

**MIDDLE VILLAGE  
COMMUNITY DEVELOPMENT DISTRICT  
CLAY COUNTY, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2017**

**MIDDLE VILLAGE COMMUNITY DEVELOPMENT DISTRICT  
CLAY COUNTY, FLORIDA**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
Middle Village Community Development District  
Clay County, Florida

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2017, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

We have also issued our report dated July 24, 2018, on our consideration of the District's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

July 24, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### FINANCIAL HIGHLIGHTS

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year resulting in a net position deficit balance of (\$7,418,439).
- The change in the District's total net position in comparison with the prior fiscal year was \$253,015, an increase. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2017, the District's governmental funds reported combined ending fund balances of \$4,544,846, a decrease of (\$953,797) in comparison with the prior fiscal year. A portion of fund balance is restricted for debt service, capital projects and special purpose entity, non-spendable for prepaid items and deposits and land held for resale, assigned to recreation, and the remainder is unassigned fund balance which is available for spending at the District's discretion.

### OVERVIEW OF FINANCIAL STATEMENTS

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

#### Government-Wide Financial Statements

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

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

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

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

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

The District maintains five individual governmental funds for reporting in conformity with accounting principles generally accepted in the United States of America. 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, recreation, debt service and capital projects funds. All of the funds are considered to be major funds. The District uses a Special Revenue Fund to account for the Special Purpose Entity and its operations, which is also considered a major fund of the District.

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

### Notes to the Financial Statements

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

	NET POSITION	
	SEPTEMBER 30,	
	2017	2016
Current and other assets	\$ 4,974,394	\$ 5,831,477
Capital assets, net of depreciation	15,852,928	16,641,381
Total assets	<u>20,827,322</u>	<u>22,472,858</u>
Current liabilities	805,761	859,312
Long-term liabilities	27,440,000	29,285,000
Total liabilities	<u>28,245,761</u>	<u>30,144,312</u>
Net position		
Net investment in capital assets	(11,587,072)	(12,643,619)
Restricted	1,976,399	3,120,413
Unrestricted	2,192,234	1,851,752
Total net position	<u>\$ (7,418,439)</u>	<u>\$ (7,671,454)</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

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

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

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

CHANGES IN NET POSITION FOR THE FISCAL YEAR END SEPTEMBER 30,		
	2017	2016
Revenues:		
Program revenues		
Charges for services	\$ 4,412,960	\$ 5,455,889
Operating grants and contributions	8,323	1,109
Capital grants and contributions	2,103	284
General revenues		
Unrestricted investment earnings	10,052	2,347
Miscellaneous	30,053	79,665
Total revenues	<u>4,463,491</u>	<u>5,539,294</u>
Expenses:		
General government	322,936	333,100
Maintenance and operations	2,199,073	2,243,239
Interest	1,688,467	1,792,645
Total expenses	<u>4,210,476</u>	<u>4,368,984</u>
Change in net position	<u>253,015</u>	<u>1,170,310</u>
Net position - beginning	<u>(7,671,454)</u>	<u>(8,841,764)</u>
Net position - ending	<u>\$ (7,418,439)</u>	<u>\$ (7,671,454)</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2017 was \$4,210,476. The costs of the District's activities were primarily funded by program revenues. Program revenues are comprised primarily of assessments. The remainder of the current fiscal year revenue includes interest revenue and miscellaneous income. The decrease in program revenues is primarily the result of the collection of prepayment assessments in the prior fiscal year which were not collected in the current fiscal year.

## GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2017. Actual recreation fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2017. No budget was provided for the special purpose entity as the operations were insignificant.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2017, the District had \$20,907,155 invested in capital assets for its governmental activities. In the government-wide financial statements, depreciation of \$5,054,227 has been taken, which resulted in a net book value of \$15,852,928. More detailed information about the District's capital assets is presented in the notes of the financial statements.

### Capital Debt

At September 30, 2017, the District had \$27,440,000 in Bonds outstanding for its governmental activities. More detailed information about the District's capital debt is presented in the notes of the financial statements.

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

Subsequent to fiscal year end, the District issued \$25,470,000 of the Series 2018 Bonds in order to currently refund the Series 2004A and Series 2008A Bonds.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, land owners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Middle Village Community Development District's Finance Department at 475 West Town Place, Suite 114, St. Augustine, Florida 32092.



**MIDDLE VILLAGE COMMUNITY DEVELOPMENT DISTRICT  
CLAY COUNTY, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 313,275
Investments	1,613,486
Assessments receivable	313,411
Due from other	512
Deposits	13,270
Prepaid items	54,417
Restricted assets:	
Cash	446
Investments	2,284,728
Land held for resale	380,849
Capital assets:	
Nondepreciable	900,000
Depreciable, net	14,952,928
Total assets	20,827,322
<b>LIABILITIES</b>	
Accounts payable	71,217
Accrued interest payable	689,624
Unearned revenue	44,920
Non-current liabilities:	
Due within one year	875,000
Due in more than one year	26,565,000
Total liabilities	28,245,761
<b>NET POSITION</b>	
Net investment in capital assets	(11,587,072)
Restricted for debt service	1,013,107
Restricted for capital projects	581,997
Restricted for special purpose entity	381,295
Unrestricted	2,192,234
Total net position	\$ (7,418,439)

See notes to the financial statements

**MIDDLE VILLAGE COMMUNITY DEVELOPMENT DISTRICT  
CLAY COUNTY, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

<u>Functions/Programs</u>	Program Revenues				Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Primary government:					
Governmental activities:					
General government	\$ 322,936	\$ 229,916	\$ -	\$ -	\$ (93,020)
Maintenance and operations	2,199,073	1,798,435	-	2,103	(398,535)
Interest on long-term debt	1,688,467	2,384,609	8,323	-	704,465
Total governmental activities	4,210,476	4,412,960	8,323	2,103	212,910
General revenues:					
Unrestricted investment earnings					10,052
Miscellaneous					30,053
Total general revenues					40,105
Change in net position					253,015
Net position - beginning					(7,671,454)
Net position - ending					\$ (7,418,439)

See notes to the financial statements

**MIDDLE VILLAGE COMMUNITY DEVELOPMENT DISTRICT  
CLAY COUNTY, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017**

	Major Funds					Total Governmental Funds
	General	Recreation	Debt Service	Capital Projects	Special Purpose Entity	
<b>ASSETS</b>						
Cash	\$ 96,629	\$ 216,646	\$ -	\$ -	\$ 446	\$ 313,721
Investments	79,814	1,533,672	1,702,731	581,997	-	3,898,214
Assessment receivable	40,126	273,285	-	-	-	313,411
Due from other funds	-	2,462	-	-	-	2,462
Due from other	-	512	-	-	-	512
Prepaid items	9,877	44,540	-	-	-	54,417
Deposits	-	13,270	-	-	-	13,270
Land held for resale	-	-	-	-	380,849	380,849
Total assets	<u>\$ 226,446</u>	<u>\$ 2,084,387</u>	<u>\$ 1,702,731</u>	<u>\$ 581,997</u>	<u>\$ 381,295</u>	<u>\$ 4,976,856</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 7,822	\$ 63,395	\$ -	\$ -	\$ -	\$ 71,217
Due to other funds	2,462	-	-	-	-	2,462
Unearned revenue	-	44,920	-	-	-	44,920
Total liabilities	<u>10,284</u>	<u>108,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,599</u>
Deferred inflows of resources:						
Unavailable revenue - special assessments	40,126	273,285	-	-	-	313,411
Total deferred inflows of resources	<u>40,126</u>	<u>273,285</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>313,411</u>
Fund balances:						
Nonspendable:						
Prepaid items and deposits	9,877	57,810	-	-	-	67,687
Land held for resale	-	-	-	-	380,849	380,849
Restricted for:						
Debt service	-	-	1,702,731	-	-	1,702,731
Capital projects	-	-	-	581,997	-	581,997
Special purpose	-	-	-	-	446	446
Assigned to:						
Recreation fund	-	1,644,977	-	-	-	1,644,977
Unassigned	166,159	-	-	-	-	166,159
Total fund balances	<u>176,036</u>	<u>1,702,787</u>	<u>1,702,731</u>	<u>581,997</u>	<u>381,295</u>	<u>4,544,846</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 226,446</u>	<u>\$ 2,084,387</u>	<u>\$ 1,702,731</u>	<u>\$ 581,997</u>	<u>\$ 381,295</u>	<u>\$ 4,976,856</u>

See notes to the financial statements

**MIDDLE VILLAGE COMMUNITY DEVELOPMENT DISTRICT  
CLAY COUNTY, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET- GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017**

Total fund balances - governmental funds		\$ 4,544,846
<p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net position includes those capital assets, net of applicable accumulated depreciation, in the net position of the government as a whole.</p>		
Cost of capital assets	20,907,155	
Accumulated depreciation	<u>(5,054,227)</u>	15,852,928
<p>Assets recorded in the governmental fund financial statements that are not available to pay for current-period expenditures are unavailable revenue in the governmental funds.</p>		
		313,411
<p>Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund financial statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.</p>		
Accrued interest payable	(689,624)	
Bonds payable	<u>(27,440,000)</u>	<u>(28,129,624)</u>
Net position of governmental activities		<u>\$ (7,418,439)</u>

See notes to the financial statements

**MIDDLE VILLAGE COMMUNITY DEVELOPMENT DISTRICT  
CLAY COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Major Funds					Total Governmental Funds
	General	Recreation	Debt Service	Capital Projects	Special Purpose Entity	
<b>REVENUES</b>						
Assessments	\$ 217,290	\$ 1,580,594	\$ 2,384,609	\$ -	\$ -	\$ 4,182,493
Amenity revenue	-	90,104	-	-	-	90,104
Cost share revenue	-	35,893	-	-	-	35,893
Interest earnings	217	9,835	8,323	2,103	-	20,478
Miscellaneous revenue	-	30,053	-	-	-	30,053
<b>Total revenues</b>	<b>217,507</b>	<b>1,746,479</b>	<b>2,392,932</b>	<b>2,103</b>	<b>-</b>	<b>4,359,021</b>
<b>EXPENDITURES</b>						
Current:						
General government	147,425	169,929	4,456	-	1,126	322,936
Maintenance and operations	-	1,383,947	-	-	-	1,383,947
Debt service:						
Principal	-	-	1,845,000	-	-	1,845,000
Interest	-	-	1,734,262	-	-	1,734,262
Capital outlay	-	26,673	-	-	-	26,673
<b>Total expenditures</b>	<b>147,425</b>	<b>1,580,549</b>	<b>3,583,718</b>	<b>-</b>	<b>1,126</b>	<b>5,312,818</b>
Excess (deficiency) of revenues over (under) expenditures	70,082	165,930	(1,190,786)	2,103	(1,126)	(953,797)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in (out)	(12,247)	12,247	(3,648)	3,648	-	-
<b>Total other financing sources (uses)</b>	<b>(12,247)</b>	<b>12,247</b>	<b>(3,648)</b>	<b>3,648</b>	<b>-</b>	<b>-</b>
Net change in fund balances	57,835	178,177	(1,194,434)	5,751	(1,126)	(953,797)
Fund balances - beginning	118,201	1,524,610	2,897,165	576,246	382,421	5,498,643
Fund balances - ending	\$ 176,036	\$ 1,702,787	\$ 1,702,731	\$ 581,997	\$ 381,295	\$ 4,544,846

See notes to the financial statements

**MIDDLE VILLAGE COMMUNITY DEVELOPMENT DISTRICT  
CLAY 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, 2017**

Net change in fund balances - total governmental funds	\$ (953,797)
Amounts reported for governmental activities in the statement of activities are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental fund financial statements.	104,470
Depreciation of capital assets is not recognized in the governmental fund financial statements, but is reported as an expense in the statement of activities.	(788,453)
Repayment of long-term liabilities are reported as expenditures in the governmental fund financial statements, but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.	1,845,000
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 governmental fund financial statements.	45,795
Change in net position of governmental activities	<u>\$ 253,015</u>

See notes to the financial statements

**MIDDLE VILLAGE COMMUNITY DEVELOPMENT DISTRICT  
CLAY COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

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

Middle Village Community Development District ("District") was created by Ordinance 2003-88 enacted by the Board of County Commissioners of Clay County, Florida and effective on October 16, 2003, pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. Chapter 190 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 purpose of financing and managing the acquisition, construction, maintenance and operations of the infrastructure within the District.

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected by the qualified electors within the District. 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") Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District is considered to be financially accountable and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. The Special Purpose Entity (SPE) owns, manages, and maintains, and will sell and dispose of property for the benefit of the District. The SPE is reported as a blended component unit as a Special Revenue Fund.

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

**Government-Wide and Fund Financial Statements**

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

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

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

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

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

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

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

### Assessments

Assessments are non-ad valorem assessments on benefited property within the District. Operating and maintenance assessments are based upon the adopted budget and levied annually at a public hearing of the District. Debt service assessments are levied when Bonds are issued and assessed and collected on an annual basis. The District may collect assessments directly or utilize the uniform method of collection under Florida Statutes. Direct collected assessments are due as determined by annual assessment resolution adopted by the Board of Supervisors. Assessments collected under the uniform method are mailed by the County Tax Collector on November 1 and due on or before March 31 of each year. Property owners may prepay a portion or all of the debt service assessments on their property subject to various provisions in the Bond documents.

Assessments and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

The District reports the following major governmental funds:

### General Fund

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

### Recreation Fund

The recreation fund is a special revenue fund established to account for the financial resources of the District's recreation areas which are funded by assessments.

### Debt Service Fund

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

### Capital Projects Fund

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

### Special Purpose Entity Fund

The Special Purpose Entity Fund is a Special Revenue Fund that accounts for the activities of the SPE, a blended component unit of the government. The SPE owns, manages, and maintains, and will sell and dispose of property for the benefit of the Bondholders.

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



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

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

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

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

#### Restricted Assets

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

#### Deposits and Investments

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

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

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

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

The District records all interest revenue related to investment activities in the respective funds. Investments are measured at amortized cost or reported at fair value as required by generally accepted accounting principles.

#### Prepaid Items

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

#### Capital Assets

Capital assets which include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Entry features	20
Buildings and Infrastructure	40

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

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

#### Capital Assets (Continued)

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.

#### Land held for resale

Land held for resale has been reported based on the appraised value from the property appraiser's office which management believes approximates the fair market value of the land.

#### Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

#### Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized ratably over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s). For example, the District would record deferred outflows of resources on the statement of net position related to debit amounts resulting from current and advance refundings resulting in the defeasance of debt (i.e. when there are differences between the reacquisition price and the net carrying amount of the old debt).

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

#### Fund Equity/Net Position

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

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

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

#### Fund Equity/Net Position (Continued)

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

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

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

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

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the District's Bond covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

### **Other Disclosures**

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

## **NOTE 3 - BUDGETARY INFORMATION**

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general and recreation 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 upcoming October 1.
- b) Public hearings are conducted to obtain public comments
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

## NOTE 4 - DEPOSITS AND INVESTMENTS

### Deposits

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

### Investments

The District's investments were held as follows at September 30, 2017:

	Amortized Cost	Credit Risk	Maturities
Money Market Mutual Funds - First American Treasury			Weighted average of the fund
Obligation Funds CL Z	\$ 1,533,672	S&P AAAm	portfolio: 32 days
Fidelity Government Portfolio Class III	2,284,728	N/A	N/A
US Bank Money Market Account - Managed	79,814	N/A	N/A
	<u>\$ 3,898,214</u>		

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

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

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

However, the Bond Indentures limit the type of investments held using unspent proceeds.

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

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

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

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

Money market investments that have a maturity at the time of purchase of one year or less and are held by governments other than external investment pools should be measured at amortized cost. Accordingly, the District's investments have been reported at amortized cost above.

## NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at September 30, 2017 were as follows:

Fund	Receivable	Payable
General	\$ -	\$ 2,462
Recreation	2,462	-
Total	<u>\$ 2,462</u>	<u>\$ 2,462</u>

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

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

Fund	Transfer In	Transfer Out
General	\$ -	\$ 12,247
Debt service	-	3,648
Capital projects	3,648	-
Recreation	12,247	-
Total	<u>\$ 15,895</u>	<u>\$ 15,895</u>

Transfers are used to move revenues from the fund where collection occurs to the fund where funds have been reallocated for use. In the case of the District, transfers from the general fund to the special revenue fund to were made to accumulate funds for future capital projects. In addition, transfers from the debt service to capital projects fund were made in accordance with the Bond indentures.

## NOTE 6 - CAPITAL ASSETS

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

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 900,000	\$ -	\$ -	\$ 900,000
Total capital assets, not being depreciated	<u>900,000</u>	<u>-</u>	<u>-</u>	<u>900,000</u>
Capital assets, being depreciated				
Stormwater management	3,847,562	-	-	3,847,562
Neighborhood infrastructure and roads	1,485,931	-	-	1,485,931
Amenity center and recreation	3,262,166	-	-	3,262,166
Entry Feature and Signage	11,411,496	-	-	11,411,496
Total capital assets, being depreciated	<u>20,007,155</u>	<u>-</u>	<u>-</u>	<u>20,007,155</u>
Less accumulated depreciation for:				
Stormwater management	671,049	96,189	-	767,238
Neighborhood infrastructure & Roads	258,987	37,148	-	296,135
Amenity center & recreation	863,780	78,658	-	942,438
Entry Feature and Signage	2,471,958	576,458	-	3,048,416
Total accumulated depreciation	<u>4,265,774</u>	<u>788,453</u>	<u>-</u>	<u>5,054,227</u>
Total capital assets being depreciated, net	<u>15,741,381</u>	<u>(788,453)</u>	<u>-</u>	<u>14,952,928</u>
Governmental activities capital assets	<u>\$ 16,641,381</u>	<u>\$ (788,453)</u>	<u>\$ -</u>	<u>\$ 15,852,928</u>

Depreciation expense was charged to maintenance and operations function.

## NOTE 7 - LONG TERM LIABILITIES

### Series 2004

In January 2004, the District issued \$48,355,000 of Special Assessment Bonds, Series 2004, consisting of \$35,810,000 Term Bonds, Series 2004A, due May 1, 2035 with a fixed interest rate of 5.80% until May 1, 2022 and 6.00% until maturity; \$9,225,000 Term Bonds, Series 2004B, due May 1, 2009 with a fixed interest rate of 5.00%; and \$3,320,000 Term Bonds, Series 2004C, due May 1, 2009 with a fixed interest rate of 5.125%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Series 2004A is to be paid serially commencing May 1, 2006.

The Series 2004A Bonds may be called for redemption prior to maturity as discussed in the Bond Indenture. The 2004 Bonds are subject to extraordinary mandatory redemption prior to maturity as outlined in the Bond Indenture. This occurred during the current fiscal year as the District collected assessments from lot closings and prepaid \$940,000 of the Series 2004A Bonds.

### Series 2008

In September 2008, the District issued \$2,840,000 of Special Assessment Bonds, Series 2008, consisting of \$2,840,000 Term Bonds, Series 2008A, due on May 1, 2035 with an interest rate of 6.75% until May 1, 2025 and 6.875% from then until maturity. The Bonds were issued to finance additional improvements and the completion of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Series 2008A is to be paid serially commencing May 1, 2009.

The Bonds may be called for redemption prior to maturity as discussed in the Bond Indenture. The Bonds are also subject to extraordinary mandatory redemption prior to maturity as outlined in the Bond Indenture. This occurred during the current fiscal year as the District collected assessments from lot closings and prepaid \$80,000 of the Series 2008A Bonds.

The Bond Indenture established a combined debt service reserve requirement for the Series 2004 and the Series 2008, and has certain other restrictions and requirements relating principally to the use of proceeds and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District was not in compliance with the requirements at September 30, 2017.

During the prior and current fiscal years, certain scheduled debt service payments were due on the Series 2004A and 2008A Bonds. However, shortfalls in the collection of special assessments caused there to be insufficient amounts available to fully fund the scheduled debt service payments. As a result, certain debt service payments were made, in part, by draws on the Debt Service Reserve Account. In addition, in a prior fiscal year, debt service reserve funds were used to pay certain default related expenditures. As a result of these payments, there is a deficit of approximately \$1,527,519 in the debt service reserve account at September 30, 2017.

### Long-term Debt activity

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Series 2004A	\$ 27,005,000	\$ -	\$ 1,705,000	\$ 25,300,000	\$ 810,000
Series 2008A	2,280,000	-	140,000	2,140,000	65,000
	<u>\$ 29,285,000</u>	<u>\$ -</u>	<u>\$ 1,845,000</u>	<u>\$ 27,440,000</u>	<u>\$ 875,000</u>

## NOTE 7 - LONG TERM LIABILITIES (Continued)

### Long-term Debt activity (Continued)

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

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2018	\$ 875,000	\$ 1,663,242	\$ 2,538,242
2019	930,000	1,610,230	2,540,230
2020	985,000	1,553,879	2,538,879
2021	1,045,000	1,494,189	2,539,189
2022	1,110,000	1,430,860	2,540,860
2023-2027	6,665,000	6,060,058	12,725,058
2028-2032	9,030,000	3,768,655	12,798,655
2033-2035	6,800,000	834,537	7,634,537
	<u>\$ 27,440,000</u>	<u>\$ 18,415,650</u>	<u>\$ 45,855,650</u>

## NOTE 8 - RELATED PARTY TRANSACTIONS

The Developer, ODP, LLC, owns a portion of benefitted lands within the District; therefore, assessment revenues in the general and debt service funds include the assessments levied on that property.

Fieldstone-OLP, LLC, Jennings Point-OLP, LLC, and Millstone-OLP, LLC own a portion of the benefitted lands within the District; therefore, assessment revenues in the general and debt service funds include the assessments levied on those properties. See Notes 10 and 11 for additional information.

## NOTE 9 - INTERLOCAL AGREEMENTS

In 2004, the District entered into a cost sharing agreement with South Village Community Development District for the maintenance of certain landscape improvements for which they both benefit. In accordance with the agreement, Middle Village will perform required maintenance and South Village will provide 31% of the costs to perform the maintenance. For the fiscal year ended September 30, 2017, the cost of related maintenance incurred by the District was approximately \$35,893 and \$35,893 was received from South Village for the cost sharing agreement.

The District has also entered into an agreement with Double Branch for joint usage of the amenity center and recreational facilities located within and owned by each respective District.

The District has entered into an interlocal agreement with Double Branch to share the costs for on-site management services. In accordance with the agreement, the Districts share the costs of a full time rental coordinator, a full time community manager, and a part time operations manager.

In a prior fiscal year, the District entered into an impact fee credit agreement with Clay County and Double Branch which provides the District a road impact fee credit equal to approximately \$7.8 million. As of September 30, 2017, none of the credits have been recognized.

## **NOTE 10 - OTHER INFORMATION**

During a prior fiscal year, Fieldstone-OLP, LLC, Jennings Point-OLP, LLC, Millstone-OLP, LLC, Millstone Village, LLC, and Regional Development, LLC (together, the "Major Landowners") and the District entered into an Escrow Agreement whereby the Major Landowners agreed to pay their delinquent tax bills on or before August 31, 2012 and to escrow that portion of the funds generated from such payment which represent the 2012 Debt Assessments, not including any interest or penalties. During a prior fiscal year, \$357,929 was received by the District in connection with the Escrow Agreement. Since execution and performance of the obligations under the Escrow Agreement, the Major Landowners, the District and the Trustee, for the benefit of the Bondholders, have engaged in negotiations in an effort to reach an agreement with respect to the Major Landowners' obligations regarding the Special Assessments due on the Major Landowners' Property, so as to create a situation where the Major Landowners may be able to reposition the Property owned ("Property") in a way that will generate the highest and best use of the Property and ultimately normalize the payment of debt service on the Bonds. As a result, during a prior fiscal year, the District, the Major Landowners and the Trustee entered into a Limited Special Assessment Relief Agreement ("Agreement"). Under the terms of the Agreement, the Major Landowners agreed to 1) provide written direction to the Escrow Agent, which may be in the form of a fully executed copy of the Agreement, instructing the Escrow Agent to release the full amount of the Escrowed Funds held by the Escrow Agent under the Escrow Agreement to the Trustee as payment toward the debt service on the Bonds; 2) provide full payment, in immediately available funds of the Prepaid Assessments to the District; 3) work to acquire the balance of the tax certificates associated with the Chestnut Ridge Property.

In a prior fiscal year, approximately \$966,000 in prepaid assessments was received by the District in connection with the Agreement. Also, the tax certificates associated with the Chestnut Ridge Property were remitted to the District in a prior fiscal year. Further impact on the District and other related parties cannot be determined at this time since it is unclear how events will unfold.

### **Partial Assignment of Limited Special Assessment Relief Agreement**

During a prior year, the District consented to the assignment of benefits previously established in the Limited Special Assessment Relief Agreement. After obtaining the District's consent, during the current fiscal year, the Major Landowners partially assigned their rights under the Special Assessment Relief Agreement to Florida Tax Lien Assets IV, LLC, which purchased a total of 62 lots that make up a portion of the Chestnut Ridge Property referred to in Note 9 above. With this partial assignment, Florida Tax Lien Assets IV, LLC may own these lots free and clear of the debt and O&M assessments for fiscal years 2012 and 2013 forgiven pursuant to the Limited Special Relief Agreement.

## **NOTE 11 - TRI-PARTY AGREEMENT AND SPECIAL PURPOSE ENTITY**

In a prior fiscal year, the District formed an SPE ("Middle Village SPE Holdings, LLC") to own, manage, and dispose of the Property subject to delinquent Series 2004 and 2008 assessments. In December 2013, the District entered into a Tri-Party Agreement with the Trustee and the SPE. The parties acknowledged that the funds to operate the SPE would be provided by the Trustee and the terms of the agreement. The District agreed not to impose annual maintenance assessments on the Property as long as funding is provided by the Trustee to fund the portion of the District's annual operating budget assigned to the Property. In addition, debt service assessments will be held in abeyance until such time as the property is sold. The District remains liable with respect to principal and interest on the Bonds.

During the current fiscal year the District direct-billed the SPE \$104,470 for O&M assessments. As of the report date, these amounts have not been received, therefore are considered unavailable to pay for current year expenditures.

## **NOTE 12 - MANAGEMENT COMPANY**

The District has contracted with a management company to perform management advisory 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 13 - RISK MANAGEMENT**

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

#### **NOTE 14 - SUBSEQUENT EVENTS**

##### **Scheduled Debt Service Payments**

Subsequent to fiscal year end, certain scheduled debt service payments were due on the Series 2004A and 2008A Bonds. However, shortfalls in the collection of special assessments caused there to be insufficient amounts available to fully fund the scheduled debt service payments. As a result, the November 2017 debt service payments were made, in part, by draws on the Debt Service Reserve Account.

##### **Series 2018 Bonds**

Subsequent to fiscal year end, the District issued \$25,470,000 of the Series 2018 Bonds in order to currently refund the Series 2004A and Series 2008A Bonds.

**MIDDLE VILLAGE COMMUNITY DEVELOPMENT DISTRICT  
CLAY COUNTY, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts Original & Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Assessments	\$ 215,687	\$ 217,290	\$ 1,603
Interest earnings	350	217	(133)
Total revenues	216,037	217,507	1,470
<b>EXPENDITURES</b>			
Current:			
General government	216,037	147,425	68,612
Total expenditures	216,037	147,425	68,612
Excess (deficiency) of revenues over (under) expenditures	-	70,082	70,082
<b>OTHER FINANCING SOURCES</b>			
Transfer In (out)	-	(12,247)	(12,247)
Total other financing sources	-	(12,247)	(12,247)
Net change in fund balance	\$ -	57,835	\$ 57,835
Fund balance - beginning		118,201	
Fund balance - ending		\$ 176,036	

See notes to required supplementary information

**MIDDLE VILLAGE COMMUNITY DEVELOPMENT DISTRICT  
CLAY COUNTY, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL – RECREATION FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts Original & Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Assessments	\$ 1,568,932	\$ 1,580,594	\$ 11,662
Amenity revenue	45,000	90,104	45,104
Cost share revenue	36,662	35,893	(769)
Interest earnings	1,000	9,835	8,835
Miscellaneous revenue	-	30,053	30,053
Total revenues	1,651,594	1,746,479	94,885
<b>EXPENDITURES</b>			
Current:			
General government	232,013	169,929	62,084
Maintenance and operations	1,419,582	1,383,947	35,635
Capital Outlay	-	26,673	(26,673)
Total expenditures	1,651,595	1,580,549	71,046
Excess (deficiency) of revenues over (under) expenditures	(1)	165,930	165,931
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer In (out)	-	12,247	12,247
Total other financing sources	-	12,247	12,247
Net change in fund balance	\$ (1)	178,177	\$ 178,178
Fund balance - beginning		1,524,610	
Fund balance - ending		\$ 1,702,787	

See notes to required supplementary information

**MIDDLE VILLAGE COMMUNITY DEVELOPMENT DISTRICT  
CLAY COUNTY, FLORIDA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2017. Actual recreation fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2017. No budget was provided for the special purpose entity as the operations were insignificant.



**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  
Middle Village Community Development District  
Clay 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 the governmental activities and each major fund of Middle Village Community Development District, Clay County, Florida ("District") as of and for the fiscal year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated July 24, 2018.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters involving the internal control over financial reporting and compliance that we have reported to management of the District in a separate letter dated July 24, 2018.

The District's responses to the findings identified in our audit are described in the accompanying Management Letter. We did not audit the District's responses and, accordingly, we express no opinion on them.

**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.

July 24, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE  
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY  
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Supervisors  
Middle Village Community Development District  
Clay County, Florida

We have examined Middle Village Community Development District, Clay County, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2017. Management is responsible for District's compliance with those requirements. Our responsibility is to express an opinion on District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced in Section 218.415, Florida Statutes. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

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

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

July 24, 2018



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

To the Board of Supervisors  
Middle Village Community Development District  
Clay County, Florida

**Report on the Financial Statements**

We have audited the accompanying basic financial statements of Middle Village Community Development District, Clay County, Florida ("District") as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated July 24, 2018.

**Auditor's Responsibility**

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

**Other Reporting Requirements**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated July 24, 2018, should be considered in conjunction with this management letter.

**Purpose of this Letter**

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

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

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

We wish to thank Middle Village Community Development District, Clay 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.

July 24, 2018



## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

#### 2017-01 Reserve Requirement:

Observation: As a result of unscheduled draws on the Debt Service Reserve Account to make certain scheduled debt service payments, the reserve requirement was not met at September 30, 2017.

Recommendation: The District should take the necessary steps to replenish the reserve account.

Management Response: The District is utilizing Debt Service Reserve Funds in part to pay schedule debt service payments because a certain property owner failed to pay their annual debt service assessments. In lieu of costly foreclosure lawsuit, the property owner agreed to deed the property to Middle Village SPE Holdings, LLC ("SPE") which is controlled by the District and U.S. Bank National Association ("Trustee") representing the bondholders. The District, Trustee and SPE entered into a Tri-Party Agreement which among other things holds the annual debt service assessments owed by the SPE in abeyance until further notified by the Trustee. Therefore, until the property owned by the SPE is sold and past due annual assessments paid, the District will continue utilizing Debt Service Reserve Funds in order to pay the scheduled debt service payments. Currently, the various governmental liens on the property far exceeds the current market value of the property. The District is currently taking all of the necessary feasible actions available in order to replenish the reserve account. See Note 14 - Subsequent Events which states that the District has refinanced the Series 2004 and 2008 Bonds which has eliminated this finding for Fiscal Year 2018.

### II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

2012-01: Reserve Requirement

2013-01: Reserve Requirement

2014-01: Reserve Requirement

2015-01: Reserve Requirement

2016-01: Reserve Requirement

Current Status: See finding no. 2017-01 above.

## REPORT TO MANAGEMENT (Continued)

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

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

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

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2016, except as noted above.

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2017, except as noted above.

3. Noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2017, except as noted above.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.
5. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2017 financial audit report.
6. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
7. We applied financial condition assessment procedures and no deteriorating financial conditions were noted. 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.