

VillaSol Community Development District

Basic Financial Statements  
For the Year Ended September 30, 2020



## VillaSol Community Development District

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of VillaSol Community Development District (the "District"), as of and for the year ended September 30, 2020, 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 Controller 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.

CPA's + Trusted Advisors

## 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 the major funds of the District, as of September 30, 2020, and the respective changes in financial position and respective budgetary comparison for the General Fund for the 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 as described in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 March 29, 2021, 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, and 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.



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
March 29, 2021

Our discussion and analysis of VillaSol Community Development District's (the "District") financial performance provides an overview of the District's financial activities for the years ended September 30, 2020 and 2019. Please read it in conjunction with the District's basic financial statements, which immediately follow this discussion.

### **Financial Highlights**

The following are the highlights of financial activity for the year ended September 30, 2020:

- The District's total assets exceeded its liabilities at September 30, 2020 by \$ 3,857,237 (net position).
- The District's total revenues were \$ 643,234, \$ 627,937 from non-ad valorem assessments, \$ 4,809 from interest income, and \$ 10,488 from miscellaneous income. The District's expenses for this year were \$ 878,382. This resulted in a \$ 235,148 decrease in net position.
- At the close of the current fiscal year, the District's governmental funds reported combined fund balances of \$ 420,483, a decrease of \$ 114,831 in comparison with the prior year.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements.

**Government-Wide Financial Statements:** The government-wide financial statements, which consist of the following two 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, liabilities, and deferred inflows/outflows of resources, with the difference between the two 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 District's net position changed during the 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 can be found on pages 7 and 8 of this report.

**Fund Financial Statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has only one fund type: 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 balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

**VillaSol Community Development District  
Management's Discussion and Analysis  
September 30, 2020**

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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 statement of revenues, expenditures and changes in fund balances provide reconciliations to facilitate this comparison between governmental fund financial statements and government-wide financial statements.

The governmental fund financial statements can be found on pages 9 through 13 of this report.

**Notes to Basic Financial Statements:** The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 14 through 21 of this report.

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The following table reflects the condensed government-wide statement of net position as of September 30, 2020 and 2019:

VillaSol Community Development District Statements of Net Position		
	2020	2019
Current and other assets	\$ 450,563	\$ 564,231
Capital assets, net	5,711,309	5,956,171
Total assets	6,161,872	6,520,402
Other liabilities	190,112	185,154
Long-term liabilities	2,114,523	2,242,863
Total liabilities	2,304,635	2,428,017
Net position:		
Net investment in capital assets	4,159,354	4,329,268
Restricted	85,188	72,769
Unrestricted (deficit)	(387,305)	(309,652)
Total net position	\$ 3,857,237	\$ 4,092,385

**VillaSol Community Development District  
Management's Discussion and Analysis  
September 30, 2020**

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**Governmental Activities:** Governmental activities for the year ended September 30, 2020 decreased the District's net position by \$ 235,148 as reflected in the table below:

VillaSol Community Development District Statements of Activities		
	2020	2019
Revenues:		
Program revenue:		
Non-ad valorem assessments	\$ 627,937	\$ 629,297
General revenue:		
Interest income	4,809	7,353
Miscellaneous income	10,488	10,496
Total revenues	643,234	647,146
Expenses:		
Physical environment	664,922	599,953
Interest and other debt service costs	75,425	93,921
General government	138,035	123,918
Total expenses	878,382	817,792
Change in net position	(235,148)	(170,646)
Net Position, Beginning of Year	4,092,385	4,263,031
Net Position, End of Year	\$ 3,857,237	\$ 4,092,385

**Analysis of the Governmental Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year. The General Fund, Debt Service Fund, and Capital Project Fund comprise the total governmental funds.

As of the end of the most current fiscal year, the District's governmental funds reported combined ending fund balance of \$ 420,483 a decrease of \$ 114,831 when compared to the total balance of October 1, 2019.

**Capital Assets and Debt Administration**

The District's investment in capital assets, less accumulated depreciation, for its governmental activities as of September 30, 2020 amounted to \$5,711,309 and consists of land and improvements, construction in progress, improvements other than buildings, infrastructure, buildings, and furniture and equipment.

At the end of the year, the District had total bonded debt outstanding of \$ 2,244,523. The District's debt represents bonds secured solely by a specified revenue source (i.e., revenue bonds).

Additional information on the District's long-term debt can be found in Note 5 on pages 20 and 21 of this report.

### **General Fund Budgetary Highlights**

Both revenues and expenditures were under the budget creating an overall favorable variance of \$ 17,010.

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

Revenues for the fiscal year 2021 adopted budget for the General Fund of the District are \$ 795,569 while expenditures are \$ 701,569.

### **Requests for Information**

This financial report is designed to provide a general overview of VillaSol Community Development District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the VillaSol Community Development District, 210 North University Drive, Suite 702, Coral Springs, Florida 33071.



# BASIC FINANCIAL STATEMENTS

**VillaSol Community Development District**  
**Statement of Net Position**  
**September 30, 2020**

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	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and cash equivalents	\$ 103,341
Investments	335,119
Due from other governments	4,296
Prepays	3,732
Deposits	4,075
Capital assets:	
Non-depreciable	2,819,228
Depreciable, net	<u>2,892,081</u>
Total assets	<u>6,161,872</u>
<b>Liabilities:</b>	
Accounts payable and accrued liabilities	30,080
Accrued interest payable	30,032
Bonds payable, due within one year	130,000
Bonds payable, due in more than one year	<u>2,114,523</u>
Total liabilities	<u>2,304,635</u>
<b>Net Position:</b>	
Net investment in capital assets	4,159,354
Restricted for debt service	85,188
Unrestricted (deficit)	<u>(387,305)</u>
Total net position	<u>\$ 3,857,237</u>

The accompanying notes to basic financial statements are an integral part of these statements.

VillaSol Community Development District  
Statement of Activities  
For the Year Ended September 30, 2020

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities Net Revenues (Expenses) and Change in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
<b>Functions/Programs:</b>					
Governmental activities:					
Physical environment	\$ 664,922	\$ 287,760	\$ -	\$ -	\$ (377,162)
Interest and other debt service costs	75,425	214,315	-	-	138,890
General government	<u>138,035</u>	<u>125,862</u>	<u>-</u>	<u>-</u>	<u>(12,173)</u>
Total governmental activities	\$ <u>878,382</u>	\$ <u>627,937</u>	\$ <u>-</u>	\$ <u>-</u>	<u>(250,445)</u>
General revenues:					
Interest income					4,809
Miscellaneous income					<u>10,488</u>
Change in net position					(235,148)
Net position, October 1, 2019					<u>4,092,385</u>
Net position, September 30, 2020					\$ <u>3,857,237</u>

The accompanying notes to basic financial statements are an integral part of these statements.

VillaSol Community Development District  
 Balance Sheet - Governmental Funds  
 September 30, 2020

	<u>General Fund</u>	<u>Series 2018 Debt Service Fund</u>	<u>Series 2018 Capital Project Fund</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 103,341	\$ -	\$ -	\$ 103,341
Investments	104,335	220,431	10,353	335,119
Due from other governments	4,296	-	-	4,296
Prepays	3,732	-	-	3,732
Deposits	4,075	-	-	4,075
	<u>219,779</u>	<u>220,431</u>	<u>10,353</u>	<u>450,563</u>
Total assets	\$ <u>219,779</u>	\$ <u>220,431</u>	\$ <u>10,353</u>	\$ <u>450,563</u>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 30,080	\$ -	\$ -	\$ 30,080
	<u>30,080</u>	<u>-</u>	<u>-</u>	<u>30,080</u>
Total liabilities	<u>30,080</u>	<u>-</u>	<u>-</u>	<u>30,080</u>
<b>Fund Balances:</b>				
Nonspendable:				
Deposits and prepaids	7,807	-	-	7,807
Restricted for:				
Debt service	-	220,431	-	220,431
Capital projects	-	-	10,353	10,353
Assigned for:				
Operating reserve	113,156	-	-	113,156
Unassigned	68,736	-	-	68,736
	<u>189,699</u>	<u>220,431</u>	<u>10,353</u>	<u>420,483</u>
Total fund balances	<u>189,699</u>	<u>220,431</u>	<u>10,353</u>	<u>420,483</u>
Total liabilities and fund balances	\$ <u>219,779</u>	\$ <u>220,431</u>	\$ <u>10,353</u>	\$ <u>450,563</u>

The accompanying notes to basic financial statements are an integral part of these statements.

**VillaSol Community Development District  
 Reconciliation of the Balance Sheet of Governmental Funds  
 to the Statement of Net Position  
 September 30, 2020**

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**Total Fund Balances of Governmental Funds, Page 9** \$ 420,483

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	10,652,200
Less accumulated depreciation	(4,940,891)

Certain liabilities are not due and payable in the current period and therefore are not reported in the funds:

Accrued interest payable	(30,032)
Governmental bonds payable	<u>(2,244,523)</u>

**Net Position of Governmental Activities, Page 7** \$ 3,857,237

The accompanying notes to basic financial statements are an integral part of these statements.

**VillaSol Community Development District  
Statement of Revenues, Expenditures and  
Change in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2020**

	<u>General Fund</u>	<u>Series 2018 Debt Service Fund</u>	<u>Series 2018 Capital Project Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Non-ad valorem assessments	\$ 413,622	\$ 214,315	\$ -	\$ 627,937
Interest income	3,114	1,156	539	4,809
Miscellaneous income	10,488	-	-	10,488
	<u>427,224</u>	<u>215,471</u>	<u>539</u>	<u>643,234</u>
Total revenues				
<b>Expenditures:</b>				
Current:				
General government	133,749	4,286	-	138,035
Physical environment	337,676	-	-	337,676
Capital outlay	-	-	82,384	82,384
Debt service:				
Principal	-	125,000	-	125,000
Interest	-	74,970	-	74,970
	<u>471,425</u>	<u>204,256</u>	<u>82,384</u>	<u>758,065</u>
Total expenditures				
Net change in fund balances	(44,201)	11,215	(81,845)	(114,831)
<b>Fund Balances, October 1, 2019</b>	<u>233,900</u>	<u>209,216</u>	<u>92,198</u>	<u>535,314</u>
<b>Fund Balances, September 30, 2020</b>	<u>\$ 189,699</u>	<u>\$ 220,431</u>	<u>\$ 10,353</u>	<u>\$ 420,483</u>

The accompanying notes to basic financial statements are an integral part of these statements.

**VillaSol Community Development District  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in  
 Fund Balances of Governmental Funds to the Statement of Activities  
 For the Year Ended September 30, 2020**

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**Net Change in Fund Balances - Total Governmental  
 Funds, Page 11** \$ (114,831)

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

Governmental funds report capital outlays as  
 expenditures. However, in the statement of activities,  
 the cost of those assets is depreciated over their  
 estimated useful lives:

Expenditures for capital assets	\$ 82,384	
Less current year provision for depreciation	<u>(327,246)</u>	(244,862)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		125,000
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Certain items reported in the statement of activities  
 do not require the use of current financial resources  
 and therefore are not reported as expenditures in  
 the governmental funds:

Change in bond discount		(1,660)
Change in accrued interest payable		<u>1,205</u>

**Change in Net Position of Governmental Activities, Page 8** \$ (235,148)

The accompanying notes to basic financial statements are an integral part of these statements.

**VillaSol Community Development District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**For the Year Ended September 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Non-ad valorem assessments	\$ 410,537	\$ 410,537	\$ 413,622	\$ 3,085
Interest income	4,500	4,500	3,114	(1,386)
Miscellaneous income	13,000	13,000	10,488	(2,512)
	<u>428,037</u>	<u>428,037</u>	<u>427,224</u>	<u>(813)</u>
<b>Expenditures:</b>				
Current:				
General government	134,474	148,874	133,749	15,125
Physical environment	316,874	340,374	337,676	2,698
	<u>451,348</u>	<u>489,248</u>	<u>471,425</u>	<u>17,823</u>
Net change in fund balance	(23,311)	(61,211)	(44,201)	17,010
<b>Fund Balance, October 1, 2019</b>	<u>233,900</u>	<u>233,900</u>	<u>233,900</u>	<u>-</u>
<b>Fund Balance, September 30, 2020</b>	<u>\$ 210,589</u>	<u>\$ 172,689</u>	<u>\$ 189,699</u>	<u>\$ 17,010</u>

The accompanying notes to basic financial statements are an integral part of these statements.



### Note 1 - Organization and Operations

VillaSol Community Development District (the "District") was created February 26, 2001, pursuant to the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, by the Osceola County Board of Commissions. The District was created for the purposes of financing and managing the acquisition, construction, maintenance and operation of the infrastructure necessary for community development within its jurisdiction. The District is authorized to issue bonds for the purpose, among others, of financing, funding, planning, establishing, acquiring, constructing or reconstructing, enlarging or extending, equipping, operating and maintaining water management, water supply, sewer and wastewater management, bridges or culverts, roads, landscaping, street lights, and other basic infrastructure projects within or without the boundaries of the District.

The District is governed by a five-member Board of Supervisors (the "Board"), who are elected on a rotating basis for terms between two to four years.

### Note 2 - Summary of Significant Accounting Policies

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The District's more significant accounting policies are described below:

**The financial reporting entity:** The criteria used for including component units consists of identification of legally separate organizations for which the Board of Supervisors of the District are financially accountable. These criteria also include identification of organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting District's basic financial statements to be misleading or incomplete. Based upon this review, there were no potential component units of the District.

#### **Basis of presentation:**

**Financial Statements - Government-Wide Statements:** The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

In the government-wide statement of net position, the governmental activities column is presented on a consolidated basis, if applicable, and is reported on a full-accrual, economic resource basis, which recognizes all noncurrent assets and receivables as well as all noncurrent debt and obligations when and if applicable. The effect of interfund activity has been eliminated from the government-wide financial statements.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The net costs, by function, are also supported by general revenues, other revenue, etc. The statement of activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflect capital-specific grants.

This government-wide focus is more on the ability to sustain the District as an entity and the change in the District's net position resulting from the current year's activities.

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Financial Statements - Fund Financial Statements:** The accounts of the District are organized on the basis of funds. The operations of the funds are accounted for with separate self-balancing accounts that comprise their assets, liabilities, fund equity, revenues, and expenditures.

The District reports the following major governmental funds:

**General Fund** - This fund is used to account for all operating activities of the District. At this time, revenues are derived principally from non-ad valorem assessments, investment income, and miscellaneous income.

**Debt Service Fund** - This fund is used to account for the accumulation of resources for and the payment of the Series 2018 long-term debt principal, interest, and other financing costs.

**Capital Project Fund** - This fund is used to account for the Series 2018 bond proceeds that are restricted for the construction of various capital improvements.

For the year ended September 30, 2020, the District does not report any proprietary funds.

**Measurement focus, basis of accounting, and presentation:** Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the basic financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. Governmental funds use the current financial resources measurement focus and the government-wide statements use the economic resources measurement focus.

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental fund financial statements are presented on the modified accrual basis of accounting under which revenue is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current year.

**Budget:** A budget is adopted for the General Fund and Debt Service Funds on an annual basis. Appropriations lapse at fiscal year-end. Changes or amendments to the total budgeted expenditures of the District must be approved by the District Board of Supervisors.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to October 1, the budget is legally adopted by the District Board.
- d. The budgets are adopted on a basis consistent with generally accepted accounting principles.

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Cash and cash equivalents:** Cash and cash equivalents are defined as demand deposits, money market accounts, and short-term investments with original maturities of three months or less from the date of acquisition.

**Investments:** Investments, if held, are stated at their fair value, which is based on quoted market prices. Unrealized gains and losses in fair value are recognized. Certain money market investments are stated at amortized cost if they have a remaining maturity of one year or less when purchased.

**Prepaid expenses/expenditures:** Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**Capital assets:** Capital assets, which include land and improvements, construction in progress, improvements other than buildings, infrastructure, buildings, and furniture and equipment are reported in the applicable governmental activities column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$ 5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Depreciation on all capital assets is charged to operations using the straight-line method over the assets' estimated service lives, ranging from 5 to 50 years.

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

**Special assessments:** The District's special assessment revenue (non ad-valorem) is levied through Osceola County based on the approved budget submitted to the County by the District on or before September 15 of each tax year. The assessment is included in the County's property tax levy each November 1 and is due on or before March 31.

The District is required to impose special assessments on each parcel of benefitted land within the District in accordance with the Bond Indenture. Certain assessments are collected upon closing on each lot sold and are used to prepay a portion of the Bonds and to pay a portion of the interest owed. The District must also levy and collect additional annual assessments to provide funds for additional debt service on the portion of the Bonds which are not paid for from the prepaid assessments, and to pay for the operations and maintenance of the District.

**Deferred outflow/inflows of resources:** In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualify for reporting in this category.

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Equity classifications:**

**Government-wide statements:** Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted - consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted - all other net position that do not meet the definition of "restricted" or "net investment in capital assets."

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

**Fund statements:** GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* requires that governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District classifies prepaid items and deposits as nonspendable since they are not expected to be converted to cash or are not expected to be converted to cash within the next year.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

## Note 2 - Summary of Significant Accounting Policies (continued)

Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District Manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District classifies existing fund balance to be used in the subsequent year's budget for elimination of a deficit as assigned.

Unassigned: This classification includes the residual fund balance for the General Fund.

The District would typically use restricted fund balances first, followed by committed fund balances, assigned fund balances and finally, unassigned fund balances.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from the actual results.

**Date of management review:** Subsequent events have been evaluated through March 29, 2021, which is the date the financial statements were available to be issued.

## Note 3 - Deposits and Investments

**Deposits:** The District's deposits must be placed with banks and savings and loans which are qualified as public depositories under Chapter 280, Florida Statutes. These deposits are insured by the FDIC up to \$ 250,000. Monies deposited in amounts greater than the insurance coverage are secured by the banks pledging securities with the State Treasurer in the collateral pool. At year end, the carrying amount of the District's deposits was \$ 103,341 and the bank balance was \$ 105,780.

**Investments:** The investment of funds is authorized by Florida Statutes, which allows the District to invest in the Local Government Surplus Funds Trust or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, SEC registered money market funds with the highest credit quality rating, interest-bearing time deposits or savings accounts in qualified public depositories and direct obligations of the United States Treasury. Investments of the Debt Service Funds are governed by the Bond Indenture.

Investments as of September 30, 2020 were \$ 335,119 and were invested in money market funds.

**Credit risk:** Florida Statutes require the money market funds held by the District to have the highest credit quality rating from a nationally recognized rating agency. The money market funds held by the District are rated A+ by Standard and Poor's.

**Interest rate risk:** Florida Statutes state that the investment portfolio be structured in such manner as to provide sufficient liquidity to pay obligations as they come due. As of September 30, 2020, the money market funds are daily liquidity investments.

**VillaSol Community Development District**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

**Note 3 - Deposits and Investments (continued)**

**Custodial credit risk:** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2020 the District's investments are not subject to custodial credit risk.

**Note 4 - Capital Assets**

Capital asset activity for the year ended September 30, 2020 was as follows:

	Balance at October 1, 2019	Additions	Transfers	Balance at September 30, 2020
Governmental Activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 2,819,228	\$ -	\$ -	\$ 2,819,228
Construction in progress	246,116	-	(246,116)	-
Total capital assets, not being depreciated	<u>3,065,344</u>	<u>-</u>	<u>(246,116)</u>	<u>2,819,228</u>
Capital assets, being depreciated:				
Improvements other than buildings	4,426,919	16,507	246,116	4,689,542
Infrastructure	2,603,075	10,500	-	2,613,575
Building	288,843	-	-	288,843
Furniture and equipment	185,635	55,377	-	241,012
Total capital assets, being depreciated	<u>7,504,472</u>	<u>82,384</u>	<u>246,116</u>	<u>7,832,972</u>
Total capital assets	<u>10,569,816</u>	<u>82,384</u>	<u>-</u>	<u>10,652,200</u>
Less accumulated depreciation for:				
Improvements other than buildings	2,687,744	196,918	-	2,884,662
Infrastructure	1,702,482	105,053	-	1,807,535
Buildings	75,095	5,777	-	80,872
Furniture and equipment	148,324	19,498	-	167,822
Total accumulated depreciation	<u>4,613,645</u>	<u>327,246</u>	<u>-</u>	<u>4,940,891</u>
Total capital assets, being depreciated, net	<u>2,890,827</u>	<u>(244,862)</u>	<u>-</u>	<u>2,892,081</u>
Governmental activities capital assets, net	<u>\$ 5,956,171</u>	<u>\$ (244,862)</u>	<u>\$ -</u>	<u>\$ 5,711,309</u>

Provision for depreciation was charged to functions as follows:

Governmental Activities:	
Physical environment	\$ <u>327,246</u>

**Note 5 - Long-Term Debt**

a. Summary of Long-Term Debt of Governmental Activities

Long-term debt of the governmental activities at September 30, 2020 is comprised of the following bond issue:

\$ 2,145,000 Special Assessment Revenue Refunding Bonds, Series 2018A-1; due in annual installments through May 2034; interest payable semiannually at rates that range from 2.000% to 3.400%.	\$ 1,925,000
\$ 370,000 Special Assessment Revenue Refunding Bonds, Series 2008A-2; due in annual installments through May 2034; interest payable semiannually at rates that range from 4.625% to 5.000%.	340,000
Bond discount	<u>(20,477)</u>
	<u>\$ 2,244,523</u>

The following is a summary of changes in governmental activities long-term debt for the year ended September 30, 2020:

	Balance October 1, 2019	Additions	Deletions	Balance September 30, 2020	Due Within One Year
Revenue Refunding Bonds:					
Series 2018A-1	\$ 2,035,000	-	\$ 110,000	\$ 1,925,000	\$ 115,000
Series 2018A-2	355,000	-	15,000	340,000	15,000
Bond discount	<u>(22,137)</u>	-	<u>(1,660)</u>	<u>(20,477)</u>	-
	<u>\$ 2,367,863</u>	<u>\$ -</u>	<u>\$ 123,340</u>	<u>\$ 2,244,523</u>	<u>\$ 130,000</u>

b. Summary of Significant Debt Terms of Governmental Activities

**\$ 2,515,000 Special Assessment Revenue Refunding Bonds, Series 2018A-1 & 2018A-2** - On February 1<sup>st</sup>, 2018, the District refinanced the Special Assessment Revenue Bonds, Series 2003A by issuing Special Assessment Revenue Refunding Bonds in the amount of \$ 2,145,000 for Series 2018A-1, and \$ 370,000 for 2018A-2 for the purpose of refunding the outstanding Series 2003 Bond and funding certain projects within the boundaries of the District. The Bonds are payable in annual principal installments through May 2034. Interest rates that range from 2.00% to 5.00% are payable semiannually on the first day of each May and November. The Bonds are secured by the pledge of revenues derived from the collection of non-ad valorem special assessments.

The District is required by the Bond Indenture to levy and collect special assessments pursuant to Florida Statutes, Section 190.022. The collection of these assessments is restricted and applied to the debt service requirements of the Bonds. Further, the District covenants to levy special assessments in annual amounts adequate to provide for payment of principal and interest on the Bonds as they become due.

**Note 5 - Long-Term Debt (continued)**

The Bonds are subject to mandatory redemption at par on a schedule of annual redemptions through May 2034, the maturity date. The District is required to redeem the Bonds at par prior to schedule from the proceeds of any assessments prepaid or if certain events occur as outlined in the Bond Indenture. The Bonds are subject to redemption at the option of the District in whole or in part at any time after May 1, 2028.

The Bond Indenture requires a reserve fund equal to \$ 88,273 for the Series 2018A-1 and \$ 17,938 for the Series 2018A-2. The Series 2018A-1 reserve requirement was funded with proceeds from the Bonds and the deposit of a reserve insurance policy while the Series 2018A-2 was funded with proceeds from the Bonds. The District is in compliance with the reserve requirement at September 30, 2020.

- c. The annual debt service requirements for the Special Assessment Revenue Bonds, Series 2018A-1 & 2018A-2 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 130,000	\$ 72,076	\$ 202,076
2022	135,000	69,083	204,083
2023	145,000	65,714	210,714
2024	140,000	61,976	201,976
2025	145,000	58,171	203,171
2026-2030	810,000	221,931	1,031,931
2031-2034	<u>760,000</u>	<u>70,685</u>	<u>830,685</u>
	<u>\$ 2,265,000</u>	<u>\$ 619,636</u>	<u>\$ 2,884,636</u>

**Note 6 - Risk Management**

The District purchased an insurance policy that provided coverage of up to a \$ 1,000,000 maximum for each general liability occurrence in combination with a maximum annual aggregate coverage of approximately \$ 2,000,000 for the policy year ending September 30, 2020. Other insurance policies carried by the District during the year included automobile, public officials and property liability and employment practices liability. Deductible amounts ranged from \$ 0 to \$ 2,500. Settlement amounts have not exceeded insurance coverage during the last three (3) fiscal years.

**Note 7 - Risks and Uncertainties**

In March 2020, the *World Health Organization* declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, the local and global financial markets are experiencing significant declines and creating economic uncertainties. At this time, it is unknown how this negative outlook will impact the District's financial statements. No adjustments have been made to the accompanying financial statements as a result of the current events.



# OTHER REPORTS OF INDEPENDENT AUDITORS



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  
VillaSol Community Development District  
Osceola County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund, of VillaSol Community Development District (the "District"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 29, 2021.

### 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) as a basis for designing 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 grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

### **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 District’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
March 29, 2021

## INDEPENDENT AUDITOR'S REPORT TO DISTRICT MANAGEMENT

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

### Report on the Financial Statements

We have audited the financial statements of VillaSol Community Development District, Florida, (the "District"), as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated March 29, 2021.

### 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 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 Accountant'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 March 29, 2021, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

### Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The District was established February 26, 2001 by Osceola County Ordinance No. 01-05, pursuant to the provisions of Chapter 190, of the laws of the State of Florida. The District does not have any component units.

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### **Financial Condition and Management**

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District's 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.

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

### **Additional Matters**

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

### **Purpose of this Letter**

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
March 29, 2021

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

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

We have examined VillaSol Community Development District's (the "District") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2020. Management is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements 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 above. 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 year ended September 30, 2020.

This report is intended solely for the information and use of the Board of Supervisors, management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

*Keefe McCullough*

KEEFE McCULLOUGH

Fort Lauderdale, Florida  
March 29, 2021

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