

***ZEPHYR LAKES
COMMUNITY DEVELOPMENT DISTRICT***

Advanced Meeting Package

***Board of Supervisors
Meeting and Budget Public Hearing***

***Tuesday
September 6, 2016***

5:30 p.m.

At:

***Residence Inn
2101 Northpointe 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

Development Planning and Financing Group
15310 Amberly Drive, Suite 175, Tampa, Florida 33647
Phone: 813-374-9105

Board of Supervisors
**Zephyr Lakes Community
Development District**

Dear Board Members:

The Regular Meeting and Budget Public Hearing of the Board of Supervisors of Zephyr Lakes Community Development District is scheduled for **Tuesday, September 6, 2016 at 5:30 p.m.** at the Residence Inn, 2101 Northpointe Parkway, Lutz, Florida, 33558.

The advanced copy of the agenda for the meeting is attached along with associated documentation for your consideration. Any additional support material will be forwarded to you under separate cover or distributed at the meeting.

The balance of the agenda is routine in nature and staff will present their reports at the meeting. In the meantime if you have any questions, please contact me.

Sincerely,

Paul Cusmano
District Manager

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT

Date of Meeting: **September 6, 2016**
Time: 5:30 p.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. Administrative Matters

- A. Approval of Minutes from June 7, 2016 Meeting Exhibit 1
- B. Acceptance of June 2016 Summary Financial Statements Exhibit 2

IV. Business Matters

- A. 2016-2017 Budget Public Hearing
 - 1. Open Public Hearing
 - 2. Review of the 2016-2017 Budget Exhibit 3
 - 3. Public Comment & Testimony
 - 4. Close Public Hearing
- B. Consideration and Adoption of Resolution 2016-04 Annual Appropriation Resolution Adopting the Fiscal Year 2016/2017 Budget Exhibit 4
- C. Consideration and Approval of the Fiscal Year 2016/2017 Budget Funding Agreement Exhibit 5
- D. Consideration and Approval of Promissory Note for O&M Exhibit 6
- E. Consideration of Resolution 2016 -05 Officers Appointing Paul Cusmano as Secretary Exhibit 7
- F. Consideration and Approval of the 2016-2017 Meeting Schedule Exhibit 8
- G. Review of the Final Audit Report for 9-30-2015 Exhibit 9

V. Staff Reports

- A. District Manager
- B. Attorney

C. District Engineer

VI. Supervisors Requests

VII. Audience Questions and Comments on Other Items

VIII. Adjournment

EXHIBIT 1

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

The Regular Meeting of the Board of Supervisors of the Zephyr Lakes Community Development District was held on Tuesday, June 7, 2016 at 9:00 a.m. at the Residence Inn, 2101 Northpointe Parkway, Lutz, Florida.

FIRST ORDER OF BUSINESS - Roll Call

Ms. Ramnarine called the meeting to order.

Present and constituting a quorum were:

Michael Lawson	Board Supervisor, Chairman
Doug Draper	Board Supervisor, Vice Chairman
Lori Price	Board Supervisor, Assistant Secretary

Also present were:

Nandra Ramnarine	District Manager
John Vericker	District Counsel (via telephone)

SECOND ORDER OF BUSINESS – Audience Comments

There being none, the next item followed.

THIRD ORDER OF BUSINESS – Administrative Matters

A. Approval of Minutes of May 3, 2016 Meeting

Ms. Ramnarine presented the minutes of the May 3, 2016 meeting and asked for comments, questions or corrections.

On a MOTION by Mr. Lawson, SECONDED by Mr. Draper, WITH ALL IN FAVOR, the Board approved the minutes of the Board of Supervisors meeting held on May 3, 2016 for the Zephyr Lakes Community Development District.

B. Acceptance of the April 2016 Summary Financial Statements

Ms. Ramnarine presented the April 2016 Summary Financial Statements and asked for comments or questions.

On a MOTION by Mr. Lawson, SECONDED by Ms. Price, WITH ALL IN FAVOR, the Board accepted the April 2016 Summary Financial Statements for the Zephyr Lakes Community Development District.

FOURTH ORDER OF BUSINESS – Business Matters

A. Review and Discussion of the FY 2016-2017 Proposed Budget

Ms. Ramnarine presented the FY 2016-2017 Proposed Budget and asked for comments or questions.

On a MOTION by Mr. Lawson, SECONDED by Mr. Draper, WITH ALL IN FAVOR, the Board approved the FY 2016-2017 Proposed Budget for the Zephyr Lakes Community Development District.

B. Consideration of Resolution 2016-02 Approving the FY 2016-2017 Proposed Budget and Setting the Budget Public Hearing

Ms. Ramnarine presented Resolution 2016-02 Approving the FY 2016-2017 Proposed Budget

43 & Setting the Budget Public Hearing and asked for comments or questions.

44 On a MOTION by Mr. Lawson, SECONDED by Ms. Price, WITH ALL IN FAVOR, the Board adopted
45 **Resolution 2016-2** Approving the FY 2016-2017 Proposed Budget & Setting the Budget Public Hearing
46 for September 6, 2016 at 9:00 a.m. at the Residence Inn, 2101 Northpointe Parkway, Lutz, Florida, for
47 the Zephyr Lakes Community Development District.

48
49 **C. Consideration of Resolution 2016-03 Landowners Elections – Seat 3 (Price), Seat 4**
50 **(Sanders), and Seat 5 (Vacant)**

51 Ms. Ramnarine presented Resolution 2016-03 Landowners Elections – Seat 3 (Price), Seat 4
52 (Sanders), and Seat 5 (Vacant) and asked for comments or questions.

53 On a MOTION by Mr. Lawson, SECONDED by Mr. Draper, WITH ALL IN FAVOR, the Board adopted
54 Resolution 2016-03 Landowners Elections – Seat 3 (Price), Seat 4 (Sanders) and Seat 5 (Vacant) for the
55 Zephyr Lakes Community Development District.

56
57 **FIFTH ORDER OF BUSINESS – Staff Reports**

58 **A. Manager**

59 There being none, the next item followed.

60 **B. Attorney**

61 There being none, the next item followed.

62 **C. Engineer**

63 There being none, the next item followed.

64 **SIXTH ORDER OF BUSINESS – Public Comments**

65 There being none, the next item followed.

66 **SEVENTH ORDER OF BUSINESS – Supervisor Requests**

67 There being none, the next item followed.

68 **EIGHTH ORDER OF BUSINESS – Adjournment**

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

71
72 **Each person who decides to appeal any decision made by the Board with respect to any matter*
73 *considered at the meeting is advised that person may need to ensure that a verbatim record of the*
74 *proceedings is made, including the testimony and evidence upon which such appeal is to be based.*

75
76
77 **Meeting minutes were approved at a meeting by vote of the Board of Supervisors at a publicly noticed**
78 **meeting held on _____**

81 _____
82 **Signature**

81 _____
82 **Signature**

83
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85 _____
86 **Printed Name**

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84
85 _____
86 **Printed Name**

87 **Title:** **Secretary** **Assistant Secretary** **Title:** **Chairman** **Vice Chairman**

EXHIBIT 2

**Zephyr Lakes
Community Development District**

**Financial Statements
(Unaudited)**

June 30, 2016

Zephyr Lakes CDD
Balance Sheet
June 30, 2016

	GENERAL FUND
<u>ASSETS:</u>	
CASH	\$ 4,297
DEVELOPER RECEIVABLE	-
TOTAL ASSETS	\$ 4,297
<u>LIABILITIES:</u>	
ACCOUNTS PAYABLE	\$ -
<u>FUND BALANCE:</u>	
ASSIGNED:	-
UNASSIGNED:	4,297
TOTAL LIABILITIES & FUND BALANCE	\$ 4,297

**Zephyr Lakes CDD
General Fund**

**Statement of Revenues, Expenses and Changes in Fund Balance
For The Period Starting October 1, 2015 Ending June 30, 2016**

	FY2016 ADOPTED BUDGET	BUDGET YEAR-TO-DATE	ACTUAL YEAR-TO-DATE	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUE				
SPECIAL ASSESSMENTS - ON-ROLL	\$ -	\$ -	\$ -	\$ -
DEVELOPER FUNDING	103,664	78,892	53,606	(25,286)
INTEREST	-	-	-	-
TOTAL REVENUE	103,664	78,892	53,606	(25,286)
EXPENDITURES				
ADMINISTRATIVE:				
PAYROLL - BOS	12,000	9,000	3,200	5,800
PAYROLL TAXES	918	689	245	444
PAYROLL SERVICES FEE	676	507	268	239
TRAVEL PER DIEM - BOS	500	375	-	375
MANAGEMENT CONSULTING SERVICES	21,000	15,750	15,750	-
CDD FIELD MANAGEMENT	36,000	27,000	27,000	-
ACCOUNTING SERVICES	9,000	6,750	-	6,750
BANKING SERVICES	300	225	-	225
MISCELLANEOUS	500	375	-	375
AUDITING SERVICES	3,200	2,400	-	2,400
REGULATORY AND PERMIT FEES	175	175	175	-
LEGAL ADVERTISEMENTS	1,500	1,125	422	703
ENGINEERING SERVICES	4,000	3,000	-	3,000
LEGAL SERVICES - GENERAL	7,500	5,625	1,648	3,977
WEBSITE DEVELOPMENT & HOSTING	1,995	1,496	798	698
TOTAL ADMINISTRATIVE	99,264	74,492	49,506	24,986
INSURANCE:				
INSURANCE (PO, Liability, Property & Casualty)	4,400	4,400	2,363	2,037
TOTAL INSURANCE	4,400	4,400	2,363	2,037
TOTAL EXPENDITURES	103,664	78,892	51,869	27,023
EXCESS REVENUE OVER (UNDER) EXPENDITURES	-	-	1,737	1,737
FUND BALANCE - BEGINNING	-	-	2,560	2,560
FUND BALANCE - ENDING	\$ -	\$ -	\$ 4,297	\$ 4,297

Zephyr Lakes CDD
Capital Projects

Statement of Revenues, Expenses and Changes in Fund Balance
For The Period Starting October 1, 2015 Ending June 30, 2016

	<u>ACTUAL</u> <u>YEAR-TO-DATE</u>
REVENUE	
SPECIAL ASSESSMENTS - ON-ROLL	\$ -
DEVELOPER FUNDING	600
INTEREST & MISC. REVENUE	-
TOTAL REVENUE	<u>600</u>
CONSTRUCTION EXPENSES:	
CONSTRUCTION	600
CONTINGENCY	-
TOTAL FIELD OPERATIONS	<u>600</u>
TOTAL EXPENDITURES	<u>600</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	-
FUND BALANCE - BEGINNING	-
FUND BALANCE - ENDING	<u>\$ -</u>

Zephyr Lakes CDD
Cash Reconciliation - General Fund
June 30, 2016

	New BU Acct	
Balance Per Bank Statement	\$	4,296.55
Less: Outstanding Checks		-
<i>Adjusted Bank Balance</i>	\$	<u>4,296.55</u>
Beginning Cash Balance Per Books	\$	2,162.05
Cash Receipts		16,444.50
Cash Disbursements		(14,310.00)
<i>Balance Per Books</i>	\$	<u>4,296.55</u>

**Zephyr Lakes CDD
Check Register
FY 2016**

DATE	Check No	PAYEE	DESCRIPTION	DEPOSIT	DISBURSMT	New BU
EOM Balance 9-30-16				5,646.64	4,279.27	2,681.45
10/05/2015		Deposit - Developer	GF 2015-12, 13	7,113.00		9,794.45
10/05/2015	2022	DPFG	CDD/Field Mgmt - Oct		4,750.00	5,044.45
10/05/2015	2024	Egis Insurance Advisors, LLC	Insurance - FY 2016		2,363.00	2,681.45
10/16/2015	2025	Atlas Professional Services, Inc.	Web Site Hosting - Oct		60.00	2,621.45
10/16/2015	2026	TAMPA BAY TIMES	Legal Ad		121.88	2,499.57
10/19/2015	2027	FLORIDA DEPT OF ECONOMIC OPPORTU	Annual Filing Fee FY 2016		175.00	2,324.57
10/28/2015	2028	Straley & Robin	Legal Svcs thru 10/15/15		173.40	2,151.17
10/30/2015		ADP	Payroll Service Fee		36.57	2,151.17
EOM Balance 10-31-16				7,113.00	7,643.28	2,114.60
11/25/2015		Deposit	CF 2015-01	639.00		2,753.60
11/25/2015	2029	HEIDT DESIGN	2015-01 CF		600.00	2,153.60
EOM Balance 11-30-16				639.00	600.00	2,153.60
12/10/2015	2030	Dune FL Land I Sub, LLC	Refund Tax 2015-01		39.00	2,114.60
12/28/2015		Deposit	GF 2016-01	13,428.36		15,542.96
12/29/2015	2031	Atlas Professional Services, Inc.	Web Site Set Up/Domain Name/Hosting		318.17	15,224.79
12/29/2015	2032	DPFG	CDD/Field Mgmt - Nov & Dec		9,500.00	5,724.79
12/29/2015	2033	Straley & Robin	Legal Svcs thru 11/15/15		259.85	5,464.94
12/29/2015	2034	TAMPA BAY TIMES	Legal Ad		100.34	5,364.60
12/31/2015	ACH12312015	Paychex	BOS Mtg - 10/6, 11/3, 12/1- Fees		40.95	5,323.65
12/31/2015	10000DD	Anthony Brannan	BOS Mtg - 10/6/15		184.70	5,138.95
12/31/2015	10001	IRA DOUG DRAPER	BOS Mtg - 10/6, 11/3, 12/1		554.10	4,584.85
12/31/2015	10003DD	Lori Price	BOS Mtg - 10/6, 11/3, 12/1		513.27	4,071.58
12/31/2015	10002	Michael Lawson	BOS Mtg - 10/6, 11/3, 12/1		554.10	3,517.48
12/31/2015	ACH12312015	Paychex	BOS Mtg - 10/6,11/3, 12/1		346.83	3,170.65
EOM Balance 12-31-16				13,428.36	12,411.31	3,170.65
01/07/2016	2035	Atlas Professional Services, Inc.	Web Site Hosting - Dec		60.00	3,110.65
01/07/2016	2036	Straley & Robin	Legal Svcs thru 12/15/15		195.00	2,915.65
01/07/2016	2037	TAMPA BAY TIMES	Legal Ads		179.40	2,736.25
01/07/2016	2038	TAMPA BAY TIMES	Legal Ad		79.70	2,656.55
01/19/2016	2039	Atlas Professional Services, Inc.	Web Site Hosting - Jan		60.00	2,596.55
01/25/2016	2040	TAMPA BAY TIMES	Legal Ad		63.05	2,533.50
EOM Balance 1-31-16				-	637.15	2,533.50
02/01/2016		Dune FL Land I Sub, LLC	GF 2016-02	4,750.00		7,283.50
02/02/2016	2041	DPFG	GF 2016-02 CDD/Field Mgmt - Jan		4,750.00	2,533.50
02/12/2016		Dune FL Land I Sub, LLC	GF 2016-03	4,750.00		7,283.50
02/15/2016	2042	DPFG	GF 2016-03 CDD/Field Mgmt - Feb		4,750.00	2,533.50
02/15/2016	2043	Atlas Professional Services, Inc.	Web Site Hosting - Feb		60.00	2,473.50
EOM Balance 2-29-16				9,500.00	9,560.00	2,473.50
03/10/2016	ACH03102016	Paychex	P/R Fees EOY		20.00	2,453.50
03/10/2016	2044	Atlas Professional Services, Inc.	Web Site Hosting - March		60.00	2,393.50
03/10/2016	2045	Straley & Robin	Legal Svcs thru 2/15/16		162.85	2,230.65
03/25/2016	2046	Straley & Robin	Legal Svcs thru 3/15/16		180.20	2,050.45
EOM Balance 3-31-16				-	423.05	2,050.45
04/05/2016		Deposit	GF 2016-04	7,120.00		9,170.45
04/06/2016	2047	DPFG	CDD/Field Mgmt - March		4,750.00	4,420.45
04/11/2016	ACH04112016	Paychex	P/R Fees (requested a refund)		54.00	4,366.45
EOM Balance 4-30-16				7,120.00	4,804.00	4,366.45
05/03/2016	2048	Atlas Professional Services, Inc.	Web Site Hosting - April		60.00	4,306.45
05/06/2016	ACH05062016	Paychex	P/R Fees		52.25	4,254.20
05/06/2016	10004	IRA DOUG DRAPER	BOS Mtgs - 2/2 & 3/1/16		369.40	3,884.80
05/06/2016	10006DD	Lori Price	BOS Mtgs - 2/2 & 3/1/16		348.15	3,536.65
05/06/2016	10005	Michael Lawson	BOS Mtg - 3/1/16		184.70	3,351.95
05/06/2016	ACH05062016	Paychex	BOS Mtgs - 2/1 & 3/2/16		204.85	3,147.10
05/06/2016	10007	THEODORE SANDERS	BOS Mtg - 2/2/16		184.70	2,962.40
05/10/2016	2049	Atlas Professional Services, Inc.	Web Site Hosting - May		60.00	2,902.40
05/10/2016	2050	Straley Robin Vericker	Legal Svcs thru 4/15/16		251.35	2,651.05
05/10/2016	51016PC	Paychex	PAYCHEX EIB INVOICE #2016042800		64.00	2,587.05
05/26/2016	2051	Straley Robin Vericker	Legal Svcs thru 5/15/16		425.00	2,162.05
EOM Balance 5-31-16				-	2,204.40	2,162.05

**Zephyr Lakes CDD
Check Register
FY 2016**

DATE	Check No	PAYEE	DESCRIPTION	DEPOSIT	DISBURSMT	New BU
06/10/2016		Deposit	GF 2016-05	5,480.00		7,642.05
06/13/2016	2052	DPFG	CDD/Field Mgmt - April		4,750.00	2,892.05
06/16/2016		Deposit	GF 2016-06	5,482.25		8,374.30
06/17/2016	2053	DPFG	CDD/Field Mgmt - May		4,750.00	3,624.30
06/17/2016	2054	Atlas Professional Services, Inc.	Web Site Hosting - June		60.00	3,564.30
06/23/2016		Deposit	GF 2016-07	5,482.25		9,046.55
06/23/2016	2055	DPFG	CDD Mgmt - June		4,750.00	4,296.55
		EOM Balance 6-30-16		16,444.50	14,310.00	4,296.55

EXHIBIT 3

**STATEMENT 1
ZEPHYR LAKES CDD
FY 2017 PROPOSED BUDGET
GENERAL FUND (O&M)**

	FY 2014 ACTUAL	FY 2015 ACTUAL	FY 2016 ADOPTED	FY 2016 YTD- MARCH	FY 2017 PROPOSED	VARIANCE 2016 TO 2017
REVENUE						
LAND OWNER FUNDING	\$ 12,582	\$ 74,255	\$ 103,664	\$ 34,791	\$ 103,683	\$ 19
MISCELLANEOUS	-	45	-	-	-	-
TOTAL REVENUE	12,582	74,300	103,664	34,791	103,683	19
EXPENDITURES						
ADMINISTRATIVE						
SUPERVISORS COMPENSATION	-	4,530	12,000	2,000	12,000	-
PAYROLL TAXES	1,775	-	918	153	918	-
PAYROLL SERVICE FEES	113	725	676	98	676	-
MANAGEMENT CONSULTING SERVICES	4,250	21,000	21,000	10,500	21,000	-
PLANNING & COORDINATION SERVICES	3,958	36,500	36,000	18,000	36,000	-
CONSTRUCTION ACCOUNTING SERVICES	-	-	9,000	-	-	(9,000)
BANK FEES	-	120	300	-	120	(180)
MISCELLANEOUS	-	16	500	-	500	-
AUDITING SERVICES	-	-	3,200	-	4,000	800
TRAVEL PER DIEM	7	13	500	-	75	(425)
PUBLIC OFFICIAL & GENERAL LIABILITY INS.	-	-	4,400	2,363	2,599	(1,801)
REGULATORY AND PERMIT FEES	-	175	175	175	175	-
LEGAL ADVERTISEMENTS	122	1,003	1,500	422	1,500	-
ENGINEERING SERVICES	-	2,327	4,000	-	4,000	-
LEGAL SERVICES	1,836	2,151	7,500	971	7,000	(500)
WEBISTE DEVELOPMENT & HOSTING	-	-	1,995	618	720	(1,275)
COUNTY ASSESSMENT COLLECTION FEE	-	1,450	-	-	-	-
CONTINGENCY	-	-	-	-	9,800	9,800
TOTAL ADMINISTRATIVE	12,061	70,010	103,664	35,300	101,083	(2,581)
INSURANCE						
INSURANCE (Liability, Property & Casualty)	-	2,250	-	-	2,600	2,600
TOTAL INSURANCE	-	2,250	-	-	2,600	2,600
TOTAL EXPENDITURES	12,061	72,260	103,664	35,300	103,683	19
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	520	2,040	-	(509)	-	-
FUND BALANCE - BEGINNING	-	520	-	-	-	-
FUND BALANCE - ENDING	\$ 520	\$ 2,560	\$ -			

EXHIBIT 4

RESOLUTION 2016-04

THE ANNUAL APPROPRIATION RESOLUTION OF THE ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT (THE “DISTRICT”) RELATING TO THE ANNUAL APPROPRIATIONS AND ADOPTING THE BUDGET FOR THE FISCAL YEAR BEGINNING OCTOBER 1, 2016, AND ENDING SEPTEMBER 30, 2017; APPROVING A BUDGET FUNDING AGREEMENT; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the District Manager submitted to the Board of Supervisors (the “Board”) a proposed budget for the next ensuing budget year, consistent with the provisions of Section 190.008(2)(a), Florida Statutes; and

WHEREAS, at least sixty (60) days prior to the adoption of the proposed annual budget and any proposed long-term financial plan or program of the District for future operations (the “Proposed Budget”), the District Manager filed a copy of the Proposed Budget with the local governing authorities having jurisdiction over the area included in the District pursuant to the provisions of Section 190.008(2)(b), Florida Statutes; and

WHEREAS, the Board set September 6, 2016, as the date for a public hearing thereon and caused notice of such public hearing to be given by publication pursuant to Section 190.008(2)(a), Florida Statutes; and

WHEREAS, Section 190.008(2)(a), Florida Statutes, requires that, prior to October 1, of each year, the Board by passage of the Annual Appropriation Resolution shall adopt a budget for the ensuing fiscal year and appropriate such sums of money as the Board deems necessary to defray all expenditures of the District during the ensuing fiscal year; and

WHEREAS, in order to fully fund the Budget, the Board desires to approve the Budget Funding Agreement attached in **Exhibit “A”**.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF THE ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT:

Section 1. Budget

- a. That the Board has reviewed the District Manager’s Proposed Budget, a copy of which is on file with the office of the District Treasurer, the office of the Recording Secretary, and the District Office, and hereby approves certain amendments thereto, as shown in Section 2 below.
- b. That the District Managers Proposed Budget, attached hereto as **Exhibit “B”**, as amended by the Board, is hereby adopted in accordance with the provisions of

Section 190.008(2)(a), Florida Statutes, and incorporated herein by reference; provided, however, that the comparative figures contained in the adopted budget may be subsequently revised as deemed necessary by the District Manager to reflect actual revenues and expenditures for fiscal year 2015/2016 and/or revised projections for fiscal year 2016/2017.

- c. That the adopted budget, as amended, shall be maintained in the office of the District Treasurer and the District Recording Secretary and identified as The Budget for the Zephyr Lakes Community Development District for the Fiscal Year Ending September 30, 2017, as Adopted by the Board on September 6, 2016.

Section 2. Appropriations

There is hereby appropriated out of the revenues of the District, for the fiscal year beginning October 1, 2016, and ending September 30, 2017, the sum of \$_____ to be raised by a Budget Funding Agreement, which sum is deemed by the Board to be necessary to defray all expenditures of the District during said budget year.

Section 3. Supplemental Appropriations

The Board may authorize by resolution, supplemental appropriations or revenue changes for any lawful purpose from funds on hand or estimated to be received within the fiscal year as follows:

- a. Board may authorize a transfer of the unexpended balance or portion thereof of any appropriation item.
- b. Board may authorize an appropriation from the unappropriated balance of any fund.
- c. Board may increase any revenue or income budget amount to reflect receipt of any additional unbudgeted monies and make the corresponding change to appropriations or the unappropriated balance.

The District Manager and Treasurer shall have the power within a given fund to authorize the transfer of any unexpended balance of any appropriation item or any portion thereof, provided such transfers do not exceed Ten Thousand (\$10,000) Dollars or have the effect of causing more than 10% of the total appropriation of a given program or project to be transferred previously approved transfers included. Such transfer shall not have the effect of causing a more than \$10,000 or 10% increase, previously approved transfers included, to the original budget appropriation for the receiving program. The District Manager or Treasurer must establish administrative procedures which require information on the request forms proving that such transfer requests comply with this section.

Section 4. Budget Funding Agreement

The Budget Funding Agreement attached as **Exhibit “A”** is hereby approved in order to fund the budget for Fiscal Year 2016/2017.

Introduced, considered favorably, and adopted this 6th day of September, 2016.

ATTEST:

**ZEPHYR LAKES COMMUNITY
DEVELOPMENT DISTRICT**

By: _____
Name: _____
Assistant Secretary

By: _____
Michael Lawson
Chair of the Board of Supervisors

Exhibit A: Budget Funding Agreement
Exhibit B: FY 2016/2017 Budget

EXHIBIT 5

Budget Funding Agreement
Fiscal Year 2016/2017

This Agreement is made and entered into this 6th day of September, 2016, by and between the **Zephyr Lakes Community Development District**, a local unit of special-purpose government established pursuant to Chapter 190, Florida Statutes, and located in the City of Zephyrhills, Florida (hereinafter "District"), and **Dune FL Land I Sub LLC**, a Delaware limited liability company (hereinafter "Developer").

Recitals

WHEREAS, the District is a local unit of special-purpose government established pursuant to Chapter 190, Florida Statutes and located in the City of Zephyrhills, Florida, (the "City") for the purpose of planning, financing, constructing, operating and/or maintaining certain infrastructure; and

WHEREAS, the District, pursuant to Chapter 190, Florida Statutes, is authorized to levy such taxes, special assessments, fees and other charges as may be necessary in furtherance of the District's activities and services; and

WHEREAS, Developer presently owns real property within the District, which property will benefit from the timely construction and acquisition of the District's facilities, activities and services and from the continued operations of the District; and

WHEREAS, the District is adopting its general fund budget for the Fiscal Year 2016/2017, which year commences on October 1, 2016 and concludes on September 30, 2017; and

WHEREAS, the District will need a funding mechanism to enable it to proceed with its operations and services during Fiscal Year 2016/2017, as described in **Exhibit "A"** attached hereto; and

WHEREAS, the Developer desires to provide such funds, as are necessary, to the District to proceed with its operations and services for Fiscal Year 2016/2017, as described in Exhibit "A" and as may be amended from time to time by the District, in consideration of a Promissory Note (the "**Note**") from the District, in the form attached hereto as **Exhibit "B"**, subject to the conditions set forth in the Note, for the actual operations and maintenance costs funded by Developer.

NOW, THEREFORE, based upon good and valuable consideration and the mutual covenants of the parties, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. The District shall execute and deliver the Note to the Developer.
2. The Developer agrees to make available to the District the monies necessary for the operation of the District as called for in the budget attached hereto as Exhibit "A", (and as Exhibit "A" may be amended from time to time), within thirty (30) days of

written request by the District. The funds shall be placed in the District's general checking account. These payments by the Developer are made by the Developer in lieu of taxes, fees, or assessments which might otherwise be levied or imposed by the District. The District will reimburse the Developer for the advances made pursuant to this Agreement as described in the Note.

3. The parties hereto recognize that a portion of the aforereferenced operating expenses may be required in support of the District's effort to implement its capital improvements program which are to be financed in the form of note(s), bond(s) or future developer advances and as such may be considered to be reimbursable expenses. The District agrees that upon the issuance of its note(s) or bonds(s) that there will be included an amount sufficient to reimburse the Developer for all of the advances made pursuant to this Agreement and such reimbursement will be made within thirty (30) days of receiving the proceeds of the note(s) or bond(s).
4. The reimbursement of the advances made by Developer pursuant to this Agreement will not include any interest charge so long as the District proceeds in a timely fashion to collect its special assessments or obtain its note(s) or bond(s), but in no event later than _____, _____ ; provided, however, if such reimbursement is not made to Developer in full by such date, then interest at the annual rate of ___% shall accrue on the balance thereafter until the proceeds are received by the District and the applicable proceeds are paid as reimbursement to Developer as herein provided.
5. This instrument shall constitute the final and complete expression of the agreement between the parties relating to the subject matter of this Agreement. Amendment to and waivers of the provisions contained in this Agreement may be made only by an instrument in writing which is executed by both of the parties hereto.
6. The execution of this Agreement has been duly authorized by the appropriate body or official of all parties hereto, each party has complied with all the requirements of law, and each party has full power and authority to comply with the terms and provisions of this instrument; provided, however, if such reimbursement is not made to Developer in full by such date, then interest at the rate of ___% shall accrue on the balance thereafter.
7. This Agreement may be assigned, in whole or in part by either party only upon the written consent of the other. Any purported assignment without such written consent shall be void.
8. A default by either party under this Agreement that remains uncured after ten (10) days prior written notice shall entitle the other to enforce this Agreement including the ability of the District to enforce any and all payment obligations under this Agreement through the imposition and enforcement of a contractual or other lien on property owned by the Developer.

9. In the event that either party is required to enforce this Agreement by court proceedings or otherwise, then the parties agree that the prevailing party shall be entitled to recover from the other all costs incurred, including reasonable attorneys' fees and costs for, trial alternative dispute resolution, or appellate proceedings.
10. This Agreement is solely for the benefit of the formal parties herein and no right or cause of action shall accrue upon or by reason hereof, to or for the benefit of any third party not a formal party hereto. Nothing in this Agreement expressed or implied is intended or shall be construed to confer upon any person or corporation other than the parties hereto any right, remedy or claim under or by reason of this Agreement or any provisions or conditions hereof; and all of the provisions, representations, covenants and conditions herein contained shall inure to the sole benefit of and shall be binding upon the parties hereto and their respective representatives, successors and assigns.
11. This Agreement and the provisions contained herein shall be construed, interpreted and controlled according to the laws of the State of Florida.
12. This Agreement has been negotiated fully between the parties as an arm's length transaction. The parties participated fully in the preparation of this Agreement with the assistance of their respective counsel. In the case of a dispute concerning the interpretation of any provision of this Agreement, the parties are each deemed to have drafted, chosen and selected the language, and the doubtful language will not be interpreted or construed against any party.
13. The Agreement shall be effective after execution by both parties hereto.

[Signatures on Following Page]

IN WITNESS WHEREOF, the parties execute this agreement the day and year first written above.

Attest:

**Zephyr Lakes Community
Development District**

Secretary/Assistant Secretary

By: _____
Michael Lawson
Chairman of the Board of Supervisors

DUNE FL LAND I SUB LLC
a Delaware limited liability company

By: Dune FL Land I, LLC,
a Delaware limited liability company
as its managing member

By: WTRG MEMBER, LLC,
a Delaware limited liability company,
as its Administrative Member

By: Hawk Portfolios Holdings, LLC,
a Florida limited liability company
as its Administrative Member

Witness

By: _____
Name: _____
Its: _____

Witness

Exhibit "A" – Fiscal Year 2016/2017 General Fund Budget
Exhibit "B" – Promissory Note

Exhibit 6

**ZEPHYR LAKES
COMMUNITY DEVELOPMENT DISTRICT
OPERATIONS AND MAINTENANCE
PROMISSORY NOTE**

Owner: Dune FL Land I Sub LLC (the “Owner”)

Principal Amount (not to exceed): \$ _____

Effective Date: October 1, 2016

Maturity Date: September 30, 2017

The **Zephyr Lakes Community Development District**, a community development district duly created, established and existing pursuant to Chapter 190, Florida Statutes (the “**District**”), for value received, hereby promises to pay to the Owner set forth above, or its successors or assigns, the principal amount as shown above, in a single installment, which shall become due and payable when the funds from the District’s operation and maintenance special assessments (“**Special Assessments**”) become legally available under the terms of the Budget Funding Agreement dated September 6, 2016, (the “**Agreement**”); provided, however, that the principal amount becoming due hereunder shall not exceed the actual operations and maintenance costs. Interest on this Promissory Note (“**Note**”) shall be computed on the basis of a 360-day year of twelve 30-day months. This Note is given to finance the operations and maintenance costs.

This Note is a limited obligation of the District. The District agrees that within sixty (60) days of receiving the proceeds of the collection of the Special Assessments the District will reimburse the Developer for the advances made pursuant to this Note and the Agreement.

This Note is issued under and pursuant to the Constitution and laws of the State of Florida, particularly Chapter 190, Florida Statutes and other applicable provisions of law. This Note is issued with the intent that the laws of the State of Florida shall govern its construction.

This Note shall have all the qualities and incidents, including negotiability, of investment securities within the meaning and for all the purposes of the Uniform Commercial Code of the State of Florida. This Note may not be assigned by Owner without the written consent of the District, not to be unreasonably withheld or conditioned.

All acts, conditions and things required by the Constitution and laws of the State of Florida and the ordinances and resolutions of the District to happen, exist and be performed precedent to and in the issuance of this Note have happened, exist and have been performed as so required.

The District hereby waives presentment for payment, demand, protest, notice of protest and notice of dishonor, and expressly agrees to remain and continue to be bound for the payment of the principal provided for by the terms of this Note, or for the payment of said principal, or any change or changes in the amount or amounts agreed to be paid under or by virtue of the obligation to pay provided for in the Note, and the District waives all and every kind of notice of such change or changes, and agrees that the same may be made without the joinder of the District.

THIS NOTE SHALL NOT BE DEEMED TO CONSTITUTE A GENERAL DEBT OR A PLEDGE OF THE FAITH AND CREDIT OF THE DISTRICT, OR A DEBT OR PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL, LEGISLATIVE OR CHARTER PROVISION OR LIMITATION, AND IT IS EXPRESSLY AGREED BY THE OWNER OF THIS NOTE THAT SUCH OWNER SHALL NEVER HAVE THE RIGHT, DIRECTLY OR INDIRECTLY, TO REQUIRE OR COMPEL THE EXERCISE OF THE AD VALOREM TAXING POWER OF THE DISTRICT OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF FLORIDA OR TAXATION IN ANY FORM ON ANY REAL OR PERSONAL PROPERTY FOR THE PAYMENT OF THE PRINCIPAL ON THIS NOTE.

IN WITNESS WHEREOF, the Zephyr Lakes Community Development District has caused this Note to bear the signature of the Chair or Vice Chair of its Board of Supervisors and the official seal of the District to be impressed or imprinted hereon and attested by the signature of the Secretary to the Board of Supervisors.

Attest:

**Zephyr Lakes
Community Development District**

By: _____
Secretary

Chair/Vice Chair of the Board of Supervisors

EXHIBIT 7

RESOLUTION 2016-05

A RESOLUTION DESIGNATING OFFICERS OF THE ZEPHYR
LAKES COMMUNITY DEVELOPMENT DISTRICT

WHEREAS, the Board of Supervisors of the Zephyr Lakes Community Development District during the business meeting held on September 6, 2016 desires to appoint the below recited persons to the offices specified.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF
SUPERVISORS OF THE ZEPHYR LAKES COMMUNITY
DEVELOPMENT DISTRICT:

1. The following persons were appointed to the offices shown, to wit:

<u>Mike Lawson</u>	Chairman
<u>Doug Draper</u>	Vice Chairman
<u>Paul Cusmano</u>	Secretary
<u>Patricia Comings- Thibault</u>	Treasurer
<u>Maik Aagaard</u>	Assistant Treasurer
<u>Carolyn Stewart & Janet Johns</u>	Assistant Secretary
<u>Lori Price</u>	Assistant Secretary
<u>Ted Sanders</u>	Assistant Secretary
_____	Assistant Secretary

2. That this resolution supersedes all previous resolutions and motions designating, electing or appointing officers adopted by the Board of Supervisors of the Zephyr Lakes Community Development District and are hereby declared null and void.

Adopted this 6th day of September, 2016.

Signature

Signature

Printed Name

Printed Name

Title:

- Secretary
- Assistant Secretary

Title:

- Chairperson
- Vice Chairperson

EXHIBIT 8

**Notice of Meeting Schedule
Fiscal Year 2017
Zephyr Lakes Community Development District**

As required by Chapters 189 and 190 of Florida Statutes, notice is hereby given that the Fiscal Year 2017 regular meetings of the Board of Supervisors of the Zephyr Lakes Community Development District are scheduled to be held on the first Tuesday of every month at 9:00 a.m. in a conference room of the Residence Inn, 2101 Northpoint Parkway, Lutz, Florida as follows (exceptions noted below):

October 4, 2016
November 1, 2016
December 6, 2016
January 3, 2017
February 7, 2017
March 7, 2017
April 4, 2017
May 2, 2017 – **6:00 p.m.**
June 6, 2017
July 6, 2017
August 1, 2017 – **6:00 p.m.**
September 5, 2017

The meeting is open to the public and will be conducted in accordance with the provision of Florida Law for Community Development Districts. The meeting may be continued to a date, time, and place to be specified on the record at the meeting.

There may be occasions when one or more Supervisors will participate by telephone. At the above location there will be present a speaker telephone so that any interested person can attend the meeting at the above location and be fully informed of the discussions taking place either in person or by telephone communication.

In accordance with the provisions of the Americans with Disabilities Act, any person requiring special accommodations at this meeting because of a disability or physical impairment should contact the District's Management Company, Development Planning & Financing Group at 813-374-9105. If you are hearing or speech impaired, please contact the Florida Relay Service at (800) 955-8770 for aid in contacting the District Office at least two (2) business days prior to the date of the hearing and meeting.

Each person who decides to appeal any action taken at these meetings is advised that 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 such appeal is to be based.

EXHIBIT 9

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT

FINANCIAL STATEMENTS

September 30, 2015

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT
FINANCIAL STATEMENTS
September 30, 2015

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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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2015, and the respective changes in financial position 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 18 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 May 27, 2016, 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 May 27, 2016 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

DiBartolomeo, McBee, Hartley & Barnes, P.A.
Fort Pierce, Florida
May 27, 2016

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2015

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, 2015. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year resulting in a net position balance of \$2,559.
- The change in the District's total net position in comparison with the prior fiscal year was \$2,039. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2015, the District's governmental funds reported combined ending fund balances of \$2,559, an increase of \$2,039 in comparison with the prior fiscal year. 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.

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.

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2015

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 one governmental fund 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. The general fund is considered to be a major fund. 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, 2015

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:

Statement of Net Position

Current assets	\$ 2,681
Total assets	<u>2,681</u>
Current liabilities	<u>122</u>
Total liabilities	<u>122</u>
Net position	
Unrestricted	<u>2,559</u>
Total net position	<u><u>\$ 2,559</u></u>

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 ongoing cost of operations.

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

Change in Net Position

Program revenues	\$ 74,255
Total revenues	<u>74,255</u>
Expenses	
General government	<u>72,216</u>
Total expenses	<u>72,216</u>
Change in net position	2,039
Net position - beginning of year	<u>520</u>
Net position - end of year	<u><u>\$ 2,559</u></u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2015 was \$72,216, 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, 2015

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, 2015.

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.

ECONOMIC FACTORS, NEXT YEAR'S BUDGET AND OTHER INFORMATION

For the fiscal year 2016, 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 1060 Maitland Center Commons Blvd., Suite 340, Maitland, Florida 32751.

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF NET POSITION

September 30, 2015

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash and cash equivalents	\$ 2,681
TOTAL ASSETS	<u>\$ 2,681</u>
LIABILITIES	
Accounts payable	\$ 122
TOTAL LIABILITIES	<u>122</u>
NET POSITION	
Unrestricted	2,559
TOTAL NET POSITION	<u>\$ 2,559</u>

The accompanying notes are an integral part of this financial statement

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF ACTIVITIES

Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues Operating Contributions	Net (Expense) Revenues and Changes in Net Position Governmental Activities
Governmental activities			
General government	\$ 72,216	\$ 74,255	\$ 2,039
Total governmental activities	\$ 72,216	\$ 74,255	2,039
			2,039
			520
			\$ 2,559

The accompanying notes are an integral part of this financial statement

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2015

ASSETS

Cash and cash equivalents	\$	2,681
TOTAL ASSETS	\$	<u>2,681</u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$	122
TOTAL LIABILITIES		<u>122</u>

FUND BALANCES

Unassigned		<u>2,559</u>
TOTAL FUND BALANCES		<u>2,559</u>
TOTAL LIABILITIES AND FUND BALANCES	\$	<u>2,681</u>

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, 2015

REVENUES	
Developer contributions	\$ 74,255
TOTAL REVENUES	74,255
 EXPENDITURES	
General government	72,216
TOTAL EXPENDITURES	72,216
EXCESS REVENUES OVER (UNDER) EXPENDITURES	2,039
 FUND BALANCE	
Beginning of year	520
End of year	\$ 2,559

The accompanying notes are an integral part of this financial statement

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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, 2015

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, 2015

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 fund:

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.

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.

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

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position or Equity (continued)

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.

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.

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position or Equity (continued)

Long-Term Obligations (continued)

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.

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.

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position or Equity (continued)

Fund Equity/Net Position (continued)

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.
- 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.

ZEPHYR LAKES COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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 - 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.

NOTE F – SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to September 30, 2015, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended September 30, 2015. Management has performed their analysis through May 27, 2016, the audit completion date.

NOTE G - 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 H – CONCENTRATION

The District's 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, 2015

	* BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Developer contributions	\$ 104,091	\$ 74,255	\$ (29,836)
TOTAL REVENUES	104,091	74,255	(29,836)
 EXPENDITURES			
Current			
General government	104,091	72,216	31,875
TOTAL EXPENDITURES	104,091	72,216	31,875
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES			
	\$ -	2,039	\$ 2,039
 FUND BALANCES			
Beginning of year		520	
End of year		\$ 2,559	

* 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, 2015.

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, 2015 and for the year ended September 30, 2015, which collectively comprise the Zephyr Lakes Community Development District's basic financial statements and have issued our report thereon dated May 27, 2016.

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

May 27, 2016

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

To the Board of 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, 2015. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

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

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, management, and the Board of Supervisors of 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
May 27, 2016

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, 2015, and have issued our report thereon dated May 27, 2016.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the 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 May 27, 2016, 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. Initial year audit, there were no findings in the prior year.

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, 2015, 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, 2015. 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
May 27, 2016



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