

**VILLA VIZCAYA
COMMUNITY DEVELOPMENT DISTRICT
PORT ST. LUCIE, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2017**

**VILLA VIZCAYA COMMUNITY DEVELOPMENT DISTRICT
PORT ST. LUCIE, FLORIDA**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-7
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet – Governmental Funds	10
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Notes to the Financial Statements	14-23
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	24
Notes to Required Supplementary Information	25
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	26-27
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	28
MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550 OF THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA	29-31



Grau & Associates

CERTIFIED PUBLIC ACCOUNTANTS

2700 North Military Trail • Suite 350
Boca Raton, Florida 33431
(561) 994-9299 • (800) 299-4728
Fax (561) 994-5823
www.graucpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Villa Vizcaya Community Development District
Port St. Lucie, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Villa Vizcaya Community Development District, Port St. Lucie, Florida ("District") as of and for the fiscal year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. Except as discussed in the following paragraphs, 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.

Management has not included the blended component unit of the District, Special Purpose Entity (a Special Revenue Fund that accounts for the activities of Villa Vizcaya, LLC ("SPE")), in the District's financial statements. Accounting principles generally accepted in the United States of America require the Special Revenue Fund to be presented as a major governmental fund and financial information about the Special Revenue Fund to be part of the governmental activities, thus increasing that activity's assets, liabilities, revenues, and expenses, and changing its net position. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses of the governmental activities and the omitted major fund is not reasonably determinable.

Opinions

In our opinion, because of the omission of the Special Revenue Fund, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Special Revenue Fund and the governmental activities of the District as of September 30, 2017, or the changes in financial position thereof for the fiscal year then ended.

In addition, in our opinion, except for the effects of not including financial information for the Special Revenue Fund the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund, Debt Service Fund and Capital Projects Fund of the District, as of September 30, 2017, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Notes 7 and other referenced notes to the basic financial statements, the District's financial conditions continue to deteriorate. The Debt Service Fund had a deficit fund balance of (\$9,046,697) at September 30, 2017. The Developer stopped funding the District during a prior fiscal year resulting in significant delinquent assessments and unfunded contributions in prior fiscal years. The District did not have sufficient funds to make the scheduled debt service payments during fiscal years 2011 - 2017 and, therefore, the payments were not made resulting in events of default. In addition, during a prior fiscal year, the real property owned by the Developer in the District was conveyed to a SPE that was created to own, manage, maintain, and dispose of the property. The District has very little cash for its operations or to fund the costs of the SPE, therefore all future funding would be paid from the remaining amounts provided by the Bondholders or future contributions from the Bondholder. The District is economically dependent on the Bondholders.

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 8, 2018, 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 8, 2018, 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.

B. H. & Associates

May 8, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Villa Vizcaya Community Development District, Port St. Lucie, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2017. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The liabilities of the District exceeded its assets at the close of the fiscal year ended September 30, 2017 resulting in a net position deficit balance of (\$8,887,755).
- The change in the District's total net position in comparison with the prior fiscal year was (\$502,287), a decrease. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2017, the District's governmental funds reported combined ending deficit fund balances of (\$8,976,370), a decrease of (\$4,099,055) in comparison with the prior fiscal year. Of the total fund balance, a portion is nonspendable for prepaid items, restricted for capital projects, (\$9,053,240) is unassigned, deficit fund balance reported in the Debt Service Fund, and the remainder is unassigned fund balance which is available for spending at the District's discretion.

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 Bondholder contributions. The District does not have any business-type activities. The governmental activities of the District include the general government (management) and maintenance functions.

The Special Purpose Entity ("SPE"), although legally separate from the District, functions for all practical purposes as a component unit of the government. However, the District has no access to the financial records of the SPE; therefore, the SPE was omitted from the District's financial report.

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.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

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 individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund and Capital Projects Fund, which are all considered major funds.

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 fiscal year ended September 30, 2017.

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

NET POSITION SEPTEMBER 30,		
	2017	2016
Assets, excluding capital assets	\$ 205,870	\$ 166,196
Capital assets, net of depreciation	3,938,747	3,986,979
Total assets	4,144,617	4,153,175
Liabilities, excluding long-term liabilities	3,762,372	3,268,643
Long-term liabilities	9,270,000	9,270,000
Total liabilities	13,032,372	12,538,643
Net position		
Net investment in capital assets	298,747	(3,298,021)
Restricted	753	752
Unrestricted	(9,187,255)	(5,088,199)
Total net position	\$ (8,887,755)	\$ (8,385,468)

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

The District's net position decreased during the most recent fiscal year. The Developer ceased funding the District during a prior fiscal year. Consequently, in order to resolve various disputes between the District and the Developer, the Developer deeded the real property it owned within the District (the "Property") to a Special Purpose Entity ("SPE"). The debt assessments are currently being held in abeyance and, as a result, the cost of operations and depreciation expense exceeded ongoing program revenues. The Bondholder provided funding during the year which was used to partially pay for the costs of the SPE.

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,		
	2017	2016
Revenues:		
Program revenues		
Charges for services	\$ 9,844	\$ 10,235
Operating grants and contributions	265,030	87,522
Capital grants and contributions	1	-
Total revenues	274,875	97,757
Expenses:		
General government	32,314	32,921
Maintenance and operations	48,232	48,558
SPE costs	192,300	217,790
Interest	504,316	505,935
Total expenses	777,162	805,204
Change in net position	(502,287)	(707,447)
Net position - beginning	(8,385,468)	(7,678,021)
Net position - ending	\$ (8,887,755)	\$ (8,385,468)

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2017 was \$777,162. A portion of the costs of the District's activities were paid by program revenues. Program revenues were mainly comprised of Bondholder contributions in the current and prior fiscal years. Program revenues increased from the prior fiscal year as there were more Bondholder contributions during the current fiscal year. In total, expenses decreased from the prior fiscal year. The majority of the decrease was the result of less default related expenses in the current fiscal year.

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, 2017.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2017, the District had \$4,372,835 invested in capital assets for its governmental activities. In the government-wide financial statements, depreciation of \$434,088 has been taken, which resulted in a net book value of \$3,938,747. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Capital Debt

At September 30, 2017, the District had \$9,270,000 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

As discussed in the notes to the basic financial statements, the District's financial conditions continue to deteriorate. The Debt Service Fund had a deficit fund balance of (\$9,046,697) at September 30, 2017. The Developer stopped funding the District during a prior fiscal year resulting in significant delinquent assessments and unfunded contributions in prior fiscal years. The District did not have sufficient funds to make the scheduled debt service payments during fiscal years 2011 - 2017 and, therefore, the payments were not made resulting in events of default. In addition, during a prior fiscal year, the real property owned by the Developer in the District was conveyed to a SPE that was created to own, manage, maintain, and dispose of the property. The District has very little cash for its operations or to fund the costs of the SPE, therefore all future funding would be paid from the remaining amounts provided by the Bondholders or future contributions from the Bondholder. The District is economically dependent on the Bondholders.

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 Vizcaya Community Development District's Finance Department at 5385 N. Nob Hill Road, Sunrise, Florida 33351.

**VILLA VIZCAYA COMMUNITY DEVELOPMENT DISTRICT
PORT ST. LUCIE, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

	Governmental Activities
ASSETS	
Cash	\$ 68,743
Prepays	12,293
Restricted assets:	
Investments	124,834
Capital assets:	
Nondepreciable	2,925,885
Depreciable, net	1,012,862
Total assets	<u>4,144,617</u>
 LIABILITIES	
Accounts payable	22,033
Due to Bondholders:	
Principal	5,630,000
Interest	3,530,207
Accrued interest payable	210,132
Non-current liabilities:	
Due within one year*	85,000
Due in more than one year	3,555,000
Total liabilities	<u>13,032,372</u>
 NET POSITION	
Net investment in capital assets	298,747
Restricted for capital projects	753
Unrestricted	(9,187,255)
Total net position	<u>\$ (8,887,755)</u>

* The missed debt service payments due for the Series 2007 Bonds are reflected in the due to Bondholders account balance.

See notes to the financial statements

**VILLA VIZCAYA COMMUNITY DEVELOPMENT DISTRICT
PORT ST. LUCIE, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 32,314	\$ -	\$ -	-	\$ (32,314)
Maintenance and operations	48,232	9,844	-	1	(38,387)
SPE costs	192,300	-	-	-	(192,300)
Interest on long-term debt	504,316	-	265,030	-	(239,286)
Total governmental activities	777,162	9,844	265,030	1	(502,287)
					(502,287)
					(8,385,468)
					<u>\$ (8,887,755)</u>

Change in net position
Net position - beginning
Net position - ending

See notes to the financial statements

**VILLA VIZCAYA COMMUNITY DEVELOPMENT DISTRICT
PORT ST. LUCIE, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	Major Funds			Total
	General	Debt Service	Capital Projects	Governmental Funds
ASSETS				
Cash	\$ 68,743	\$ -	\$ -	\$ 68,743
Investments	-	124,081	753	124,834
Prepaid items	5,750	6,543	-	12,293
Total assets	\$ 74,493	\$ 130,624	\$ 753	\$ 205,870
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,919	\$ 17,114	\$ -	\$ 22,033
Due to Bondholders	-	9,160,207	-	9,160,207
Total liabilities	4,919	9,177,321	-	9,182,240
Fund balances:				
Nonspendable:				
Prepaid items	5,750	6,543	-	12,293
Restricted for:				
Capital projects	-	-	753	753
Unassigned, reported in:				
General fund	63,824	-	-	63,824
Debt service fund	-	(9,053,240)	-	(9,053,240)
Total fund balances	69,574	(9,046,697)	753	(8,976,370)
Total liabilities and fund balances	\$ 74,493	\$ 130,624	\$ 753	\$ 205,870

See notes to the financial statements

**VILLA VIZCAYA COMMUNITY DEVELOPMENT DISTRICT
PORT ST. LUCIE, FLORIDA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

Fund balance - governmental funds \$ (8,976,370)

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

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 any accumulated depreciation, in the net position of the government as a whole.

Cost of capital assets	4,372,835	
Accumulated depreciation	<u>(434,088)</u>	3,938,747

Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund financial statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.

Accrued interest payable	(210,132)	
Bonds payable*	<u>(3,640,000)</u>	<u>(3,850,132)</u>
Net position of governmental activities		<u>\$ (8,887,755)</u>

* The missed debt service payments due for the Series 2007 Bonds are reflected in the due to Bondholders account balance.

See notes to the financial statements

**VILLA VIZCAYA COMMUNITY DEVELOPMENT DISTRICT
PORT ST. LUCIE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
REVENUES				
Bondholder contributions	\$ -	\$ 258,861	\$ -	\$ 258,861
Interest	-	169	1	170
Miscellaneous revenue	9,844	6,000	-	15,844
Total revenues	9,844	265,030	1	274,875
EXPENDITURES				
Current:				
General government	32,314	-	-	32,314
SPE costs	-	192,300	-	192,300
Debt service:				
Principal	-	3,645,000	-	3,645,000
Interest	-	504,316	-	504,316
Total expenditures	32,314	4,341,616	-	4,373,930
Excess (deficiency) of revenues over (under) expenditures	(22,470)	(4,076,586)	1	(4,099,055)
OTHER FINANCING SOURCES (USES)				
Interfund transfers	18,532	(18,532)	-	-
Total other financing sources (uses)	18,532	(18,532)	-	-
Net change in fund balances	(3,938)	(4,095,118)	1	(4,099,055)
Fund balances - beginning	73,512	(4,951,579)	752	(4,877,315)
Fund balances - ending	\$ 69,574	\$ (9,046,697)	\$ 753	\$ (8,976,370)

See notes to the financial statements

**VILLA VIZCAYA COMMUNITY DEVELOPMENT DISTRICT
PORT ST. LUCIE, 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, 2017**

Net change in fund balances - total governmental funds	\$ (4,099,055)
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation on capital assets is not recognized in the governmental fund financial statements, but is reported as an expense in the statement of activities.	(48,232)
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.	<u>3,645,000</u>
Change in net position of governmental activities	<u>\$ (502,287)</u>

See notes to the financial statements

**VILLA VIZCAYA COMMUNITY DEVELOPMENT DISTRICT
PORT ST. LUCIE, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Villa Vizcaya Community Development District ("the District") was created on April 20, 2006 pursuant to Ordinance No. 06-26 enacted by the City of Port St. Lucie, Florida, under 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. The Special Purpose Entity ("SPE") accounts for the activities of Villa Vizcaya, LLC. The SPE owns, manages, maintains, and will sell and/or dispose of certain real property (the "Property") for the benefit of the District.

The Board has the final 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 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. A blended component unit includes entities that provide services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefit the primary government even though it does not provide services directly to it. Blended component units, although legally separate entities, are, in substance, part of the government's operations and therefore should be included as an integral part of the primary government.

Blended Component Unit

The Special Purpose Entity ("SPE") owns, manages, maintains, and will sell and/or dispose of the Property for the benefit of the District. The SPE should be reported as a Special Revenue Fund. However, the District has no access to the financial records of the SPE; therefore, the SPE was omitted from the District's financial report.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *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 Funds are used to account for the accumulation of resources for the annual payment of principal and interest on 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 inter-fund activity has been eliminated from the government-wide financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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 system	30

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

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).

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 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Fund Equity/Net Position (Continued)

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, 2017:

Investment	Maturities	Amortized Cost	Credit Risk
Fidelity Treasury Fund	Not available	\$ 124,834	Not available

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.

NOTE 4 – DEPOSITS AND INVESTMENTS

Investments (Continued)

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.

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. Accordingly, the District's investments have been reported at amortized cost above.

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended September 30, 2017 were as follows:

Fund	Transfers in	Transfers out
General	\$ 18,532	\$ -
Debt service	-	18,532
Total	<u>\$ 18,532</u>	<u>\$ 18,532</u>

Transfers are generally used to move revenues from the fund where collection occurs to the fund where funds have been reallocated for use. Transfers from the Debt Service to the General Fund were made to finance the District's general operations.

NOTE 6 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Infrastructure in progress	\$ 2,925,885	\$ -	\$ -	\$ 2,925,885
Total capital assets, not being depreciated	2,925,885	-	-	2,925,885
Capital assets, being depreciated				
Infrastructure - stormwater system	1,446,950	-	-	1,446,950
Total capital assets, being depreciated	1,446,950	-	-	1,446,950
Less accumulated depreciation for:				
Infrastructure - stormwater system	385,856	48,232	-	434,088
Total accumulated depreciation	385,856	48,232	-	434,088
Total capital assets, being depreciated, net	1,061,094	(48,232)	-	1,012,862
Governmental activities capital assets	\$ 3,986,979	\$ (48,232)	\$ -	\$ 3,938,747

The economic condition of St. Lucie County has changed considerably since the project was initially planned and the Developer has since abandoned the project so the future of the project remains uncertain. Further, due to the uncertainty as to the completion of the project within a reasonable period of time, the infrastructure may not be able to be used for its intended purpose as anticipated in the original project description. There is no estimate at this time for the additional funding that might be required if there is a change to the project. Additionally, the majority of the funds remaining in the Acquisition and Construction Account have been reallocated for use to pay for costs not associated with the project, including funding the District's general operations and other costs as discussed in further detail in Notes 7 and 8.

Depreciation expense was charged to maintenance and operations.

NOTE 7 – LONG TERM LIABILITIES

Series 2007

On June 1, 2007, the District issued \$9,270,000 of Special Assessment Bonds, Series 2007 consisting of: \$4,185,000 Term Bonds Series 2007A due on May 1, 2039 with a fixed interest rate of 5.55%, \$3,565,000 Term Bonds Series 2007B due in May 1, 2017 with a fixed interest rate of 5.35%, and \$1,520,000 Term Bonds Series 2007B-2 due in May 1, 2012 with a fixed interest rate of 5.35%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal is to be paid serially on the Series 2007A Bonds commencing May 1, 2010. The Series 2007B-2 and 2007B Bonds matured on May 1, 2012 and May 1, 2017, respectively.

The Series 2007A Bonds are subject to redemption at the option of the District prior to their maturity. The Series 2007B and 2007B-2 Bonds are not subject to optional redemption. The 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 Indenture established a debt service reserve requirement 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 not in compliance with certain requirements at September 30, 2017.

NOTE 7 – LONG TERM LIABILITIES (Continued)

Series 2007 (Continued)

The Developer stopped funding the District during a prior fiscal year. As a result, the District had insufficient funds to pay its debt service payments and the payments were not made resulting in events of default. These amounts have been accrued on the financial statements as due to Bondholders which reflects \$5,630,000 due for principal and \$3,530,207 due for interest. Additionally, the occurrence of an event of default creates certain remedial rights and remedies in favor of the Trustee. As a result certain default related expenditures, SPE costs, general operations costs and other costs were paid from the debt service reserve accounts. As a result of these payments, the District reported deficits of approximately \$289,000, \$132,000, and \$41,000 for the Series 2007A, 2007B and 2007B-2 Reserve Accounts, respectively, at September 30, 2017

Long-term Debt Activity

Changes in long-term liability activity for the fiscal year ended September 30, 2017 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2007	\$ 9,270,000	\$ -	\$ -	\$ 9,270,000	\$ 5,715,000
Total	\$ 9,270,000	\$ -	\$ -	\$ 9,270,000	\$ 5,715,000

* Includes the missed debt service payments due for the Series 2007 Bonds which were not paid.

At September 30, 2017, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2018	\$ 5,715,000 *	\$ 3,762,473 *	\$ 9,477,473
2019	90,000	227,550	317,550
2020	95,000	222,555	317,555
2021	100,000	217,283	317,283
2022	110,000	211,733	321,733
2023-2027	645,000	960,705	1,605,705
2028-2032	850,000	760,350	1,610,350
2033-2037	1,120,000	495,893	1,615,893
2038-2039	545,000	106,283	651,283
Total	\$ 9,270,000	\$ 6,964,825	\$ 16,234,825

* Includes the missed debt service payments due for the Series 2007 Bonds which were not paid.

NOTE 8 – ABEYANCE AGREEMENT

In order to resolve various disputes between the District and the Developer, and in order to avoid the unnecessary and unwanted expense associated with potential litigation, the Developer offered to deed the real property it owned within the District (the "Property") to a SPE. In connection with these negotiations, the Trustee, on Behalf of the Bondholders, acknowledged and agreed that it was in the best interest of, and beneficial to, the Trust Estate to create a SPE to own, manage, maintain, and dispose of the Property in an orderly and efficient manner; as such, a SPE was created for such purpose. Consequently, during a prior fiscal year, the Property was conveyed to the SPE. The District and the SPE have discharged the Developer of all and any claims, actions, suits, demands, costs, expenses or liabilities which they may now, or hereafter, have against the Developer in connection with the Special Assessment Bonds, Series 2007 so the Developer is no longer involved with the District.

NOTE 8 – ABEYANCE AGREEMENT (Continued)

The Parties acknowledge and agree that the assessments encumbering the property owned by the SPE shall not be certified for collection using the Uniform Method or otherwise billed to the SPE but shall be held in abeyance and continue to constitute a lien in accordance with Florida law on the property co-equal with the lien of State, County and municipal taxes and superior to all other liens. The Capital Assessments with respect to such property shall be held in abeyance until such time as the District receives notice from the Trustee to the contrary. A majority of prior and current fiscal years general operations were financed from transfers from the Debt Service and Capital Projects Funds. Further, the SPE, upon its acquisition of the Property, agreed to pay all outstanding taxes (i.e., ad valorem real estate taxes and non-ad valorem assessments) with respect to the Property. The Bondholders provided \$258,861 during the current fiscal year which was used to pay certain SPE costs. The District has very little cash for its operations or to fund the costs of the SPE, therefore all future funding would be paid from the remaining amounts provided by the Bondholders or future contributions from the Bondholder. The District is dependent on the Bondholders for its future operations.

In the event that funds are no longer available in the Trust Estate and another funding source has not been secured, or environmental or other changes or circumstances affecting the Property occur which may reasonably result in an increase in risk to the SPE and/or its officers, directors or related entities, as determined by the SPE in its sole and absolute discretion, the SPE may convey the Property, or the unsold portions thereof, to the District for ownership and maintenance upon providing thirty days' notice. The acceptance of the conveyance of the Property by the District shall be in the District's sole and absolute discretion. Immediately upon conveying the property to the District, or as otherwise mutually agreed upon by the parties, the SPE shall dissolve. The District remains obligated with respect to the principal and interest on the Series 2007 Bonds which obligation remains payable solely from pledged revenues, as defined in the Series 2007 Bond Indenture, which include the assets of the SPE.

NOTE 9 – DEFICIT FUND BALANCE

The Debt Service Fund had a deficit fund balance of (\$9,046,697) at September 30, 2017. It is unclear how the deficit will be covered in the near term as it is unlikely that the deficit will be covered until the Property owned by the SPE is sold.

NOTE 10 – INTERLOCAL AGREEMENT

The District has entered into an agreement with the City of Port St. Lucie ("City") for the District to provide stormwater maintenance services to the stormwater management system within the District's boundaries. In connection with this agreement, the District will receive storm water fee assessments from the City. The City assesses fees to the residents of the District for certain costs related to the drainage system and will remit the amount, less an administrative fee, to the District since the District will be providing the services. During the current fiscal year, the District received \$9,844 in connection with this agreement.

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.

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.

NOTE 13 – SUBSEQUENT EVENTS

Scheduled Debt Service Payments

There were insufficient funds available to fully fund the Series 2007 debt service payments as Debt Service Assessments are not being collected or levied on the Property while it is owned by the SPE. Consequently, the fiscal year 2018 debt service payments were not made, resulting in additional events of default.

Sale of Lots

On December 8, 2017, one hundred percent of the bondholders approved a purchase and sale agreement for the land owned by the SPE to an outside party. However, sale of the Property is subject to an inspection period and other terms and conditions.

**VILLA VIZCAYA COMMUNITY DEVELOPMENT DISTRICT
PORT ST. LUCIE, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted	Actual	Variance with Final Budget - Positive (Negative)
	Original & Final	Amounts	
REVENUES			
Miscellaneous revenue	\$ 102,064	\$ 9,844	\$ (92,220)
Total revenues	102,064	9,844	(92,220)
EXPENDITURES			
Current:			
General government	102,064	32,314	69,750
Total expenditures	102,064	32,314	69,750
Excess (deficiency) of revenues over (under) expenditures	-	(22,470)	(22,470)
OTHER FINANCING SOURCES			
Interfund transfers	-	18,532	18,532
Total other financing sources (uses)	-	18,532	18,532
Net change in fund balances	\$ -	(3,938)	\$ (3,938)
Fund balance - beginning		73,512	
Fund balance - ending		\$ 69,574	

See notes to required supplementary information

**VILLA VIZCAYA COMMUNITY DEVELOPMENT DISTRICT
PORT ST. LUCIE, 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, 2017.



**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 Vizcaya Community Development District
Port St. Lucie, 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 Vizcaya Community Development District, Port St. Lucie, Florida ("District") as of and for the fiscal year ended September 30, 2017, 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 8, 2018, which includes explanatory paragraphs regarding the adverse opinion for the omission of the Special Revenue Fund and an emphasis of matter paragraph.

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

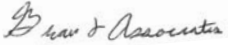
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters involving the internal control over financial reporting and compliance that we have reported to management of the District in a separate letter dated May 8, 2018.

The District's response to the finding identified in our audit is described in the accompanying Management Letter. We did not audit the District's response and, accordingly, we express no opinion on it.

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.



May 8, 2018



Grau & Associates
CERTIFIED PUBLIC ACCOUNTANTS

2700 North Military Trail • Suite 350
Boca Raton, Florida 33431
(561) 994-9299 • (800) 299-4728
Fax (561) 994-5823
www.graucpa.com

**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 Vizcaya Community Development District
Port St. Lucie, Florida

We have examined Villa Vizcaya Community Development District, Port St. Lucie, 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, 2017. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced in Section 218.415, Florida Statutes. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2017.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, management, and the Board of Supervisors of Villa Vizcaya Community Development District, Port St. Lucie, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Grau & Associates

May 8, 2018



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

To the Board of Supervisors
Villa Vizcaya Community Development District
Port St. Lucie, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of Villa Vizcaya Community Development District ("District") as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated May 8, 2018, which includes explanatory paragraphs regarding the adverse opinion for the omission of the Special Revenue Fund and the governmental activities as to the departure from generally accepted accounting principles and an emphasis of matter paragraph.

Auditor's Responsibility

Except as discussed in the explanatory paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Other Reporting Requirements

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 the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 8, 2018, 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 the District and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Villa Vizcaya Community Development District, Port St. Lucie, 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 8, 2018

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2017-01: Financial Condition Assessment

Observation: The District's financial conditions continue to deteriorate. The Debt Service Fund had a deficit fund balance of (\$9,046,697) at September 30, 2017. The Developer stopped funding the District during a prior fiscal year resulting in significant delinquent assessments and unfunded contributions in prior fiscal years. As a result, certain costs were paid out of the Debt Service Reserve Accounts and the debt service reserve requirement has not been met. Furthermore, the District did not have sufficient funds to make the scheduled debt service payments during fiscal years 2011 - 2017 and, therefore, the payments were not made resulting in events of default.

Recommendation: The District should continue to take the necessary steps to alleviate the deteriorating financial conditions.

Management Response: The deteriorating financial conditions are due to annual assessments not being paid by certain property owner(s) within the District. The property has been conveyed to a SPE in lieu of foreclosure to own, manage, maintain and dispose of the property in an orderly and efficient manner. The SPE has agreed to provide the necessary funding to pay the operating expenditures of the District and the District has agreed to defer the collection of Capital Assessments encumbering the Property until such time as the District receives notice from the Trustee to the contrary, as of this date, no notice to the contrary has been provided by the Trustee. The District has determined this course of action is the most appropriate to alleviate the deteriorating financial condition.

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

2016-01, 2015-01, 2014-01, 2013-04, 2012-04, 2011-03, 2010-02: Financial Condition Assessment

Current Status: See Finding has 2017-01 above.

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, 2016, except as noted above.

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, 2017, except as noted above.

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, 2017, except as noted above.

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

REPORT TO MANAGEMENT (Continued)

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, 2017 financial audit report.
6. In connection with our audit, we determined that the District has met one or more of the financial emergency conditions described in Section 218.503 (1), Florida Statutes. The District failed to make certain scheduled debt service payments due on the Series 2007 Bonds in the current and prior fiscal years, as a result of a lack of funds. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and determined that a deteriorating financial condition was noted. See Findings section above for additional information. 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.