

**VALENCIA ACRES  
COMMUNITY DEVELOPMENT DISTRICT  
MIAMI-DADE COUNTY, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2009**

**VALENCIA ACRES COMMUNITY DEVELOPMENT DISTRICT  
MIAMI-DADE COUNTY, FLORIDA**

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**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the remaining non major fund of Valencia Acres Community Development District, Miami-Dade County, Florida (the "District") as of and for the fiscal year ended September 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the remaining non major fund of the District as of September 30, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2010, 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, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



August 3, 2010

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Valencia Acres Community Development District, Miami-Dade County, Florida's ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2009. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

### **FINANCIAL HIGHLIGHTS**

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year resulting in a net asset deficit balance of (\$1,209,585). When the District was formed, assets exceeded liabilities and subsequently infrastructure was deeded to Miami-Dade County creating the negative net assets. The reason for the transfer of infrastructure was that the County is better able to maintain the infrastructure than the District. Further, financial condition assessment procedures have been applied and no deteriorating financial conditions were noted.
- The change in the District's total net assets in comparison with the prior fiscal year was (\$15,564), a decrease. The key components of the District's net assets and change in net assets are reflected in the table in the government-wide financial analysis section.
- At September 30, 2009, the District's governmental funds reported combined ending fund balances of \$210,395, a decrease of (\$6,332) in comparison with the prior year. A portion of fund balance is reserved for debt service and the remainder is unreserved 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 assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

#### **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 currently maintains three individual governmental funds for external reporting. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, both of which are considered major funds. In addition, the District maintains a capital projects fund which is shown as a non major fund.

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

### Notes to the Financial Statements

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets 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 September 30, 2009 due to the transfer of infrastructure to Miami-Dade County.

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

	NET ASSETS	
	SEPTEMBER 30,	
	2009	(Restated) 2008
Assets, excluding capital assets	\$ 392,230	\$ 423,692
Total assets	392,230	423,692
Liabilities, excluding long-term liabilities	46,815	27,713
Long-term liabilities	1,555,000	1,590,000
Total liabilities	1,601,815	1,617,713
Net Assets		
Invested in capital assets, net of related debt	(1,382,401)	(1,410,494)
Restricted for debt service	131,118	178,542
Unrestricted	41,698	37,931
Total net assets (deficit)	\$ (1,209,585)	\$ (1,194,021)

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

A portion of the District's net assets reflects its investment in capital assets (e.g. land, land improvements, and infrastructure) that have been transferred to Miami-Dade County less any related debt used to acquire those assets that is still outstanding.

The restricted portion of the District's net assets represents resources that are subject to external restrictions on how they may be used. They are funds set aside for debt service under the Bond Indenture. The remaining balance of unrestricted net assets may be used to meet the District's other obligations.

The District's net assets decreased during the most recent fiscal year. The majority of the decrease represents the extent to which the cost of operations exceeded ongoing program revenues.

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

CHANGES IN NET ASSETS FOR THE FISCAL YEAR ENDED SEPTEMBER 30,			
	2009	(Restated) 2008	
Revenues:			
Program revenues			
Charges for services	\$ 176,518	\$ 166,013	
Operating grants and contributions	876	15,412	
Total revenues	177,394	181,425	
Expenses:			
General government	56,506	54,399	
Interest	136,452	100,323	
Total expenses	192,958	154,722	
Change in net assets	(15,564)	26,703	
Net assets (deficit) - beginning (restated)	(1,194,021)	(1,220,724)	
Net assets (deficit) - ending	\$ (1,209,586)	\$ (1,194,021)	

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2009 was \$192,958. Program revenues for the fiscal year ended September 30, 2009 are comprised of approximately \$176,500 from assessments and approximately \$900 from interest. In contrast, program revenues for the fiscal year ended September 30, 2008 are comprised of \$10,250 in Developer contributions, approximately \$166,000 from assessments, approximately \$5,000 from interest.

## FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The general fund is the operating fund of the District and includes all activities related to providing management and operating services.

In the table below we have presented the cost of the largest functions/programs as a percentage of total governmental funds.

FOR THE FISCAL YEAR ENDED SEPTEMBER 30,			
	2009	(Restated) 2008	
General government	\$ 56,506 31%	\$ 54,399 31%	
Interest and principal on long-term debt	127,220 69%	118,670 69%	
Total	\$ 183,726 100%	\$ 173,069 100%	

As noted above, debt service comprises the majority of expenditures for total governmental activities for both the current and prior fiscal years.

## 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. The general fund budget for the fiscal year ended September 30, 2009 was amended to increase revenues by \$1,299, increase appropriations by \$2,300, and increase other financing sources by \$1,001. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2009.

## DEBT ADMINISTRATION

### Capital Debt

At September 30, 2009, the District had \$1,555,000 in Bonds outstanding, a decrease of approximately 2% from the prior year. More detailed information about the District's capital debt is presented in the notes of the financial statements.

### Change in Accounting Principle

As discussed in Note 4, during the current fiscal year, the District decided to use a debt service fund, rather than an agency fund, for reporting its debt service activity because it believes that this alternative accounting principle is preferable. Additionally, the District has determined that the debt service activity more accurately reflects the Governmental Accounting Standards Board's definition of a debt service fund, as opposed to an agency fund. More detailed information about the District's Change in Accounting Principle is presented in the notes of the financial statements.

### Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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 Valencia Acres Community Development District's management services at Special District Services, Inc., 2501A Burns Road, Palm Beach Gardens, Florida 33410.

**VALENCIA ACRES COMMUNITY DEVELOPMENT DISTRICT  
MIAMI-DADE COUNTY, FLORIDA  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2009**

	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 42,323
Assessments receivable	8,611
Deferred charges	172,599
Restricted assets:	
Temporarily restricted	
Investments	168,697
Total assets	<u>392,230</u>
<b>LIABILITIES</b>	
Accounts payable	9,236
Accrued interest payable	37,579
Non-current liabilities:	
Due within one year	25,000
Due in more than one year	1,530,000
Total liabilities	<u>1,601,815</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	(1,382,401)
Restricted for debt service	131,118
Unrestricted	41,698
Total net assets (deficit)	<u>\$ (1,209,585)</u>

See notes to the financial statements



**VALENCIA ACRES COMMUNITY DEVELOPMENT DISTRICT  
MIAMI-DADE COUNTY, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>for</u>	<u>Grants and</u>	<u>Changes in Net Assets</u>
		<u>Services</u>	<u>Contributions</u>	<u>Governmental</u>
				<u>Activities</u>
Primary government:				
Governmental activities:				
General government	\$ 56,506	\$ 60,273	\$ -	\$ 3,767
Interest on long-term debt	136,452	116,245	876	(19,331)
Total governmental activities	<u>192,958</u>	<u>176,518</u>	<u>876</u>	<u>(15,564)</u>
Change in net assets				(15,564)
Net assets (deficit) - beginning (restated)				(1,194,021)
Net assets (deficit) - ending				<u>\$ (1,209,585)</u>

See notes to the financial statements

**VALENCIA ACRES COMMUNITY DEVELOPMENT DISTRICT  
MIAMI-DADE COUNTY, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2009**

	Major Fund		Non-Major Fund	Total
	General	Debt Service	Capital Projects	Governmental Funds
<b>ASSETS</b>				
Cash	\$ 42,323	\$ -	\$ -	\$ 42,323
Investments	-	168,697	-	168,697
Assessments receivable	8,611	-	-	8,611
Total assets	<u>\$ 50,934</u>	<u>\$ 168,697</u>	<u>\$ -</u>	<u>\$ 219,631</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 9,236	\$ -	\$ -	\$ 9,236
Total liabilities	<u>9,236</u>	<u>-</u>	<u>-</u>	<u>9,236</u>
Fund balances:				
Reserved for:				
Debt service	-	168,697	-	168,697
Unreserved, reported in:				
General fund	41,698	-	-	41,698
Total fund balances	<u>41,698</u>	<u>168,697</u>	<u>-</u>	<u>210,395</u>
Total liabilities and fund balances	<u>\$ 50,934</u>	<u>\$ 168,697</u>	<u>\$ -</u>	<u>\$ 219,631</u>

See notes to the financial statements

**VALENCIA ACRES COMMUNITY DEVELOPMENT DISTRICT  
MIAMI-DADE COUNTY, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2009**

Fund balance - governmental funds		\$ 210,395
Amounts reported for governmental activities in the statement of net assets are different because:		
Bond issuance costs are not financial resources and, therefore are not reported as assets in the governmental funds. The statements of net assets includes these costs, net of amortization.		
Bond issuance costs	199,600	
Accumulated amortization	<u>(27,001)</u>	172,599
Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.		
Accrued interest	(37,579)	
Bonds payable	<u>(1,555,000)</u>	<u>(1,592,579)</u>
Net assets of governmental activities		<u>\$ (1,209,585)</u>

See notes to the financial statements

**VALENCIA ACRES COMMUNITY DEVELOPMENT DISTRICT  
MIAMI-DADE COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	Major Fund		Non-Major Fund	Total Governmental Funds
	General	Debt Service	Capital Projects	
<b>REVENUES</b>				
Assessments	\$ 60,273	\$ 116,245	\$ -	\$ 176,518
Interest	-	876	-	876
Total revenues	<u>60,273</u>	<u>117,121</u>	<u>-</u>	<u>177,394</u>
<b>EXPENDITURES</b>				
Current:				
General government	56,506	-	-	56,506
Debt Service:				
Principal	-	35,000	-	35,000
Interest	-	92,220	-	92,220
Total expenditures	<u>56,506</u>	<u>127,220</u>	<u>-</u>	<u>183,726</u>
Excess (deficiency) of revenues over (under) expenditures	3,767	(10,099)	-	(6,332)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	-	254	-	254
Transfer out	-	-	(254)	(254)
Total other financing sources (uses)	<u>-</u>	<u>254</u>	<u>(254)</u>	<u>-</u>
Net change in fund balances	3,767	(9,845)	(254)	(6,332)
Fund Balances - beginning (as restated)	<u>37,931</u>	<u>178,542</u>	<u>254</u>	<u>216,727</u>
Fund balances - ending	<u>\$ 41,698</u>	<u>\$ 168,697</u>	<u>\$ -</u>	<u>\$ 210,395</u>

See notes to the financial statements

**VALENCIA ACRES COMMUNITY DEVELOPMENT DISTRICT  
MIAMI-DADE COUNTY, 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, 2009**

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

Net change in fund balances - total governmental funds	\$ (6,332)
The change in accrued interest on long-term liabilities between the current and prior fiscal year is recorded in the statement of activities but not in the fund financial statements.	(37,579)
Governmental funds report the effect of issuance of costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(6,653)
Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net assets and are eliminated in the statement of activities.	<u>35,000</u>
Change in net assets of governmental activities	<u><u>\$ (15,564)</u></u>

**VALENCIA ACRES COMMUNITY DEVELOPMENT DISTRICT  
MIAMI-DADE COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

Valencia Acres Community Development District ("District") was created by Ordinance 03-208, effective as of October 17, 2003, by the Board of County Commissioners of the Miami-Dade County, Florida, pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. The Act provides among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

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

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected on an at large basis by the owners of the property within the District. Ownership of land within the District entitles the owner to one vote per acre. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the responsibility for:

1. Assessing and levying assessments.
2. Approving budgets.
3. Exercising control over facilities and properties.
4. Controlling the use of funds generated by the District.
5. Approving the hiring and firing of key personnel.
6. Financing improvements.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement 14, and Statement 39, an amendment of GASB Statement 14. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

**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 assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

### Assessments

Assessments are non-ad valorem assessments on certain land and all platted lots within the District. Assessments are levied each November 1 on property of record as of the previous January. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. For debt service assessments, amounts collected as advance payments are used to prepay a portion of the Bonds outstanding. Otherwise, assessments are collected annually to provide funds for the debt service on the portion of the Bonds which are not paid with prepaid assessments.

Assessments and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

### General Fund

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

### Debt Service Fund

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

The District also reports the following non-major governmental fund:

### Capital Projects Fund

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

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

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

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Assets, Liabilities and Net Assets or Equity**

#### **Restricted Assets**

These assets represent cash and investments set aside pursuant to Bond covenants.

#### **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due.

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

#### **Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### **Capital Assets**

Capital assets which include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$750 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

As of September 30, 2009, the District did not own or maintain capital assets.

#### **Deferred Charges**

In a prior year, in connection with the issuance of certain debt, the District incurred costs totaling \$199,600. In the government-wide financial statements that amount has been capitalized and amortized over the estimated life of the Bonds. At September 30, 2009, the District reported accumulated amortization of \$27,001.



## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

#### **Deferred Revenue**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized ratably over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts.

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.

#### **Fund Equity/Net Assets**

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

Net assets in the government-wide financial statements are categorized as invested in capital assets, net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt represents net assets related to infrastructure and property, plant and equipment, net of any related debt. Restricted net assets represent the assets restricted by the District's Bond covenants.

### **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 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **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 3 – 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, 2009:

Investment	Fair Value	Credit Risk	Maturities
			Weighted Average
First American Government Obligation Fund Class Y	<u>\$ 168,697</u>	S&P AAAM	Maturity: 49 days

*Custodial risk* – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District has no formal policy for custodial risk. The money market funds are not evidenced by securities that exist in physical or book entry form.

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

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

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

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

### NOTE 4 – CHANGE IN ACCOUNTING PRINCIPLE

During the fiscal year ended September 30, 2009, the District decided to use a debt service fund, rather than an agency fund, for reporting its debt service activity because it believes that this alternative accounting principle is preferable. Additionally, the District has determined that the debt service activity more accurately reflects the Governmental Accounting Standards Board's definition of a debt service fund, as opposed to an agency fund. In general, debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest or for financial resources that are being accumulated for principal and interest maturing in future years. Debt service funds should also be used to report resources if legally mandated. According to the Series 2005 Bond Indenture, a debt service fund is required to be established. Agency funds are used to account for and report on assets held by a government in a trustee or agency capacity for individuals, private organizations, other governments, or other funds. While an agency fund may be used in connection with no-commitment special assessment debt for which a government is not obligated in any manner, the District has the obligation to repay the debt associated with the Series 2005 Bonds using pledged revenues which consist primarily of special assessment revenues received by or on behalf of the District from the levy and collection of special assessments against benefitted property within the District that are subject to assessments as a result of the implementation of the Series 2005 Project. Additionally, the District can foreclose on benefitted property within the District for nonpayment of special assessments. Consequently, it has been determined that these funds are not being held in a purely custodial manner which an agency fund would imply. Therefore, the District's beginning net assets have been restated herein.

#### NOTE 4 – CHANGE IN ACCOUNTING PRINCIPLE (Continued)

The fiscal year 2009 report has adjusted the following items listed in the fiscal year 2008 report:

	Governmental Activities	General Fund	Debt Service Fund
Net assets/fund balance - as previously stated	\$ 35,896	\$ 35,642	\$ -
Understatement of assets	20,491	20,491	
Understatement of short-term liabilities	(18,202)	(18,202)	
Understatement of long-term liabilities	(1,590,000)		
Understatement of investments and other assets	178,542		178,542
Understatement of bond issuance costs	179,252		
Net assets/fund balance - as restated	<u>\$ (1,194,021)</u>	<u>\$ 37,931</u>	<u>\$ 178,542</u>

#### NOTE 5 – LONG TERM LIABILITIES

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

The Series 2005 Bonds are subject to redemption at the option of the District prior to maturity. The Series 2005 Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirement as defined in the Indenture. 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 District was in compliance with the requirements at September 30, 2009.

Changes in long-term liability activity for the fiscal year ended September 30, 2009 was as follows:

	(Restated) Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2005	\$ 1,590,000	\$ -	\$ (35,000)	\$ 1,555,000	\$ 25,000
Total	<u>\$ 1,590,000</u>	<u>\$ -</u>	<u>\$ (35,000)</u>	<u>\$ 1,555,000</u>	<u>\$ 25,000</u>

**NOTE 5 – LONG TERM LIABILITIES (Continued)**

At September 30, 2009, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2010	\$ 25,000	\$ 90,190	\$ 115,190
2011	30,000	88,740	118,740
2012	30,000	87,000	117,000
2013	30,000	85,260	115,260
2014	35,000	83,520	118,520
2015-2019	200,000	385,410	585,410
2020-2024	270,000	319,580	589,580
2025-2029	355,000	232,290	587,290
2030-2034	475,000	116,000	591,000
2035	105,000	6,090	111,090
Total	<u>\$ 1,555,000</u>	<u>\$ 1,494,080</u>	<u>\$ 3,049,080</u>

**NOTE 6 – DEFICIT NET ASSETS**

The District has government-wide net assets (deficit) of (\$1,209,585) as of September 30, 2009. There is no such deficit reflected in the governmental fund financial statements. In prior years, various infrastructure improvements necessary to complete the District were financed through the issuance of long-term debt were conveyed to other entities for maintenance. Those capitals assets are not included in the assets of the District; however, the long-term debt associated with those assets remains a liability of the District.

**NOTE 7 – MANAGEMENT COMPANY**

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

**NOTE 8 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

**VALENCIA ACRES COMMUNITY DEVELOPMENT DISTRICT  
MIAMI-DADE COUNTY, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Assessments	\$ 57,359	\$ 58,658	\$ 60,273	\$ 1,615
Total revenues	<u>57,359</u>	<u>58,658</u>	<u>60,273</u>	<u>1,615</u>
<b>EXPENDITURES</b>				
Current:				
General government	57,359	59,659	56,506	3,153
Total expenditures	<u>57,359</u>	<u>59,659</u>	<u>56,506</u>	<u>3,153</u>
Excess (deficiency) of revenues over (under) expenditures	-	(1,001)	3,767	4,768
<b>OTHER FINANCING SOURCES</b>				
Use of Surplus	-	1,001	-	(1,001)
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	3,767	<u>\$ 3,767</u>
Fund balance - beginning (restated)			<u>37,931</u>	
Fund balance - ending			<u>\$ 41,698</u>	

See notes to required supplementary information

**VALENCIA ACRES COMMUNITY DEVELOPMENT DISTRICT  
MIAMI-DADE COUNTY, 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 the budget is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The general fund budget for the fiscal year ended September 30, 2009 was amended to increase revenues by \$1,299, increase appropriations by \$2,300, and increase other financing sources by \$1,001. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2009.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, each major fund and the remaining non major fund of Valencia Acres Community Development District, Miami-Dade County, Florida ("District") as of and for the fiscal year ended September 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 3, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and 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*.

This report is intended for the information of the management, Board of Supervisors of Valencia Acres Community Development District, Miami-Dade County, Florida 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.

*Grau & Associates*

August 3, 2010



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

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

We have audited the accompanying basic financial statements of Valencia Acres Community Development District ("District") as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated August 3, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 of material misstatement.

In addition, we have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters dated August 3, 2010. Disclosures in that report should be considered in conjunction with this management 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.**

This report is intended for the information of the management, Board of Supervisors of Valencia Acres Community Development District, Miami-Dade County, Florida 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 Valencia Acres Community Development District, Miami-Dade County, 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*  
August 3, 2010



## **REPORT TO MANAGEMENT**

### **I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

None

### **II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

None

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

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

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

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2008.

2. A statement as to whether or not the local governmental entity complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

The District complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

3. 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, 2009.

4. Violations of provisions of contracts or grant agreements, or abuse that have an effect on the financial statements that is less than material but more than inconsequential.

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, 2009.

5. For matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors, the following may be reported based on professional judgment:

- a. Violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse.
- b. Control deficiencies that are not significant deficiencies.

There were no such matters discovered by, or that came to the attention of, the auditor, that, in our judgment, are required to be reported, for the fiscal year ended September 30, 2009.

6. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.
7. 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, 2009 financial audit report.

### **REPORT TO MANAGEMENT (Continued)**

8. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
9. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and no deteriorating financial conditions were noted. 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.