

**Valencia Acres
Community Development District**

ANNUAL FINANCIAL REPORT

September 30, 2016

Valencia Acres Community Development District

ANNUAL FINANCIAL REPORT

September 30, 2016

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REPORT OF INDEPENDENT AUDITORS

To the Board of Supervisors
Valencia Acres Community Development District
Miami-Dade County, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of Valencia Acres Community Development District as of and for the year ended September 30, 2016, 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Accounting 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 opinion.

Fort Pierce / Stuart
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To the Board of Supervisors
Valencia Acres Community Development District

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, and each major fund of Valencia Acres Community Development District as of September 30, 2016, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

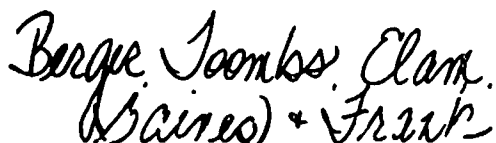
Required Supplementary Information

Governmental accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by *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 in accordance with governmental auditing standards generally accepted in the United States of America, which consisted principally of inquires of management regarding 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 June 19, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts.

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 Valencia Acres Community Development District's internal control over financial reporting and compliance.



Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

June 19, 2017

Valencia Acres Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2016

Management's discussion and analysis of Valencia Acres Community Development District's (the District) financial performance provides an objective and easily readable analysis of the District's financial activities. The analysis provides summary financial information for the District and should be read in conjunction with the District's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's basic financial statements comprise three components; 1) *Government-wide financial statements*, 2) *Fund financial statements*, and 3) *Notes to financial statements*. The *Government-wide financial statements* present an overall picture of the District's financial position and results of operations. The *Fund financial statements* present financial information for the District's major funds. The *Notes to financial statements* provide additional information concerning the District's finances.

The *Government-wide financial statements* are the **statement of net position** and the **statement of activities**. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net position of governmental activities and the change in net position. Governmental activities are primarily supported by special assessments.

The **statement of net position** presents information on all assets and liabilities of the District, with the difference between assets and liabilities reported as net position. Net position is reported in three categories; 1) net investment in capital assets 2) restricted and 3) unrestricted. Assets, liabilities, and net position are reported for all Governmental activities.

The **statement of activities** presents information on all revenues and expenses of the District and the change in net position. Expenses are reported by major function and program revenues relating to those functions are reported, providing the net cost of all functions provided by the District. To assist in understanding the District's operations, expenses have been reported as governmental activities. Governmental activities financed by the District include general government and interest on long term debt.

Fund financial statements present financial information for governmental funds. These statements provide financial information for the major governmental funds of the District. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures), and current available resources.

Valencia Acres Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund financial statements include a **balance sheet** and a **statement of revenues, expenditures and changes in fund balances** for all governmental funds. A **statement of revenues, expenditures, and changes in fund balances – budget and actual**, is provided for the District's General Fund. *Fund financial statements* provide more detailed information about the District's activities. Individual funds are established by the District to track revenues that are restricted to certain uses or to comply with legal requirements.

The *government-wide financial statements* and the *fund financial statements* provide different pictures of the District. The *government-wide financial statements* provide an overall picture of the District's financial standing. These statements are comparable to private-sector companies and give a good understanding of the District's overall financial health and how the District paid for the various activities, or functions, provided by the District. All assets of the District, including capital assets, are reported in the **statement of net position**. All liabilities obligated but not paid by the District, are included. In the **statement of activities** transactions between the different functions of the District are eliminated in order to avoid "doubling up" the revenues and expenses. The *fund financial statements* provide a picture of the major funds of the District. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long term liabilities are not included in the fund financial statements. To provide a link from the *fund financial statements* to the *government-wide financial statements*, a reconciliation is provided from the *fund financial statements* to the *government-wide financial statements*.

Notes to financial statements provide additional detail concerning the financial activities and financial balances of the District. Additional information about the accounting practices of the District is also included in the *notes to financial statements*.

Financial Highlights

The following are the highlights of financial activity for the year ended September 30, 2016:

- The District's total liabilities exceeded total assets by \$(1,174,057) (net position). When the District was formed, assets exceeded liabilities and subsequently infrastructure was deeded to Miami-Dade County creating the negative net position. The reason for the transfer of infrastructure was that the County is better able to maintain the infrastructure than the District. Further, financial condition assessment procedures have been applied and no deteriorating financial conditions were noted.
- Governmental activities revenues totaled \$158,311 while governmental activities expenses totaled \$157,219.

**Valencia Acres Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District

The following tables present condensed, government-wide current year and prior year data about net position and changes in net position. Comparative year data is shown based on the Government financial reporting model under the Governmental Accounting Standards Board Statement No.34.

	Net Position	
	Governmental Activities	
	2016	2015
Current assets	\$ 82,005	\$ 229,391
Deferred outflows of resources	26,534	-
Current liabilities	68,608	74,540
Long-term liabilities	1,213,988	1,330,000
Total Liabilities	<u>1,282,596</u>	<u>1,404,540</u>
Net position - restricted	-	12,600
Net position - unrestricted	<u>(1,174,057)</u>	<u>(1,187,749)</u>
Total Net Position (deficit)	<u><u>\$ (1,174,057)</u></u>	<u><u>\$ (1,175,149)</u></u>

The decrease in current assets and long-term liabilities is the result of the bond refunding that occurred during the fiscal year.

**Valencia Acres Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District - (Continued)

The following schedule provides a summary of the changes in net position of the District and is presented by category for comparison purposes.

	Change in Net Position	
	Governmental Activities	
	2016	2015
Program Revenues		
Charges for services	\$ 158,196	\$ 159,681
General Revenues		
Investment earnings	115	133
Total Revenues	<u>158,311</u>	<u>159,814</u>
Expenses		
General government	42,774	43,160
Interest on long-term debt	114,445	80,354
Total Expenses	<u>157,219</u>	<u>123,514</u>
Change in Net Position	1,092	36,300
Net Position – Beginning of Year	<u>(1,175,149)</u>	<u>(1,211,449)</u>
Net Position – End of Year	<u>\$ (1,174,057)</u>	<u>\$ (1,175,149)</u>

The increase in interest on long term debt is related to the costs associated with the bond refunding.

**Valencia Acres Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Budgetary Highlights

The final budget exceeded actual expenditures primarily because of lower legal advertisements than were anticipated.

The September 30, 2016 budget was amended to reflect decreased engineering fees and traffic circle landscaping expenditures.

Economic Factors

The District does not expect any economic factors to have any significant effect on the financial position or results of operations of the District in the subsequent fiscal year.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest. If you have any questions about this report or need additional financial information, contact Valencia Acres Community Development District, District Manager, Special District Services, Inc., 2501A Burns Road, Palm Beach Gardens, Florida 33410 or telephone (561) 630-4922.

Valencia Acres Community Development District
STATEMENT OF NET POSITION
September 30, 2016

	Governmental Activities
Assets	
Current Assets	
Cash and equivalents	\$ 67,211
Restricted assets:	
Investments	14,794
Total Assets	82,005
Deferred Outflows of Resources	
Deferred amount on refunding	26,534
Total Assets and Deferred Outflows of Resources	108,539
Liabilities	
Current Liabilities	
Accounts payable	6,729
Accrued interest payable	10,457
Notes payable - current portion	51,422
Total Current Liabilities	68,608
Non-Current Liabilities	
Notes payable	1,213,988
Total Liabilities	1,282,596
Net Position	
Unrestricted	\$ (1,174,057)

See accompanying notes to financial statements.

Valencia Acres Community Development District
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Governmental Activities
General government	\$ (42,774)	\$ 43,269	\$ 495
Interest on long-term debt	(114,445)	114,927	482
Total Governmental Activities	\$ (157,219)	\$ 158,196	977
	General Revenues		
	Investment earnings		115
	Change in Net Position		1,092
	Net Position - October 1, 2015		(1,175,149)
	Net Position - September 30, 2016		\$ (1,174,057)

See accompanying notes to financial statements.

Valencia Acres Community Development District
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2016

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Debt Service 02</u>	
Assets			
Cash and equivalents	\$ 67,211	\$ -	\$ 67,211
Due from other funds	-	1,072	1,072
Restricted assets			
Investments, at fair value	-	14,794	14,794
Total Assets	<u>\$ 67,211</u>	<u>\$ 15,866</u>	<u>\$ 83,077</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 6,729	\$ -	\$ 6,729
Due to other funds	1,072	-	1,072
Total Liabilities	<u>7,801</u>	<u>-</u>	<u>7,801</u>
Fund Balances:			
Restricted for:			
Debt service	-	15,866	15,866
Unassigned	59,410	-	59,410
Total Fund Balances	<u>59,410</u>	<u>15,866</u>	<u>75,276</u>
Total Liabilities and Fund Balances	<u>\$ 67,211</u>	<u>\$ 15,866</u>	<u>\$ 83,077</u>

See accompanying notes to financial statements.

Valencia Acres Community Development District
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
For the Year Ended September 30, 2016

Total Governmental Fund Balances	\$ 75,276
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Deferred amount on refunding are not current financial uses, and therefore are not reported at the fund level.	26,534
Notes payable are not due and payable in the current period; and therefore, are not reported at the fund level.	(1,265,410)
Accrued interest expense for long-term debt is not a current financial use; and therefore, is not reported at the fund level.	<u>(10,457)</u>
Net Position of Governmental Activities	<u><u>\$ (1,174,057)</u></u>

See accompanying notes to financial statements.

Valencia Acres Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2016

	Major Funds			Total Governmental Funds
	General	Debt Service 01	Debt Service 02	
Revenues				
Special assessments	\$ 43,269	\$ 111,612	\$ 3,315	\$ 158,196
Investment earnings	104	9	2	115
Total Revenues	<u>43,373</u>	<u>111,621</u>	<u>3,317</u>	<u>158,311</u>
Expenditures				
Current:				
General government	42,774	-	-	42,774
Debt Service:				
Principal	-	1,365,000	-	1,365,000
Interest	-	105,955	-	105,955
Other debt service	-	550	57,004	57,554
Total Expenditures	<u>42,774</u>	<u>1,471,505</u>	<u>57,004</u>	<u>1,571,283</u>
Excess (deficiency) of revenues over (under) expenditures	599	(1,359,884)	(53,687)	(1,412,972)
Other Financing Sources (Uses)				
Proceeds from bond refunding	-	1,195,857	69,553	1,265,410
Net change in fund balances	599	(164,027)	15,866	(147,562)
Fund Balances - October 1, 2015	<u>58,811</u>	<u>164,027</u>	<u>-</u>	<u>222,838</u>
Fund Balances - September 30, 2016	<u>\$ 59,410</u>	<u>\$ -</u>	<u>\$ 15,866</u>	<u>\$ 75,276</u>

See accompanying notes to financial statements.

Valencia Acres Community Development District
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ (147,562)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the Statement of Net Position.	1,365,000
Debt proceeds provide current resources at the fund level, but increase long term debt at the government wide level.	(1,265,410)
Deferred amount on refunding is a current financial use at the fund level, but is amortized over the life of the debt at the government wide level.	26,534
In the Statement of Activities, interest is accrued on outstanding bonds; whereas in governmental funds, interest expenditures are reported when due. This is the change in accrued interest from the prior year.	<u>22,530</u>
Change in Net Position of Governmental Activities	<u><u>\$ 1,092</u></u>

See accompanying notes to financial statements.

Valencia Acres Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND
For the Year Ended September 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Special assessments	\$ 42,345	\$ 43,269	\$ 43,269	\$ -
Investment earnings	120	104	104	-
Total Revenues	<u>42,465</u>	<u>43,373</u>	<u>43,373</u>	<u>-</u>
Expenditures				
Current				
General government	48,065	36,928	42,774	(5,846)
Total Expenditures	<u>48,065</u>	<u>36,928</u>	<u>42,774</u>	<u>(5,846)</u>
Net change in fund balances	(5,600)	6,445	599	(5,846)
Fund Balances - October 1, 2015	<u>5,600</u>	<u>-</u>	<u>58,811</u>	<u>58,811</u>
Fund Balances - September 30, 2016	<u>\$ -</u>	<u>\$ 6,445</u>	<u>\$ 59,410</u>	<u>\$ 52,965</u>

See accompanying notes to financial statements.

Valencia Acres Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Valencia Acres Community Development District ("District") was established by Ordinance 03-208, effective as of October 17, 2003, by the Board of County Commissioners of the Miami-Dade County, Florida, 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.

1. Reporting Entity

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

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected on an at large basis by the owners of the property within the District. Ownership of land within the District entitles the owner to one vote per acre. 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.

Valencia Acres Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Valencia Acres Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

General Fund

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

Debt Service Fund

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

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

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

Assets, Liabilities and Net Position or Equity

Restricted Assets

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

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.

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

Valencia Acres Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position or Equity (Continued)

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.

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 \$750 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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.

As of September 30, 2016, the District did not own or maintain capital assets.

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 sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Valencia Acres Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position or Equity (Continued)

Fund Equity/Net Position

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

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

Nonspendable Fund Balance – This classification consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance – This classification includes amounts that can be spent only for specific purposes stipulated by the state constitution, external resource providers, or through enabling legislation.

Assigned Fund Balance – This classification consists of the Board of Supervisors' intent to be used for specific purposes, but are neither restricted nor committed. The assigned fund balances can also be assigned by the District's management company.

Unassigned Fund Balance – This classification is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Unassigned fund balance is considered to be utilized first when expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Fund Balance Spending Hierarchy - For all governmental funds except special revenue funds, when restricted, committed, assigned, and unassigned fund balances are combined in a fund, qualified expenditures are paid first from restricted or committed fund balance, as appropriate, then assigned and finally unassigned fund balances.

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.

Valencia Acres Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position or Equity (Continued)

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

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

Net position is the difference between assets and liabilities. Net position in the government-wide financial statements are categorized as restricted or unrestricted. 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.

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

"Total fund balances" of the District's governmental funds \$75,276 differs from "net position" of governmental activities \$(1,174,057) reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the Governmental Fund Balance Sheet. The effect of the differences is illustrated below.

Long-term debt transactions

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position. Balances at September 30, 2016 were:

Notes payable	<u>\$ (1,265,410)</u>
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Valencia Acres Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position (Continued)

Accrued interest

Accrued liabilities in the Statement of Net Position differ from the amount reported in governmental funds due to the accrued interest on bonds.

Accrued interest	\$ <u>(10,457)</u>
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Deferred Outflows of Resources

Deferred amounts on refunding are not current financial uses, and therefore, are reported as a deferred outflow of resources at the government wide level and amortized over the life of the associated debt.

Deferred amount on refunding	\$ <u>26,534</u>
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2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities

The “net change in fund balances” for government funds, (\$147,562) differs from the “change in net position” for governmental activities \$1,092 reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Long-term debt transactions

Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the Statement of Net Position and are eliminated in the Statement of Activities.

Debt principal payments	\$ <u>1,365,000</u>
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Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

Net change in accrued interest payable	\$ <u>22,530</u>
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**Valencia Acres Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016**

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities (Continued)

Long-term debt transactions (continued)

Debt proceeds provide current resources at the fund level, but increase long term debt at the government wide level.

Debt proceeds	\$ <u>(1,265,410)</u>
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Deferred amounts on refunding are current financial uses at the fund level, but are treated as a deferred outflow at the government wide level

Deferred amount on refunding	\$ <u>26,534</u>
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NOTE C – DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. However, they follow the provisions of Chapter 280, Florida Statutes regarding deposits and investments. As of September 30, 2016, the District's deposits had a bank balance of \$67,211 and a carrying value of \$67,211. Exposure to custodial credit risk was as follows. The District maintains all deposits in a qualified public depository in accordance with the provisions of Chapter 280, Florida Statutes, which means that all deposits are fully insured by Federal Depositors Insurance or collateralized under Chapter 280, Florida Statutes.

The District's investments were held as follows at September 30, 2016:

Investment	Maturity	Fair Value	Book Value
BMO Government Money Market Premier	N/A	\$ 14,794	\$ 14,794

The District categorizes its fair value measurement 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. The District uses a market approach in measuring fair value that uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities, or groups of assets and liabilities.

Valencia Acres Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE C – DEPOSITS AND INVESTMENTS

Assets or liabilities are classified into one of three levels. Level 1 is the most realizable and is based on quoted price for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtained 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.

Based on the criteria in the preceding paragraph, the investments in BMO Government Money Market Premiere are level 1 assets.

Credit Risk

The District's investments in government obligation mutual funds are limited by state statutory requirements and bond compliance. The District has no investment policy that would further limit its investment choices. As of September 30, 2016, the District's investment in the BMO Government Money Market Fund was rated AAmmf by Fitch.

Concentration of Credit Risk

The types of deposits and investments and their level of risk exposure as of September 30, 2016 were typical of these items during the fiscal year then ended. The District considers any decline in fair value for certain investments to be temporary.

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

However, the Bond Indenture limits the type of investments held using unspent proceeds.

NOTE D – LONG TERM LIABILITIES

On March 2, 2005, the District issued \$1,655,000 of Special Assessment Bonds, Series 2005 due May 1, 2035 with a fixed interest rate of 5.8%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest was to be paid semiannually on each May 1 and November 1, commencing November 1, 2005. Principal was to be paid serially commencing May 1, 2006 through May 1, 2035.

The Series 2005 Bonds are subject to redemption at the option of the District prior to maturity. The Series 2005 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 Indenture.

This bond was refunded during the year with the issuance of Promissory Note, Series 2016.

On July 22, 2016 the District issued a \$1,265,410 Promissory Note, Series 2016 maturing May 1, 2034 with interest rates of 3.5% to 5.8%, to refund the outstanding balance of the Special Assessment Bonds, Series 2005. The balance outstanding at September 30, 2016 was \$1,265,410.

**Valencia Acres Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016**

NOTE D – LONG TERM LIABILITIES (Continued)

At September 30, 2016, the scheduled debt service requirements on the long-term debt were as follows:

Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2017	\$ 51,422	\$ 34,816	\$ 86,238
2018	53,247	43,080	96,327
2019	55,136	41,190	96,326
2020	57,093	39,341	96,434
2021	59,119	37,208	96,327
2022-2026	328,591	153,125	481,716
2027-2031	391,181	149,985	541,166
2032-2034	269,621	32,122	301,743
Total	\$ 1,265,410	\$ 530,867	\$ 1,796,277

NOTE E – SPECIAL ASSESSMENT REVENUES

Operation assessments are non-ad valorem assessments on benefitted property within the District. Operating and Maintenance Assessments are based upon adopted budget and levied annually at a public hearing of the District. Debt Service Assessments are levied when bonds are issued and collected annually. The District may collect assessments directly or utilize the uniform method of collection (Chapter 197.3632, Florida Statutes). Direct collected assessments are due as determined by annual assessment resolution adopted by the Board of Supervisors. Assessments collected under the uniform method are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Per Section 197.162, Florida Statutes, discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Taxes paid in March are without discount.

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 government.

Valencia Acres Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE F – MANAGEMENT COMPANY

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

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



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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
Valencia Acres Community Development District
Miami-Dade County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Valencia Acres Community Development District, as of and for the year ended September 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated June 19, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Valencia Acres Community Development District's internal control over financial reporting 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 Valencia Acres Community Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of Valencia Acres Community Development District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 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.

Board of Supervisors
Valencia Acres Community Development District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Valencia Acres Community Development 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

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.

*Berger, Toombs, Elam,
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants
Fort Pierce, Florida

June 19, 2017



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MANAGEMENT LETTER

To the Board of Supervisors
Valencia Acres Community Development District
Miami-Dade County, Florida

Report on the Financial Statements

We have audited the financial statements of the Valencia Acres Community Development District as of and for the year ended September 30, 2016, and have issued our report thereon dated June 19, 2017.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Auditor's Report on an examination conducted in accordance with AICPA Professionals Standards, Section 601 regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in that report, which is dated June 19, 2017, 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 address in the Management Letter, if not already addressed in the auditor's report on compliance and internal controls, whether or not recommendations made in the preceding annual financial report have been followed. There were no recommendations made in the preceding audit report.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not Valencia Acres 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 Valencia Acres Community Development District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

To the Board of Supervisors
Valencia Acres Community Development District

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

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the Valencia Acres Community Development District for the fiscal year ended September 30, 2016, 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, 2016. 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 Board of Supervisors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Berger, Toombs, Elam,
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

June 19, 2017



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**INDEPENDENT ACCOUNTANT'S REPORT/COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES**

Valencia Acres Community Development District
Miami-Dade County, Florida

We have examined Valencia Acres Community Development District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2016. Management is responsible for Valencia Acres Community Development District's compliance with those requirements. Our responsibility is to express an opinion on Valencia Acres Community Development 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 Valencia Acres Community Development 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 Valencia Acres Community Development District's compliance with the specified requirements.

In our opinion, Valencia Acres Community Development District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2016.

*Berger, Toombs, Elam,
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

June 19, 2017