

**Gramercy Farms  
Community Development District**

**ANNUAL FINANCIAL REPORT**

**September 30, 2019**

**Gramercy Farms Community Development District**

**ANNUAL FINANCIAL REPORT**

**September 30, 2019**

**TABLE OF CONTENTS**

	<u>Page Number</u>
REPORT OF INDEPENDENT AUDITORS	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-9
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	16
Notes to Financial Statements	17-28
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	29-31
MANAGEMENT LETTER	32-34
INDEPENDENT ACCOUNTANT'S REPORT/COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES	35



# Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue  
Suite 200  
Fort Pierce, Florida 34950

772/461-6120 // 461-1155  
FAX: 772/468-9278

## REPORT OF INDEPENDENT AUDITORS

To the Board of Supervisors  
Gramercy Farms Community Development District  
Osceola County, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of Gramercy Farms Community Development District as of and for the year ended September 30, 2019, and the related notes to 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 an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Fort Pierce / Stuart

To the Board of Supervisors  
Gramercy Farms Community Development District

### Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Aggregate Discretely Presented Component Unit	Adverse
General Fund	Unmodified
Debt Service Fund	Unmodified
Capital Project Fund	Unmodified

### Basis for Adverse Opinion on the Discretely Presented Component Unit

The financial statements do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The District has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues, and expenses of the aggregate discretely presented component unit should have been presented.

### Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Discretely Presented Component Unit", the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the District as of September 30, 2019, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Adverse Opinion on the Discretely Presented Component Unit" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of the District as of September 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Unmodified Opinions

In our opinion, the financial statements referred to previously 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, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Supervisors  
Gramercy Farms Community Development District

## **Other Matters**

### *Required Supplementary Information*

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated April 13, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gramercy Farms Community Development District's internal control over financial reporting and compliance.



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

April 13, 2020

**Gramercy Farms Community Development District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2019**

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

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

**Gramercy Farms Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2019**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

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

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

*Notes to financial statements* provide additional detail concerning the financial activities and financial balances of the District. Additional information about the accounting practices of the District, investments of the District, capital assets and long-term debt are some of the items included in the *notes to financial statements*.

**Financial Highlights**

The following are the highlights of financial activity for the year ended September 30, 2019.

- ◆ The District's total liabilities exceeded total assets by \$(37,858,380) (net position). Net investment in capital assets for the District was \$(16,601,417). Restricted net position was \$1,177,299. Unrestricted net position was \$(22,434,262).
- ◆ Governmental activities revenues totaled \$3,236,034 while governmental activities expenses totaled \$3,724,684.

**Gramercy Farms Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2019**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Financial Analysis of the District**

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

	<b>Net Position</b>	
	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
Current assets	\$ 22,818	\$ 22,940
Restricted assets	1,891,992	1,921,616
Capital assets	<u>28,021,688</u>	<u>27,770,919</u>
Total Assets	<u>29,936,498</u>	<u>29,715,475</u>
Current liabilities	12,449,512	10,910,274
Non-current liabilities	<u>55,345,366</u>	<u>56,174,931</u>
Total Liabilities	<u>67,794,878</u>	<u>67,085,205</u>
Net Position		
Net investment in capital assets	(16,601,417)	(17,356,227)
Restricted for capital projects	1,177,299	1,326,555
Unrestricted	<u>(22,434,262)</u>	<u>(21,340,058)</u>
Total Net Position	<u>\$ (37,858,380)</u>	<u>\$ (37,369,730)</u>

The increase in current liabilities is the result of the additional accrued interest added to accrued interest payable.

The decrease in long term liabilities is related to a principal payment in the current year.

The decrease in net position is related to expenses exceeding revenues in the current year.



**Gramercy Farms Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2019**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Financial Analysis of the District (Continued)**

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

**Change In Net Position**

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
Program Revenues		
Charges for services	\$ 537,797	\$ 330,497
Operating grants and contributions	2,637,734	4,003,544
General Revenues		
Gain on sale of capital assets	-	20,737
Miscellaneous revenues	9,245	
Investment earnings	51,258	36,580
Total Revenues	<u>3,236,034</u>	<u>4,391,358</u>
Expenses		
General government	136,608	176,933
Physical environment	328,867	269,093
Interest on long-term debt	3,259,209	3,363,552
Total Expenses	<u>3,724,684</u>	<u>3,809,578</u>
Change in Net Position	(488,650)	581,780
Net Position - Beginning of Year	<u>(37,369,730)</u>	<u>(37,951,510)</u>
Net Position - End of Year	<u>\$ (37,858,380)</u>	<u>\$ (37,369,730)</u>

The increase in charges for services was related to a planned increase in special assessments in the General and Debt Service Funds.

The decrease in operating grants and contributions was related to decreased contributions from the SPE for operations and a principal payment in the current year.

The decrease in general government expenses was related to a decrease in legal fees and trustee fees related to debt service in the current year.

The increase in physical environment is the result of additional streetlight expenses and landscape expenses during the current year.

**Gramercy Farms Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2019**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Capital Assets Activity**

The following schedule provides a summary of the District's capital assets as of September 30, 2019 and 2018:

<u>Description</u>	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Construction in progress	\$ 21,746,987	\$ 21,496,218
Land and land improvements	6,274,701	6,274,701
Governmental Activities Capital Assets	<u>\$ 28,021,688</u>	<u>\$ 27,770,919</u>

The activity for the year consisted of \$250,769 in additions to construction in progress.

**General Fund Budgetary Highlights**

Actual expenditures were less than budgeted amounts primarily because streetlight costs and contingency expenditures were less than anticipated.

The budget was not amended during the year ended September 30, 2019.

**Debt Management**

Governmental Activities debt includes the following:

- ◆ The District issued Special Assessment Bonds Series 2007 including: 2007A-1 Special Assessment Bonds of \$4,895,000 at a fixed interest of 5.25% maturing May 1, 2039; 2007A-2 Special Assessment Bonds \$3,110,000 at a fixed interest of 5.25% maturing May 1, 2039; and, 2007B Special Assessment Bonds \$46,995,000 at a fixed interest of 5.10% maturing May 1, 2014. The total 2007 Special Assessment Bonds Series 2007 issued amounted to \$55,000,000. Due to the downturn in the real estate market, development within the District was halted resulting in a restructuring in 2011.
- ◆ As a result of the restructuring, \$18,835,000 of the Series 2007 bonds were exchanged for Series 2011 bonds. The remaining Series 2007 Bonds, \$30,105,000, outstanding are subordinate to the Series 2011 bonds and are payable solely from the lot sale proceeds remaining after payment of SPE operating costs and prepayments on the Series 2011 Special Assessment Bonds up to the SPE prepayment cap defined in the restructuring agreement.

**Gramercy Farms Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2019**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Debt Management (Continued)**

- ◆ In September 2011, the District issued \$18,832,585 of Series 2011 Capital Appreciation Bonds due May 1, 2039 at a fixed interest rate of 6.75%. The bonds were issued in exchange for \$1,675,000 Series 2007A-1, \$1,065,000 Series 2007A-2 and \$16,095,000 Series 2007B bonds in a restructuring. During the restructuring, a portion of Series 2007 bonds were exchanged for Series 2011 bonds. The Series 2011 Bond balance outstanding at September 30, 2019 was \$25,240,366. More detailed information about the District's debt is presented in the accompanying notes to financial statements.

**Economic Factors and Next Year's Budget**

Gramercy Farms Community Development District's future financial condition cannot be determined. The developer failed to pay debt service assessments in prior years, causing the District to be unable to pay certain debt service payments when due. The debt was restructured in 2011. Per the restructure agreement, the SPE is obligated to provide certain funding to the District. The effects on the financial position or results of operations of the District as of and for the year ended September 30, 2020 cannot be determined.

**Request for Information**

The financial report is designed to provide a general overview of Gramercy Farms Community Development District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Gramercy Farms Community Development District's Finance Department at C/O Rizzetta & Company Inc., 12750 Citrus Park lane, Suite 115, Tampa, Florida 33625.

**Gramercy Farms Community Development District**  
**STATEMENT OF NET POSITION**  
**September 30, 2019**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	\$ 12,318
Prepaid expenses	10,500
Total Current Assets	22,818
Non-Current Assets	
Restricted Assets	
Investments	1,891,992
Capital Assets, Not Being Depreciated	
Construction in progress	21,746,987
Land and improvements	6,274,701
Total Non-Current Assets	29,913,680
Total Assets	29,936,498
 <b>LIABILITIES</b>	
Current Liabilities	
Accounts payable and accrued expenses	40,677
Unearned revenues	679
Accrued interest payable	12,408,156
Total Current Liabilities	12,449,512
Non-Current Liabilities	
Bonds payable	55,345,366
Total Liabilities	67,794,878
 <b>NET POSITION</b>	
Net investment in capital assets	(16,601,417)
Restricted for capital projects	1,177,299
Unrestricted	(22,434,262)
Total Net Position	\$ (37,858,380)

See accompanying notes to financial statements.

**Gramercy Farms Community Development District**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2019**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		<b>Net (Expenses) Revenues and Changes in Net Position</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>
Governmental Activities				
General government	\$ (136,608)	\$ 84,236	\$ 36,408	\$ (15,964)
Physical environment	(328,867)	234,438	101,326	6,897
Interest on long-term debt	(3,259,209)	219,123	2,500,000	(540,086)
Total Governmental Activities	\$ (3,724,684)	\$ 537,797	\$ 2,637,734	(549,153)
<b>General Revenues</b>				
Miscellaneous revenues				9,245
Investment income				51,258
Total General Revenues				60,503
Changes in Net Position				(488,650)
Net Position - Beginning of Year				(37,369,730)
Net Position - End of Year				\$ (37,858,380)

See accompanying notes to financial statements.

**Gramercy Farms Community Development District**  
**BALANCE SHEET -**  
**GOVERNMENTAL FUNDS**  
**September 30, 2019**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 12,318	\$ -	\$ -	\$ 12,318
Prepaid expenses	-	10,500	-	10,500
Due from other funds	-	23,694	-	23,694
<b>Restricted assets</b>				
Investments, at fair value	-	674,199	1,217,793	1,891,992
<b>Total Assets</b>	<u>\$ 12,318</u>	<u>\$ 708,393</u>	<u>\$ 1,217,793</u>	<u>\$ 1,938,504</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 23,877	\$ -	\$ 16,800	\$ 40,677
Due to other funds	-	-	23,694	23,694
Unearned revenues	-	679	-	679
<b>Total Liabilities</b>	<u>23,877</u>	<u>679</u>	<u>40,494</u>	<u>65,050</u>
<b>FUND BALANCES</b>				
Nonspendable - prepaid expenses	-	10,500	-	10,500
<b>Restricted:</b>				
Debt service	-	697,214	-	697,214
Capital projects	-	-	1,177,299	1,177,299
Unassigned	(11,559)	-	-	(11,559)
<b>Total Fund Balances</b>	<u>(11,559)</u>	<u>707,714</u>	<u>1,177,299</u>	<u>1,873,454</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 12,318</u>	<u>\$ 708,393</u>	<u>\$ 1,217,793</u>	<u>\$ 1,938,504</u>

See accompanying notes to financial statements.

**Gramercy Farms Community Development District**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**September 30, 2019**

Total Governmental Fund Balances	\$ 1,873,454
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, construction in progress (\$21,746,987) and land and improvements (\$6,274,701), used in governmental activities are not financial resources and, therefore, are not reported in the funds.	28,021,688
Long-term liabilities, bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.	(55,345,366)
Accrued interest expense for long-term debt is not a financial use and, therefore, is not reported in the funds.	<u>(12,408,156)</u>
Net Position of Governmental Activities	<u><u>\$ (37,858,380)</u></u>

See accompanying notes to financial statements.

**Gramercy Farms Community Development District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2019**

	General	Debt Service	Capital Projects	Total Governmental Funds
Revenues				
Special assessments	\$ 318,674	\$ 219,123	\$ -	\$ 537,797
Landowner contributions	137,734	2,500,000	-	2,637,734
Investment income	-	21,887	29,371	51,258
Miscellaneous revenues	-	-	9,245	9,245
Total Revenues	<u>456,408</u>	<u>2,741,010</u>	<u>38,616</u>	<u>3,236,034</u>
Expenditures				
Current				
General government	118,166	18,442	-	136,608
Physical environment	328,867	-	-	328,867
Capital outlay	-	-	250,769	250,769
Debt Service				
Principal	-	2,546,856	-	2,546,856
Total Expenditures	<u>447,033</u>	<u>2,565,298</u>	<u>250,769</u>	<u>3,263,100</u>
Net Change in Fund Balance	<u>9,375</u>	<u>175,712</u>	<u>(212,153)</u>	<u>(27,066)</u>
Fund Balances - Beginning of Year	<u>(20,934)</u>	<u>532,002</u>	<u>1,389,452</u>	<u>1,900,520</u>
Fund Balances - End of Year	<u><u>\$ (11,559)</u></u>	<u><u>\$ 707,714</u></u>	<u><u>\$ 1,177,299</u></u>	<u><u>\$ 1,873,454</u></u>

See accompanying notes to financial statements.



**Gramercy Farms Community Development District**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2019**

Net Change in Fund Balances - Total Governmental Funds	\$ (27,066)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are capitalized as capital assets. This is the amount of current year additions.	250,769
Governmental funds report principal payments on long-term debt as expenditures. At the government-wide level these payments are a reduction of bonds payable.	2,546,856
The accretion of interest is not recognized in the government fund financial statements since it does not use current resources, but is reported as an expense in the Statement of Activities.	(1,717,291)
Governmental funds report principal payments as an expenditure at the fund level whereas these payments are recognized as a decrease in bonds payable in the Statement of Activities, interest is accrued on outstanding bonds whereas at the governmental funds level, interest expenditures are reported when paid. This is the change in accrued interest in the current period.	<u>(1,541,918)</u>
Change in Net Position of Governmental Activities	<u>\$ (488,650)</u>

See accompanying notes to financial statements.

**Gramercy Farms Community Development District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND**  
**For the Year Ended September 30, 2019**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
Revenues				
Special assessments	\$ 255,963	\$ 255,963	\$ 318,674	\$ 62,711
Landowner contributions	198,995	198,995	137,734	(61,261)
Total Revenues	<u>454,958</u>	<u>454,958</u>	<u>456,408</u>	<u>1,450</u>
Expenditures				
Current				
General government	109,319	109,319	118,166	(8,847)
Physical environment	345,639	345,639	328,867	16,772
Total Expenditures	<u>454,958</u>	<u>454,958</u>	<u>447,033</u>	<u>7,925</u>
Net Change in Fund Balances	-	-	9,375	9,375
Fund Balances - Beginning of Year	-	-	(20,934)	(20,934)
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,559)</u>	<u>\$ (11,559)</u>

See accompanying notes to financial statements.

**Gramercy Farms Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

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

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

**1. Reporting Entity**

The District was established on July 21, 2005, pursuant to the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, (the "Act"), by Ordinance #2005-96 of the City of Saint Cloud. The District encompasses approximately two hundred ninety-nine (299) acres of land located entirely within St. Cloud, Florida.

The District was established for the purposes of planning, financing, constructing, operating, and maintaining various public improvements and community facilities within its jurisdiction. The District is authorized to issue bonds for the purpose, among others, of financing, and managing the planning, designing, engineering, permitting, construction, installation, acquisition, maintenance and operation of the major infrastructure within and without the boundaries of the premises to be governed by Gramercy Farms Community Development District. The District is governed by a five-member Board of Supervisors who are elected on an at large basis by landowners of the District. The District operates within the criteria established by Chapter 190.

As required by GAAP, these financial statements present the Gramercy Farms Community Development District (the primary government) as a local unit of special-purpose government. The reporting entity for the District includes all functions of government in which the District's Board exercises oversight responsibility including, but not limited to, financial interdependency, selection of governing authority, designation of management, significant ability to influence operations and accountability for fiscal matters. To be includable within the District's financial statements, the component unit must be financially accountable or the exclusion of the nature and significance of their relationship with the District would cause the financial statements to be misleading or incomplete. Blended component units must be financially accountable to the District; there must be a financial burden/benefit relationship and the entity, although legally separate, must operate like a fund of the District.

Based upon the application of the above-mentioned criteria as set forth in Governmental Accounting Standards Board, the District has identified one discretely presented component unit.

The discretely presented component unit is a legally separate entity. The component unit of the District is as follows:

**Gramercy Farms Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**1. Reporting Entity (Continued)**

Maxcy Development Group Holdings – Gramercy Farms, Inc. – The Company is a Special Purpose Entity (the “SPE”) that owns, manages, maintains, and will sell and/or dispose of the Property with delinquent assessments (the “Property”) for the benefit of the District. The District, pursuant to an agreement between the Company, the District, and U.S. Bank National Association (the “Trustee”), will defer collection of the Capital Assessments encumbering the Property until such time as direction to the contrary is given by the trustee to the District. The parties agree that the operations and maintenance expenses of the District allocable to the portions of the Property from time to time owned by the SPE shall be billed and invoiced by the District directly to the SPE and paid by the SPE to the District on a monthly basis as funds are needed by the District to pay its expenses for operations and maintenance. If the SPE fails to pay these amounts, the District will levy operations and maintenance assessments.

The District was not provided any financial information relative to the component unit and therefore, it is not included in the accompanying financial statements.

**2. Measurement Focus and Basis of Accounting**

The basic financial statements of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

**a. Government-wide Financial Statements**

Government-wide financial statements report all non-fiduciary information about the reporting government as a whole. These statements include all the governmental activities of the primary government. The effect of interfund activity has been removed from these statements.

Governmental activities are supported by special assessments and interest. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source.

Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

**Gramercy Farms Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. Measurement Focus and Basis of Accounting (Continued)**

**b. Fund Financial Statements**

The underlying accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually.

The District classifies fund balance according to Governmental Accounting Standards Board Statement 54 – Fund Balance Reporting and Governmental Fund Type Definitions. The Statement requires the fund balance for governmental funds to be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The District has various policies governing the fund balance classifications.

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

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

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

**Gramercy Farms Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. Measurement Focus and Basis of Accounting (Continued)**

**b. Fund Financial Statements (Continued)**

**Governmental Funds**

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collected within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Interest associated with the current fiscal period is considered to be an accrual item and so has been recognized as revenue of the current fiscal period.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of “available spendable resources”. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

**Gramercy Farms Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. Measurement Focus and Basis of Accounting (Continued)**

**b. Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources are expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability.

Debt service expenditures are recorded only when payment is due.

**3. Basis of Presentation**

**a. Governmental Major Funds**

General Fund – The General Fund is the District’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund – Accounts for debt service requirements to retire the capital improvement revenue bonds which were used to finance the construction of District infrastructure improvements. Subject to the terms of the restructure, the bonds are secured by a first lien on and pledge of the special assessment revenues and pledged funds.

Capital Projects Fund – The Capital Projects Fund account for construction of infrastructure improvements within the boundaries of the district.

**b. Non-current Governmental Assets/Liabilities**

GASB Statement 34 requires that non-current governmental assets, such as land and improvements, and non-current governmental liabilities, such as general obligation bonds and due to developer be reported in the governmental activities column in the government-wide Statement of Net Position.

**Gramercy Farms Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**4. Assets, Liabilities, and Net Position or Equity**

**a. Cash and Investments**

Florida Statutes require state and local governmental units to deposit monies with financial institutions classified as "Qualified Public Depositories," a multiple financial institution pool whereby groups of securities pledged by the various financial institutions provide common collateral from their deposits of public funds. This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions, providing full insurance for public deposits.

The District is authorized to invest in those financial instruments as established by Section 218.415, Florida Statutes. The authorized investments consist of:

1. Direct obligations of the United States Treasury;
2. The Local Government Surplus Funds Trust or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperative Act of 1969;
3. Interest-bearing time deposits or savings accounts in authorized qualified public depositories;
4. Securities and Exchange Commission, registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

**b. Restricted Net Position**

Certain net position of the District is classified as restricted on the statement of net position because their use is limited either by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors. In a fund with both restricted and unrestricted net position, qualified expenses are considered to be paid first from restricted net position and then from unrestricted net position.

**c. Capital Assets**

Capital assets, which include land and improvements, and construction in progress, are reported in the governmental activities column.

The District defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. The valuation basis for all assets is historical cost.



**Gramercy Farms Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**c. Capital Assets (Continued)**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of capital assets is computed and recorded by utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets can range from 5 to 40 years.

**d. Budgets**

Budgets are prepared and adopted after a public hearing for the governmental funds, pursuant to Chapter 190, Florida Statutes. The District utilizes the same basis of accounting for budgets as it does for revenues and expenditures in its various funds. The legal level of budgetary control is at the fund level. All budgeted appropriations lapse at year end. Formal budgets are adopted for the general and debt service funds. As a result, deficits in the budget columns of the accompanying financial statements may occur.

**NOTE B – CASH AND INVESTMENTS**

All deposits are held in qualified public depositories and are included on the accompanying balance sheet as cash and investments.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk; however, they follow the provisions of Chapter 280, Florida Statutes regarding deposits and investments. Exposure to custodial credit risk was as follows: as of September 30, 2019, the District's bank balance was \$27,821 and the carrying value was \$12,318. The District maintains all deposits in a qualified public depository in accordance with the provisions of Chapter 280, Florida Statutes, which means that all deposits are fully insured by Federal Depositors Insurance or collateralized under Chapter 280, Florida Statutes.

**Gramercy Farms Community Development District  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2019**

**NOTE B – CASH AND INVESTMENTS (CONTINUED)**

As of September 30, 2019, the District had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
First American Treasury Obligation FD	26 Days *	\$ 1,794,441
Managed Money Market	N/A	97,551
Total		<u>\$ 1,891,992</u>

\*Weighted Average Maturity

The District categorizes its fair value measurements within the fair value hierarchy recently established by generally accepted accounting principles. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The District uses a market approach in measuring fair value that uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities, or groups of assets and liabilities.

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

Based on the criteria in the preceding paragraph, the investment in First American Treasury Obligation Fund Class and Managed Money Market are Level 1 assets.

Investments

The District's investment policy allows management to invest funds in investments permitted under Section 218.415, Florida Statutes.

Interest Rate Risk

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

**Gramercy Farms Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

**NOTE B – CASH AND INVESTMENTS (CONTINUED)**

Credit Risk

The District's investments in money markets and government loans are limited by state statutory requirements and bond compliance. The District has no investment policy that would further limit its investment choices. The investments listed above are both rated AAAM by Standard & Poors.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one fund. The investment in First American Treasury Obligation Fund is 95% and the investment in U.S. Bank Managed Money Market is 5% of the District's total investments.

The types of deposits and investments and their level of risk exposure as of September 30, 2019 were typical of these items during the fiscal year then ended. The District considers any decline in fair value for certain investments to be temporary.

**NOTE C – CAPITAL ASSETS**

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

	Balance October 1, 2018	Additions	Disposals	Balance September 30, 2019
<b><u>Governmental activities:</u></b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 21,496,218	\$ 250,769	\$ -	\$ 21,746,987
Land and land improvements	6,274,701	-	-	6,274,701
Total Capital Assets, Not Being Depreciated	<u>27,770,919</u>	<u>250,769</u>	<u>-</u>	<u>28,021,688</u>
Governmental Activities Capital Assets	<u>\$ 27,770,919</u>	<u>\$ 250,769</u>	<u>\$ -</u>	<u>\$ 28,021,688</u>

**NOTE D – LONG-TERM DEBT**

**Special Assessment Bonds – Series 2007**

In May 2007, the District issued \$4,895,000 of Special Assessment Bonds Series 2007 A-1, \$3,110,000 Special Assessment Bonds Series 2007 A-2 and \$46,995,000 Special Assessment Bonds Series 2007 B. Series 2007A-1 and A-2 were due on May 1, 2039 with a fixed interest rate of 5.25%. Series 2007B was due May 1, 2014 with a fixed interest rate of 5.10%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest was to be paid semiannually on each May 1 and November 1 commencing November 1, 2007. Principal on the bonds were to be paid serially. A partial bonds restructuring occurred in 2011. The remaining portion of the Series 2007 bonds outstanding at the time of refunding, \$2,675,000 of Series 2007 A-1, \$1,700,000 of Series 2007A-2, and \$25,730,000 of Series 2007B bonds) represents the un-exchanged Series 2007 Bonds.

**Gramercy Farms Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

**NOTE D – LONG-TERM DEBT (CONTINUED)**

**Capital Appreciation Bonds – Series 2011**

On September 14, 2011, Gramercy Farms Community Development District issued the 2011 Bonds in exchange for, and as a means of restructuring, a portion of the District's then outstanding balances of Special Assessment Bonds Series 2007A-1, Special Assessment Bonds Series 2007A-2 and Special Assessment Bonds Series 2007B.

The 2011 Bonds were initially issued as Capital Appreciation Bonds and are subject to conversion from Capital Appreciation Bonds to Current Interest Bonds. Under the terms of the restructuring agreement, assessments securing the Series 2007 Bonds were extinguished. Extinguishment was effective upon issuance of the Series 2011 Bonds. All other items of the 2007 bonds indenture remain. The unexchanged 2007 bonds are subordinate to the Series 2011 Bonds and are payable solely from lot sale proceeds remaining after the payment of SPE operating costs and prepayments of 2011 Special Assessment Bonds up to the SPE prepayment cap defined in the restructuring agreement.

Per the restructuring agreement, the parties acknowledge that: (i) it is expected that a portion of the 2011 Special Assessments will be prepaid by the SPE from lot sale proceeds in accordance with Section 4(a)(ii) of the Restructuring Agreement, (ii) the principal amount of 2011 Long Term Assessments to be levied on lots when owned by end user will not be sufficient to pay debt service on the 2011 Bonds when due unless a portion of the 2011 Special Assessments are prepaid by the SPE from lot sale proceeds and (iii) the amount of lot sale proceeds expected to be applied by SPE as partial prepayments in accordance with Section 4(a)(ii) of the Restructuring Agreement is dependent on a variety of factors including, without limitation, the actual (vs. projected) absorption rate within the District by the end user and the sales price of such finished units to the end user.

The bonds are subject to mandatory conversion prior to maturity in the manner determined by the bond registrar if certain events occur as outlined in the Bond Indenture. The bonds are also subject to option conversion at the direction of a majority of the Bondholder subjected to the terms outlined in the Bond Indenture. From and after the conversion date, interest on the current interest bonds will be payable semiannually. Additionally, in connection with the conversion, the District shall prepare an amortization schedule setting of the mandatory redemption to be made each May 1st.

The bonds are subject to redemption at the option of the District prior to maturity. The bonds are also subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the bond registrar if certain events occur as outlined in the bond indenture.

An amortization schedule of future payments is not presented for either bond series as the Unexchanged Series 2007 Bonds are subordinate to the Series 2011 Bonds, which are payable from lot sale proceeds after the SPE operating expenses and Series 2011 assessments amounts are paid.

**Gramercy Farms Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

**NOTE D – LONG-TERM DEBT (CONTINUED)**

Changes in long-term liability activity for the fiscal year ended September 30, 2019 were as follows:

	Year Ending October 1, 2018	Accreted Interest	Reductions	Year Ending September 30, 2019
Government activities				
Series 2007A-1	\$ 2,675,000	\$ -	\$ -	\$ 2,675,000
Series 2007A-2	1,700,000	-	-	1,700,000
Series 2007B	25,730,000	-	-	25,730,000
Series 2011	26,069,931	1,717,291	(2,546,856)	25,240,366
<b>Totals</b>	<b>\$ 56,174,931</b>	<b>\$ 1,717,291</b>	<b>\$ (2,546,856)</b>	<b>\$ 55,345,366</b>

Significant Bond Resolution Terms and Covenants

The Bond Indenture established certain amounts be maintained in a reserve account. In addition, the Bond Indenture has certain 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 bond resolution establishes certain funds and determines the order in which revenues are to be deposited into these funds. A description of the significant funds, including their purposes, is as follows:

**Special Assessment Bonds – Series 2007**

Reserve Fund – The Reserve Accounts are funded from the proceeds of the various Series 2007 Bonds in an amount equal to the lesser of (i) the maximum annual debt service requirement for the outstanding balance, (ii) 125% of the average annual debt service for all outstanding balance, or (iii) 10% of the original stated principal amount. Monies held in the reserve accounts will be used only for the purposes established in the Trust Indenture.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet debt service reserve requirements as defined in the Indenture and noted above. The District did not meet this requirement at September 30, 2019.

**Gramercy Farms Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

**NOTE E – SPECIAL PURPOSE ENTITY**

In 2011, the Trustee, on behalf of the bondholders, created a Special Purpose Entity ("SPE"), Maxcy Development Group Holdings - Gramercy Farms Inc. to own, manage and dispose of land from significant landowners of the District. The District, Trustee and the SPE entered into an agreement whereby the SPE is obligated to provide certain operating and maintenance funding to the District. The SPE does not pay debt service assessments because the Trustee has directed the District to temporarily defer collection of the debt service assessments. In the current year, the SPE paid \$2,637,734 to the District.

**NOTE F – MANAGEMENT AGREEMENTS**

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

**NOTE G – RISK MANAGEMENT**

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

**NOTE H – SUBSEQUENT EVENT**

In November 2019, the District made a prepayment of \$8,221 on the Series 2011 Special Assessment Refunding Bonds.

On October 1, 2019, substantially all of the construction in progress was placed in service.



# Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue  
Suite 200  
Fort Pierce, Florida 34950

772/461-6120 // 461-1155  
FAX: 772/468-9278

## **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  
Gramercy Farms Community Development District  
Osceola County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Gramercy Farms Community Development District, as of and for the year ended September 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated April 13, 2020.

### **Internal Control Over Financial Reporting**

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

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

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

Board of Supervisors  
Gramercy Farms Community Development District

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Gramercy Farms Community Development District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

#### **12-03 Failure to Meet Debt Service Reserve Account Requirement**

Finding: The Trust Indentures require the District to keep minimum amounts in the Debt Service Reserve Accounts. As of September 30, 2019, the Debt Service Reserve Accounts were deficient. The District is also not in compliance with all the trust indentures.

Recommendation: We recommend that the District utilize all legal remedies available to collect assessments and replenish the Debt Service Reserve Accounts.

Management Response: The Trustee, on behalf of the bondholders, created a Special Purpose Entity ("SPE") to own, manage and dispose of the land taken in from landowners of the District. The District, Trustee, and the SPE entered into an agreement whereby the SPE assumed responsibility for debt service assessments owed to the District related to the land owned by the SPE. Portions of the Series 2007 bonds were exchanged for Series 2011 bonds. At this time, there is no plan to replenish the reserves for the un-exchanged portion of the Series 2007 bonds.

Current Status: As of September 30, 2019, the reserve balance for the Series 2007 bonds is still not met.

We noted certain matters that we reported to management of the District in a separate letter dated April 13, 2020.



Board of Supervisors  
Gramercy Farms Community Development District

### **Purpose of this Report**

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



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

April 13, 2020



# Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue  
Suite 200  
Fort Pierce, Florida 34950

772/461-6120 // 461-1155  
FAX: 772/468-9278

## MANAGEMENT LETTER

To the Board of Supervisors  
Gramercy Farms Community Development District  
Osceola County, Florida

### Report on the Financial Statements

We have audited the financial statements of the Gramercy Farms Community Development District as of and for the year ended September 30, 2019, and have issued our report thereon dated April 13, 2020.

### Auditor's Responsibility

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

### Other 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 Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Auditor's Report on an examination conducted in accordance with AICPA Professionals Standards, AT-C Section 315 regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in that report, which is dated April 13, 2020, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been made to address findings and recommendations made in the preceding financial audit report. The following findings or recommendations were made in the preceding financial audit report:

#### **12-01 Failure to Include Component Unit Financial Statement in the Financial Report**

Finding: Generally accepted accounting principles require that the District include the financial statements of the Special Purpose Entity (SPE) in their audited financial report as a discretely-presented component unit. The SPE is not included as a component unit in the District's financial report. Due to the lack of control by the District and that the SPE's primary beneficiary is the Bondholders; the District's position is that the SPE is not a component unit of the District. We could not audit the records nor include them as a discretely-presented component unit in the District's government-wide financial statements.

Recommendation: We recommend that the District include the SPE as a discretely-presented component unit of the District's government-wide financial statements.

Fort Pierce / Stuart

To the Board of Supervisors  
Gramercy Farms Community Development District

### **Prior Audit Findings (Continued)**

Management Response: District's management does not agree that the SPE should be included as a discretely-presented component unit on the government-wide financial statements. In summary, management feels that it would be misleading to the users of the financial statements to include the SPE as a component unit. The District has no ownership and/or control over the SPE and in no way can it impose its will on the SPE. In addition, the District will not benefit from the activities of the SPE. When the land held by the SPE is sold, the proceeds will be paid to the Bondholders to satisfy the Bond debt. The District will not be responsible for any deficiency between the net proceeds of the sale and the associated Bond debt.

Current Status: The finding has not been corrected as of September 30, 2019.

### **12-04 Financial Condition Assessment**

Finding: The District's financial condition has deteriorated. In a prior year, the Developer failed to pay debt service assessments, because of lack of funds, causing the District to be unable to pay certain debt service payments when due. An event of default was declared and the debt was subsequently restructured with the agreement of the bondholders. The restructured agreement requires no current payments and the SPE is now funding the District; however, the overall effect of these actions on the District's financial condition cannot be determined at this time.

Recommendation: We recommend that the District utilize all legal remedies available to improve the present financial condition.

Management Response: The District restructured its bonds during fiscal year 2011, and a portion of the Series 2007 bonds were exchanged for Series 2011 bonds. The remaining portion of the Series 2007 bonds outstanding, represents the unexchanged Series 2007 bonds. Under the term of the restructuring agreement, assessments securing the Series 2007 bonds were extinguished upon issuance of the Series 2011 bonds. All other items of the 2007 bonds indenture remain. The unexchanged 2007 bonds are subordinate to the Series 2011 bonds and are payable solely from lot sale proceeds remaining after the payment of SPE operating costs and prepayment of 2011 Special Assessments up to the SPE prepayment cap defined in the restructuring agreement. At such time as (i) all lots have been sold to end users, (ii) all lot sale proceeds have been applied by the SPE in accordance with the provisions of the restructuring agreement, (iii) all funds paid to the Trustee pursuant to the provisions above have been applied to the payment of the unexchanged 2007 bond, and (iv) no amounts are held by the Trustee in the 2007 trust accounts, the unexchanged 2007 bond principal then outstanding shall be considered forgiven.

Current Status: This condition will continue until the above criteria are met and the outstanding bonds are forgiven. The finding has not been corrected as of September 30, 2019.

To the Board of Supervisors  
Gramercy Farms Community Development District

### **Financial Condition and Management**

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Gramercy Farms Community Development District. It is management's responsibility to monitor the Gramercy Farms Community Development District's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by the same as of September 30, 2019. In connection with our audit, we determined that the Gramercy Farms Community Development District did meet one of the conditions described in Section 218.39(5), Florida Statutes (See finding above).

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

### **Additional Matters**

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

### **Purpose of this Letter**

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

*Berger Toombs Elam  
Gaines & Frank*

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

April 13, 2020



Berger, Toombs, Elam,  
Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue  
Suite 200  
Fort Pierce, Florida 34950

772/461-6120 // 461-1155  
FAX: 772/468-9278

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

To the Board of Supervisors  
Gramercy Farms Community Development District  
Osceola County, Florida

We have examined Gramercy Farms Community Development District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2019. Management is responsible for Gramercy Farms Community Development District's compliance with those requirements. Our responsibility is to express an opinion on Gramercy Farms Community Development District's compliance based on our examination.

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

In our opinion Gramercy Farms Community Development District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2019.

*Berger Toombs Elam  
Gaines + Frank*

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

April 13, 2020