

**PROGRAM-SPECIFIC AUDIT
OF STATE INFRASTRUCTURE BANK
CELEBRATION POINTE HOLDINGS, LLC
DECEMBER 31, 2016**

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CELEBRATION POINTE HOLDINGS, LLC
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INDEPENDENT AUDITORS' REPORT

Mr. Svein Dyrkolbotn
Celebration Pointe Holdings, LLC
Gainesville, Florida

Report on the Schedule of Expenditures of State Financial Assistance

We have audited the accompanying schedule of expenditures of state financial assistance for the State Infrastructure Bank Program of Celebration Pointe Holdings, LLC (the Company) for the year ended December 31, 2016, and the related notes (the financial statement).

Management's Responsibility for the Schedule of Expenditures of State Financial Assistance

Management is responsible for the preparation and fair presentation of this financial statement 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 a financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit.

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 the audit requirements of Chapter 10.650, *Rules of the Auditor General*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

Certified Public Accountants

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Mr. Svein Dyrkolbotn
Celebration Pointe Holdings, LLC
Gainesville, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the expenditures of state financial assistance for the State Infrastructure Bank Program of the Company for the year ended December 31, 2016, in accordance with accounting principles generally accepted in the United States of America.

Purvis, Gray and Company, LLP

September 29, 2017
Gainesville, Florida

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2016
CELEBRATION POINTE HOLDINGS, LLC
GAINESVILLE, FLORIDA**

<u>State Agency, State Project</u>	<u>State CSFA Number</u>	<u>Grantor's Contract Number</u>	<u>State Expenditures</u>
State of Florida, Department of Transportation			
State Infrastructure Bank Loan	55.020	ARM-47	<u>\$ 6,129,863</u>
Total Expenditures of State Financial Assistance			<u><u>\$ 6,129,863</u></u>

**NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2016
CELEBRATION POINTE HOLDINGS, LLC
GAINESVILLE, FLORIDA**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of state financial assistance is presented in accordance with the *Florida Single Audit Act* and Chapter 69I-5 of the Florida Administrative Code. State financial assistance expended includes the value of new loan distributions received during the year plus the balance of loans from previous years for which the state imposes continuing compliance requirements.

Note 2 - Loan Balance

The loan balance outstanding on the State Infrastructure Bank (SIB) Program at December 31, 2016, is \$11,993,282. State financial assistance received to date includes \$187,164 of loans advanced during 2015, which have not yet been expended as of December 31, 2016.

Note 3 - Contingency

Amounts received are subject to audit and adjustment by grantor agencies. Any disallowed claims may constitute a liability of applicable funds.

In the current year, there are \$1,168,886 of questioned costs that could cause the Company to be in default of its SIB Loan agreement, resulting in an accelerated payment schedule, or other remedies as determined by the grantor. Management of the Company will submit additional information to the granting agency to determine appropriate resolution.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR A STATE
PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Mr. Svein Dyrkolbotn
Celebration Pointe Holdings, LLC
Gainesville, Florida

Report on Compliance for the State Infrastructure Bank Program

We have audited Celebration Pointe Holdings, LLC's (the Company) compliance with the types of compliance requirements described in the Florida Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on its State Infrastructure Bank (SIB) Program for the year ended December 31, 2016.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of state projects applicable to the SIB Program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Company's SIB Program based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance 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 10.650, *Rules of the Auditor General*. Those standards, and Chapter 10.650, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the SIB Program occurred. An audit includes examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Company's SIB Program. However, our audit does not provide a legal determination of the Company's compliance.

Basis for Qualified Opinion on State Infrastructure Bank Program

As described in the accompanying schedule of findings and questioned costs, the Company did not comply with requirements regarding the SIB Program as described in finding number 2016-01. Compliance with such requirement is necessary, in our opinion, for the Company to comply with the requirements applicable to that program.

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Board of Directors
Celebration Pointe Holdings, LLC
Gainesville, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR A STATE
PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE**
(Continued)

Qualified Opinion on State Infrastructure Bank Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Company complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the SIB Program for the year ended December 31, 2016.

Other Matters

The Company's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Company's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Company is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Company's internal control over compliance with the types of requirements that could have a direct and material effect on the SIB Program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its SIB Program and to test and report on internal control over compliance in accordance with Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2016-01 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Board of Directors
Celebration Pointe Holdings, LLC
Gainesville, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR A STATE
PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE**
(Concluded)

Report on Internal Control Over Compliance *(Concluded)*

The Company's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Company's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.


September 29, 2017
Gainesville, Florida

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2016
CELEBRATION POINTE HOLDINGS, LLC
GAINESVILLE, FLORIDA**

SUMMARY OF AUDITORS' RESULTS

1. Type of Audit Report Issued on the Schedule of State Financial Assistance:

Unmodified Opinion

2. Significant Deficiencies and/or Material Weakness in Internal Control:

Audit disclosed no instances of significant deficiencies and/or material weaknesses in internal control over financial reporting.

3. Noncompliance Material to Audited Schedule of State Financial Assistance:

Audit disclosed no material instances of noncompliance with respect to financial reporting.

4. Significant Deficiencies and/or Material Weaknesses in Internal Control Over the State Infrastructure Bank (SIB) Program:

A material weakness in internal control over the state assistance program disclosed during the audit is reported in the independent auditors' report on compliance for a state project and report on internal control over compliance in accordance with Chapter 10.650, *Rules of the Auditor General*.

5. Type of Audit Report Issued on Compliance with Requirements Applicable to the State Infrastructure Bank Program:

Qualified Opinion

6. Audit Findings Relative to the State Infrastructure Bank Program:

An audit finding relative to the SIB Program is reported in the independent auditors' report on compliance for a state project and report on internal control over compliance in accordance with Chapter 10.650, *Rules of the Auditor General*.

7. Project Tested as Major State Project:

State Project
State Infrastructure Bank

CFSA No.
55.020

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2016
CELEBRATION POINTE HOLDINGS, LLC
GAINESVILLE, FLORIDA
(Continued)**

FINDINGS—SCHEDULE OF STATE FINANCIAL ASSISTANCE AUDIT

The audit disclosed no findings which are required to be reported under Generally Accepted *Government Auditing Standards*.

FINDINGS AND QUESTIONED COSTS—MAJOR STATE PROJECTS

State Infrastructure Bank (CSFA 55.020)

2016-01 Cash Management Procedures

Condition and Criteria—In accordance with the Florida Department of Financial Services’ *State Projects Compliance Supplement*, loan recipients must ensure that SIB funds are requested as needed on a reimbursement or short-term advance basis (45 days) to pay actual disbursements on the project.

Context—During the audit we compared the date the SIB draw was received to the date invoices included in the draw request were paid, noting seven of 25 items tested were disbursed more than 45 days after receipt from SIB.

Additionally, in preparation for the audit, the Company’s outsourced accountant identified two additional invoices for which the Company requested payment on a short-term advance basis that were subsequently paid by another entity, resulting in SIB funds not being used to pay for those invoices, totaling \$1,168,886.

Cause—Procedures are not in place to ensure that SIB funds are used within 45 days to pay actual disbursements on the project for which the short-term advance was requested.

Effect—The lack of proper controls resulted in noncompliance with the cash management requirement and potential disallowance of costs for the two invoices not paid with SIB funds.

Questioned Costs—Due to the invoices being submitted for an SIB loan draw not being paid with SIB funds, we are questioning \$1,168,886 of costs.

Auditors’ Recommendation—We recommend management follow up with the grantor to obtain final approval of substituted invoices.

Views of Responsible Officials and Planned Corrective Action—In error, the Company requested draws from SIB for invoices paid by other funds. To correct, the Company will submit alternative invoices to the State that were paid by the Company and are eligible project costs. The Company will also review its cash management policies to ensure that all draw requests are paid and that all future costs are paid within the 45-day time period for a short-term advance basis.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2016
CELEBRATION POINTE HOLDINGS, LLC
GAINESVILLE, FLORIDA
(Concluded)**

STATUS OF PRIOR AUDIT FINDINGS

There were no prior year findings required to be reported in accordance with Chapter 10.650, *Rules of the Auditor General*.

MANAGEMENT LETTER

There were no items required to be reported in the management letter pursuant to Section 215.97(11)(d), Florida Statutes.