended to serve the District has been estimated at a total cost of approximately \$24.4 million (consisting of: 2006 Project, 2011 Project, Parcel O-1 Project and Parcel Q Project). The infrastructure includes stormwater management facilities, water and wastewater facilities, transportation improvements, landscaping improvements, and an amenity center. The 2006 and 2011 Projects were certified complete. A portion of the project costs was financed with the proceeds from the issuance of Bonds, with the remainder funded by Mobley Homes of Florida, Inc. (the "Original Developer") and the Developers. In addition, infrastructure improvements of approximately \$5,252,816 were completed and conveyed to other entities for ownership and maintenance responsibilities.

NOTE 5 LONG-TERM LIABILITIES

At September 30, 2019, the District had Bonds issued as follows:

Series	Issue Date	Original Face Amount	Interest Rate	Maturity
Special Assessment Bonds:				
Series 2011	July 1, 2011	145,000	6.50%	November 1, 2024
Series 2011	July 1, 2011	535,000	7.50%	November 1, 2041
Series 2014				
Parcel O-1 Project	July 10, 2014	335,000	4.75%	November 1, 2024
Parcel O-1 Project	July 10, 2014	550,000	5.13%	November 1, 2034
Parcel O-1 Project	July 10, 2014	920,000	5.38%	November 1, 2044
Parcel Q Project	July 10, 2014	375,000	4.75%	November 1, 2024
Parcel Q Project	July 10, 2014	610,000	5.13%	November 1, 2034
Parcel Q Project	July 10, 2014	1,030,000	5.38%	November 1, 2044
Series 2016	April 1, 2016	4,700,000	4.00%	May 1, 2036

The Special Assessment Bonds, Series 2006, 2011, and 2014 were issued to finance the acquisition and construction of certain improvements for the benefit of the District. The Special Assessment Bonds, Series 2016 was issued during the 2016 fiscal year to refund the Series 2006 Bonds.

Interest is to be paid semiannually for each Bond series on each May 1 and November 1. Principal is to be paid serially for the 2016 Bonds on each May 1 and on November 1 for Series 2011 and 2014.

The Series 2011, 2014, and 2016 Bonds are subject to redemption at the option of the District prior to maturity. The Series 2011, 2014 and 2016 Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indentures. In the event of default, all principal and interest of the bonds will become immediately due and payable

The Bond Indentures established debt service reserve requirements as well as other restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District was in compliance with the requirements at September 30, 2019.

As of September 30, 2019, total principal and interest remaining on the 2011 Bonds amounts to \$1,281,964. For the year ended September 30, 2019, principal and interest paid was \$55,650 and total special assessment revenue pledged was \$62,533.

As of September 30, 2019, total principal and interest remaining on the 2014 Bonds amounts to \$6,490,995. For the year ended September 30, 2019, principal and interest paid was \$251,038 and total special assessment revenue pledged was \$261,064.

As of September 30, 2019, total principal and interest remaining on the 2016 Bonds amounts to \$5,881,697. For the year ended September 30, 2019, principal and interest paid was \$357,228 and total special assessment revenue pledged was \$371,328.

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

Long-term liability activity for the year ended September 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds Payable:					
Series 2011	\$ 625,000	\$ -	\$ (10,000)	\$ 615,000	\$ 10,000
Series 2014	3,605,000	-	(65,000)	3,540,000	70,000
Original issue discount	(40,326)	-	1,566	(38,760)	-
Series 2016	4,370,000	-	(180,000)	4,190,000	175,000
Total	<u>\$ 8,559,674</u>	<u>\$ -</u>	<u>\$ (253,434)</u>	<u>\$ 8,306,240</u>	<u>\$ 255,000</u>

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

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 255,000	\$ 398,202
2021	265,000	386,545
2022	280,000	374,870
2023	290,000	362,651
2024	305,000	350,147
2024-2028	1,735,000	1,531,122
2029-2033	2,180,000	1,093,600
2034-2038	1,625,000	583,791
2039-2043	1,190,000	222,815
2044-2045	220,000	5,913
	<u>\$ 8,345,000</u>	<u>\$ 5,309,656</u>

NOTE 6 DEVELOPER TRANSACTIONS

The Developer owns a portion of land within the District; therefore, assessment revenue in the general and debt service funds include assessments levied on land owned by the Developer.

NOTE 7 MANAGEMENT COMPANY

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

NOTE 8 RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance from independent third parties. The District did not file any claims under this commercial coverage during the last three years.

NOTE 9 OPERATING LEASES:

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

Minimum future payments on these leases as of September 30, 2019 are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2020	\$ 39,318
2021	34,835
2022	24,235
2023	24,235
2024	5,533
	<u>\$ 128,156</u>

Rental payments for the fiscal year ended September 30, 2019 totaled \$39,637.

COMPLIANCE SECTION



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

To the Board of Supervisors
K-Bar Ranch Community Development District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the *K-Bar Ranch Community Development District* (the "District") as of and for the year ended September 30, 2019 and the related notes to the financial statements, which collectively comprise the District's financial statements and have issued our report thereon dated March 26, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

McDermitt Davis

Orlando, Florida
March 26, 2020

MANAGEMENT COMMENTS

Board of Supervisors
K-Bar Ranch Community Development District

Report on the Financial Statements

We have audited the financial statements of *K-Bar Ranch Community Development District*, (the “District”) as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated March 26, 2020.

Auditor’s Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditor’s Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 26, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

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

Financial Condition and Management

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

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

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

Additional Matters

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

Purpose of this Letter

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

McDiarmid Davis

Orlando, Florida
March 26, 2020



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

Board of Supervisors
K-Bar Ranch Community Development District

We have examined *K-Bar Ranch Community Development District's* (the "District") compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2019. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

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

McDermitt Davis

Orlando, Florida
March 26, 2020