

**VILLA PORTOFINO EAST  
COMMUNITY DEVELOPMENT DISTRICT  
CITY OF HOMESTEAD, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2016**

**VILLA PORTOFINO EAST COMMUNITY DEVELOPMENT DISTRICT  
CITY OF HOMESTEAD, FLORIDA**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Supervisors  
Villa Portofino East Community Development District  
City of Homestead, Florida

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Villa Portofino East Community Development District, City of Homestead, Florida ("District") as of and for the fiscal year ended September 30, 2016, 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, 2016, and the respective changes in financial position thereof for the fiscal 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 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 30, 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, contracts, 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 District's internal control over financial reporting and compliance.

### **Report on Other Legal and Regulatory Requirements**

We have also issued our report dated May 30, 2017, on our consideration of the District's compliance with the 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.



May 30, 2017

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Villa Portofino East Community Development District, City of Homestead, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2016. 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 liabilities of the District exceeded its assets at the close of the most recent fiscal year resulting in a net position deficit balance of (\$71,200).
- The change in the District's total net position in comparison with the prior fiscal year was \$394, an increase. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2016, the District's governmental funds reported combined ending fund balances of \$1,048,429, an increase of \$8,308 in comparison with the prior fiscal year. The total fund balance is restricted for debt service and capital projects, non-spendable for prepaid items, assigned to subsequent year's expenditures, and the remainder is unassigned fund balance which is available for spending at the District's discretion.
- During fiscal year 2016, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Please see New Accounting Standards Adopted in Note 2 of the financial statements for additional information.

### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-Wide Financial Statements

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

The statement of net position presents information on all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual amount being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

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

## OVERVIEW OF FINANCIAL STATEMENTS (Continued)

### 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 balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

### Notes to the Financial Statements

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

	NET POSITION	
	SEPTEMBER 30,	
	2016	2015
Current and other assets	\$ 1,256,066	\$ 1,264,308
Capital assets, net of depreciation	5,503,669	5,664,552
Total assets	6,759,735	6,928,860
Current liabilities	330,935	350,454
Long-term liabilities	6,500,000	6,650,000
Total liabilities	6,830,935	7,000,454
Net position		
Net investment in capital assets	(970,620)	(959,841)
Restricted	640,762	642,237
Unrestricted	258,658	246,010
Total net position	\$ (71,200)	\$ (71,594)

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

A portion of the District's net position reflects its investment in capital assets (e.g. land, land improvements, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's other obligations.

The District's net position increased during the most recent fiscal year. The majority of the increase represents the extent to which program revenues exceeded the cost of operations and depreciation expense.

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

CHANGES IN NET POSITION		
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,		
	2016	2015
Revenues:		
Program revenues		
Charges for services	\$ 634,625	\$ 644,087
Operating grants and contributions	1,405	84
General revenues	1,360	378
Total revenues	<u>637,390</u>	<u>644,549</u>
Expenses:		
General government	73,410	76,685
Maintenance and operations	202,856	190,809
Interest	360,730	368,641
Total expenses	<u>636,996</u>	<u>636,135</u>
Change in net position	394	8,414
Net position - beginning	(71,594)	(80,008)
Net position - ending	<u>\$ (71,200)</u>	<u>\$ (71,594)</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2016 was \$636,996. The majority of the costs of the District's activities were paid by program revenues. Program revenues were comprised primarily of assessments for both the current and prior fiscal years. The District also received funds from investment earnings which are also included in program revenues.

## 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 expenditures did not exceed appropriations for the fiscal year ended September 30, 2016.

Actual general fund expenditures for the fiscal year ended September 30, 2016 were less than appropriations due primarily to anticipated costs which were not incurred in the current fiscal year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2016, the District had \$6,470,247 invested in capital assets for its governmental activities. In the government-wide financial statements depreciation of \$966,578 has been taken, which resulted in a net book value of \$5,503,669. More detailed information about the District's capital assets is presented in the notes of the financial statements.

### Capital Debt

At September 30, 2016, the District had \$6,500,000 in Bonds outstanding for its governmental activities. More detailed information about the District's capital debt is presented in the notes of the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

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

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide 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 the Villa Portofino East Community Development District's Finance Department at 5385 N. Nob Hill Road, Sunrise, Florida, 33351.



**VILLA PORTOFINO EAST COMMUNITY DEVELOPMENT DISTRICT  
CITY OF HOMESTEAD, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016**

	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 10,721
Investments	447,532
Prepaid items	8,042
Restricted assets:	
Investments	789,771
Capital assets	
Nondepreciable	3,022,243
Depreciable, net	2,481,426
Total assets	6,759,735
 <b>LIABILITIES</b>	
Accounts payable	2,285
Unearned revenue	205,352
Accrued interest payable	123,298
Non-current liabilities:	
Due within one year	160,000
Due in more than one year	6,340,000
Total liabilities	6,830,935
 <b>NET POSITION</b>	
Net investment in capital assets	(970,620)
Restricted for debt service	640,762
Unrestricted	258,658
Total net position	\$ (71,200)

See notes to the financial statements

**VILLA PORTOFINO EAST COMMUNITY DEVELOPMENT DISTRICT**  
**CITY OF HOMESTEAD, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED**  
**SEPTEMBER 30, 2016**

Functions/Programs	Program Revenues			Net (Expense)
Primary government:	Charges	Operating	Grants and	Revenue and
Governmental activities:	for	Contributions	Governmental	Changes in Net
General government	Services	Governmental	Activities	Position
Maintenance and operations	Expenses	Contributions	Activities	Position
Interest on long-term debt	Expenses	Contributions	Activities	Position
Total governmental activities	Expenses	Contributions	Activities	Position
General government	\$ 73,410	\$ 73,410	\$ -	\$ -
Maintenance and operations	202,856	53,261	-	(149,595)
Interest on long-term debt	360,730	507,954	1,405	148,629
Total governmental activities	636,996	634,625	1,405	(966)
General revenues:				
Unrestricted investment earnings				1,360
Total general revenues				1,360
Change in net position				394
Net position - beginning				(71,594)
Net position - ending				\$ (71,200)

See notes to the financial statements

**VILLA PORTOFINO EAST COMMUNITY DEVELOPMENT DISTRICT  
CITY OF HOMESTEAD, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
<b>ASSETS</b>				
Cash	\$ 10,721	\$ -	\$ -	\$ 10,721
Investments	447,532	764,060	25,711	1,237,303
Due from other funds	-	177,762	-	177,762
Prepaid items	8,042	-	-	8,042
Total assets	<u>\$ 466,295</u>	<u>\$ 941,822</u>	<u>\$ 25,711</u>	<u>\$ 1,433,828</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 2,285	\$ -	\$ -	\$ 2,285
Unearned revenue	27,590	177,762	-	205,352
Due to other funds	177,762	-	-	177,762
Total liabilities	<u>207,637</u>	<u>177,762</u>	<u>-</u>	<u>385,399</u>
Fund balances:				
Nonspendable:				
Prepaid items	8,042	-	-	8,042
Restricted for:				
Debt service	-	764,060	-	764,060
Capital projects	-	-	25,711	25,711
Assigned to:				
Subsequent year's expenditures	76,025	-	-	76,025
Unassigned	174,591	-	-	174,591
Total fund balances	<u>258,658</u>	<u>764,060</u>	<u>25,711</u>	<u>1,048,429</u>
Total liabilities and fund balances	<u>\$ 466,295</u>	<u>\$ 941,822</u>	<u>\$ 25,711</u>	<u>\$ 1,433,828</u>

See notes to the financial statements

**VILLA PORTOFINO EAST COMMUNITY DEVELOPMENT DISTRICT  
CITY OF HOMESTEAD, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016**

Amounts reported for governmental activities in the statement of net position are different because:

Fund balance - governmental funds		\$ 1,048,429
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net position includes those capital assets, net of accumulated depreciation, in the assets of the government as a whole.</p>		
Cost of capital assets	6,470,247	
Accumulated depreciation	<u>(966,578)</u>	5,503,669
<p>All liabilities, both current and long-term, are reported in the government-wide financial statements.</p>		
Accrued interest payable	(123,298)	
Bonds payable	<u>(6,500,000)</u>	<u>(6,623,298)</u>
Net position of governmental activities		<u><u>\$ (71,200)</u></u>

See notes to the financial statements

**VILLA PORTOFINO EAST COMMUNITY DEVELOPMENT DISTRICT  
CITY OF HOMESTEAD, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
<b>REVENUES</b>				
Assessments	\$ 126,671	\$ 507,954	\$ -	\$ 634,625
Interest	1,360	1,364	41	2,765
Total revenues	<u>128,031</u>	<u>509,318</u>	<u>41</u>	<u>637,390</u>
<b>EXPENDITURES</b>				
Current:				
General government	73,410	-	-	73,410
Maintenance and operations	41,973	-	-	41,973
Debt service:				
Principal	-	150,000	-	150,000
Interest	-	363,699	-	363,699
Total expenditures	<u>115,383</u>	<u>513,699</u>	<u>-</u>	<u>629,082</u>
Excess (deficiency) of revenues over (under) expenditures	12,648	(4,381)	41	8,308
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfer In	-	-	63	63
Interfund transfer out	-	(63)	-	(63)
Total other financing sources (uses)	<u>-</u>	<u>(63)</u>	<u>63</u>	<u>-</u>
Net change in fund balances	12,648	(4,444)	104	8,308
Fund balances - beginning	<u>246,010</u>	<u>768,504</u>	<u>25,607</u>	<u>1,040,121</u>
Fund balances - ending	<u>\$ 258,658</u>	<u>\$ 764,060</u>	<u>\$ 25,711</u>	<u>\$ 1,048,429</u>

See notes to the financial statements

**VILLA PORTOFINO EAST COMMUNITY DEVELOPMENT DISTRICT  
CITY OF HOMESTEAD, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2016**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 8,308
Repayment of long-term liabilities are reported as expenditures in the governmental fund financial statements, but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.	150,000
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds. The details of the differences are as follows:	
Depreciation of capital assets	(160,883)
Change in accrued interest	2,969
Change in net position of governmental activities	\$ 394

See notes to the financial statements

**VILLA PORTOFINO EAST COMMUNITY DEVELOPMENT DISTRICT  
CITY OF HOMESTEAD, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY**

Villa Portofino East Community Development District ("District") was created on November 3, 2006 by Ordinance No. 06-156 of the County Commission 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.

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 by the owners of the property within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes. At September 30, 2016, three of the Board members are affiliated with Prime Homes at Villa Portofino East, Ltd. ("Developer") and there are two vacant seats.

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") Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Government-Wide and Fund Financial Statements**

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

The government-wide financial statements (i.e., the statement of net 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*.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

### Assessments

Assessments 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 assessed and collected on an annual basis. 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 mailed by County Tax Collector on November 1 and due on or before March 31 of each year. Property owners may prepay a portion or all of the Debt Service Assessments on their property subject to various provisions in the Bond documents.

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.

The District reports the following major governmental funds:

### General Fund

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

### Debt Service Fund

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

### Capital Projects Fund

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

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

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



## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **New Accounting Standards Adopted**

During fiscal year 2016, the District adopted three new accounting standards as follows:

#### *GASB 72, Fair Value Measurement and Application*

The Statement improves financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No. 6, *Measurement of Elements of Financial Statements*, and other relevant literature.

#### *GASB 76 - The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

The Statement identifies—in the context of the current governmental financial reporting environment—the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles.

#### *GASB 79 - Certain External Investment Pools and Pool Participants*

This Statement establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement also establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost.

### **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.

The State Board of Administration's ("SBA") Local Government Surplus Funds Trust Fund ("Florida PRIME") is a "2a-7 like" pool. A "2a-7 like" pool is an external investment pool that is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. Thus, the pool operates essentially as a money market fund. The District has reported its investment in Florida PRIME at amortized cost for financial reporting purposes.

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. Investments are measured at amortized cost or reported at fair value as required by generally accepted accounting principles.

**NOTE 2 – 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 \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend 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>
Infrastructure – stormwater management	30
Infrastructure – roadways	20
Infrastructure – other	15

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 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.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s). For example, the District would record deferred outflows of resources on the statement of net position 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).

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Assets, Liabilities and Net Position or Equity (Continued)**

#### Deferred Outflows/Inflows of Resources (Continued)

Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s). For example, when an asset is recorded in the governmental fund financial statements, but the revenue is unavailable, the District reports a deferred inflow of resources on the balance sheet 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.

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

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

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

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

Net 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 3 – BUDGETARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end.

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

- a) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

### NOTE 4 – DEPOSITS AND INVESTMENTS

#### Deposits

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

#### Investments

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

	<u>Amortized Cost</u>	<u>Credit Risk</u>	<u>Maturities</u>
Investment in Local Government Surplus Trust Funds Investment Pool - Fund A	\$ 447,532	S&P AAAm	Weighted average of the fund portfolio: 50 days
FIMM Government Portfolio CL I FD #57	585,129	S&P AAAm	Weighted average of the fund portfolio: 5 days
Wells Fargo Government Money Market Fund	204,642	S&P AAAm	Weighted average of the fund portfolio: 42 days
Total Investments	<u>\$ 1,237,303</u>		

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

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

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

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

*Fair Value Measurement* – When applicable, the District measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

## NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

### Investments (Continued)

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- *Level 1:* Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the District has the ability to access;
- *Level 2:* Investments whose inputs - other than quoted market prices - are observable either directly or indirectly; and,
- *Level 3:* Investments whose inputs are unobservable.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

Money market investments that have a maturity at the time of purchase of one year or less and are held by governments other than external investment pools should be measured at amortized cost. For external investment pools that qualify to be measured at amortized cost, the pool's participants should also measure their investments in that external investment pool at amortized cost for financial reporting purposes. Accordingly, the District's investments have been reported at amortized cost above.

*External Investment Pool* – With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that “The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days.”

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2016, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100% of their account value.

## NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at September 30, 2016 were as follows:

Fund	Receivable	Payable
General	\$ -	\$ 177,762
Debt service	177,762	-
Total	<u>\$ 177,762</u>	<u>\$ 177,762</u>

The outstanding balances between funds result primarily from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. In the case of the District, the balances between the general fund and the debt service fund relate to unearned revenues collected in the general fund that have not yet been transferred to the debt service fund.

## NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land and land improvements	\$ 1,752,903	\$ -	\$ -	\$ 1,752,903
Infrastructure under construction	1,269,340	-	-	1,269,340
Total capital assets, not being depreciated	3,022,243	-	-	3,022,243
Capital assets, being depreciated				
Infrastructure - stormwater management system	821,062	-	-	821,062
Infrastructure - roadways	2,496,942	-	-	2,496,942
Infrastructure - other	130,000	-	-	130,000
Total capital assets, being depreciated	3,448,004	-	-	3,448,004
Less accumulated depreciation for:				
Infrastructure - stormwater management system	232,637	27,369	-	260,006
Infrastructure - roadways	499,388	124,847	-	624,235
Infrastructure - other	73,670	8,667	-	82,337
Total accumulated depreciation	805,695	160,883	-	966,578
Total capital assets, being depreciated, net	2,642,309	(160,883)	-	2,481,426
Governmental activities capital assets, net	\$ 5,664,552	\$ (160,883)	\$ -	\$ 5,503,669

The total cost of the Series 2007 project was originally estimated at approximately \$6.05 million. However, in a prior fiscal year, the District modified the project which reduced the total estimated costs to approximately \$5.262 million. The development, which was supposed to include 189 townhomes, was reduced by 46 townhomes so that a portion of the land could be used for a hotel site. As such, to accommodate the revised balance between residential and commercially developed areas, the District conveyed certain lands valued at approximately \$160,000 to the City of Homestead to be used as a public roadway. Pursuant to the Assignment and Acquisition Agreement between the Developer and the District, the District will pay the Developer for the acquisition of certain portions of the project constructed by or on behalf of the Developer. The District acquired most of the infrastructure improvements from the Developer. Proceeds of the Series 2007 Bonds were expected to fund a portion of the total cost of the project and any costs in excess of amounts available from Bond proceeds were provided by the Developer.

During a prior fiscal year, the District issued the Series 2012 Bonds to finance and acquire certain aspects of the infrastructure improvements that are needed to serve the development and improve the commercial land within the District. The total cost associated with the 2012 Project was originally estimated at approximately \$2.5 million, but was revised to approximately \$2.18 million, of which \$1.66 million will be funded from the Bonds with any excess costs being paid for by the Developer. The infrastructure improvements have been or will be completed by the Developer and acquired by the District. Certain improvements are expected to be conveyed to other governments upon completion of the project.

Depreciation expense was charged to the maintenance and operations function.

## NOTE 7 – DEFERRED COSTS

In connection with the 2007 project, if the amount by which the cost of the 2007 project or portion thereof to be conveyed by the Developer to the District pursuant to the Acquisition Agreement exceeds the amount actually paid by the District for the 2007 project or portion thereof from proceeds of the Series 2007 Bonds, it may be determined that deferred obligations exist. Upon completion of the project, certain funds available from the Bonds may be used to pay deferred obligations, as outlined in the Bond Indenture. At September 30, 2016, the 2007 project has not been completed and the District has not yet determined if a liability exists for deferred obligations.

**NOTE 8 – LONG TERM LIABILITIES**

At September 30, 2016, The District had Bond issues as follows:

Series	Issue Date	Original Face Amount	Interest Rate	Maturity
Special Assessment Bonds:				
Series 2007A	March 23, 2007	\$ 5,845,000	5.2%	May 1, 2037
Special Assessment Bonds:				
Series 2012	September 4, 2012	245,000	5.375%	February 1, 2024
Series 2012	September 4, 2012	445,000	6.125%	February 1, 2033
Series 2012	September 4, 2012	895,000	6.75%	February 1, 2043
Taxable Special Assessment Bonds:				
Series 2012	September 4, 2012	75,000	6.25%	February 1, 2016

The Series 2007A and 2012 Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is paid semiannually for the Series 2007A on each May 1 and November 1 and for the Series 2012 Bonds on each February 1 and August 1. Principal is to be paid serially for the Series 2007A on each May 1 and for the Series 2012 Bonds on each February 1.

The Series 2007A and 2012 Bonds are subject to redemption at the option of the District prior to their maturity. The Series 2007A and 2012 Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

The Bond Indentures established debt service reserve requirements as well as other restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District was in compliance with the requirements of the Bond Indentures at September 30, 2016.

Changes in long-term liability activity for the fiscal year ended September 30, 2016 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2007	\$ 5,040,000	\$ -	\$ 125,000	\$ 4,915,000	\$ 135,000
Series 2012	1,610,000	-	25,000	1,585,000	25,000
Total	\$ 6,650,000	\$ -	\$ 150,000	\$ 6,500,000	\$ 160,000

## NOTE 8 – 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	\$ 160,000	\$ 355,746	\$ 515,746
2018	165,000	347,382	512,382
2019	175,000	338,624	513,624
2020	185,000	329,471	514,471
2021	195,000	319,799	514,799
2022-2026	1,135,000	1,433,809	2,568,809
2027-2031	1,485,000	1,093,899	2,578,899
2032-2036	1,940,000	646,065	2,586,065
2037-2041	830,000	177,956	1,007,956
2042-2043	230,000	15,863	245,863
Total	<u>\$ 6,500,000</u>	<u>\$ 5,058,614</u>	<u>\$ 11,558,614</u>

## NOTE 9 – DEVELOPER TRANSACTIONS

During a prior fiscal year, the Developer agreed to fund the general operations of the District until Operating and Maintenance Assessments were received. In connection with that agreement, the Developer was due \$10,894 at September 30, 2015, for funds provided during a prior fiscal year. During the current fiscal year, the District repaid the Developer for the full amount owed.

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

## NOTE 10 – 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's operations.

## NOTE 11 – MANAGEMENT AGREEMENTS

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.

The District has also contracted with a management company to perform field management services, which include such tasks as purchasing tools, equipment, materials, and supplies; soliciting bids for services, materials, and supplies; performing routine inspections; soliciting, analyzing, and negotiating contracts for services required for the operation, maintenance, upkeep, repair, replacement, and preservation of the District's property.

## NOTE 12 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. There were no settled claims during the past three years.



**VILLA PORTOFINO EAST COMMUNITY DEVELOPMENT DISTRICT  
CITY OF HOMESTEAD, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual Amounts		Variance with Final Budget - Positive (Negative)
	Original & Final				
<b>REVENUES</b>					
Assessments	\$ 124,708	\$	126,671	\$	1,963
Interest and other revenues	-		1,360		1,360
Total revenues	124,708		128,031		3,323
<b>EXPENDITURES</b>					
Current:					
General government	141,558		73,410		68,148
Maintenance and operations	64,000		41,973		22,027
Total expenditures	205,558		115,383		90,175
Excess (deficiency) of revenues over (under) expenditures	(80,850)		12,648		93,498
<b>OTHER FINANCING SOURCES</b>					
Carryforward	80,850		-		(80,850)
Total other financing sources	80,850		-		(80,850)
Net change in fund balance	\$ -		12,648	\$	12,648
Fund balance - beginning			246,010		
Fund balance - ending			\$ 258,658		

See notes to required supplementary information

**VILLA PORTOFINO EAST COMMUNITY DEVELOPMENT DISTRICT  
CITY OF HOMESTEAD, FLORIDA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

The legal level of budgetary control, the level at which expenditures may not exceed budget is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2016. The actual general fund expenditures for the 2016 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 Supervisors  
Villa Portofino East Community Development District  
City of Homestead, 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 the governmental activities and each major fund of Villa Portofino East Community Development District, City of Homestead, Florida (the "District") as of and for the fiscal year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated May 30, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing 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.

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

Our consideration of internal control 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

## 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.

A handwritten signature in blue ink that reads "Brian & Associates".

May 30, 2017



**Grau & Associates**  
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**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 Supervisors  
Villa Portofino East Community Development District  
City of Homestead, Florida

We have examined Villa Portofino East Community Development District, City of Homestead, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2016. Management is responsible for District's compliance with those requirements. Our responsibility is to express an opinion on 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 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 District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2016.

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 Villa Portofino East Community Development District, City of Homestead, Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Grau & Associates*

May 30, 2017



**MANAGEMENT LETTER PURSUANT TO THE RULES OF  
THE AUDITOR GENERAL FOR THE STATE OF FLORIDA**

To the Board of Supervisors  
Villa Portofino East Community Development District  
City of Homestead, Florida

**Report on the Financial Statements**

We have audited the accompanying basic financial statements of Villa Portofino East Community Development District, City of Homestead, Florida ("District") as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated May 30, 2017.

**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 Florida 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, which are dated May 30, 2017, should be considered in conjunction with this management letter.

**Purpose of this Letter**

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

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, as applicable, management, and the Board of Supervisors of Villa Portofino East Community Development District, City of Homestead, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Villa Portofino East Community Development District, City of Homestead, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

*Grau & Associates*

May 30, 2017

## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

### II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

### III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2015.

2. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2016.

3. 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.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2016.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.

5. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2016 financial audit report.

6. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.

7. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2016. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.