

**VIERA EAST  
COMMUNITY DEVELOPMENT DISTRICT  
BREVARD COUNTY, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2014**

**VIERA EAST COMMUNITY DEVELOPMENT DISTRICT  
BREVARD COUNTY, FLORIDA**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
Viera East Community Development District  
Brevard County, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Viera East Community Development District, Brevard County, Florida ("District") as of and for the fiscal year ended September 30, 2014, 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, the business-type activities and each major fund of the District as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows 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 May 18, 2015, 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 May 18, 2015, 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.

May 18, 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Viera East Community Development District, Brevard County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2014. 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 plus deferred outflows of resources at the close of the most recent fiscal year resulting in a net position deficit balance of (\$13,708,126).
- The change in the District's total net position in comparison with the prior fiscal year was \$1,266,372, 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, 2014, the District's governmental funds reported combined ending fund balances of \$1,437,678, an increase of \$158,226 in comparison with the prior fiscal year. A portion of fund balance is restricted for debt service, non-spendable for prepaid items, assigned to capital reserves, 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 basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-Wide Financial Statements

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

The statement of net 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.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by assessments (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government and physical environment functions. The business-type activities of the District include recreational activities which includes a golf course.

#### 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. All of the funds of the District can be divided into two categories: governmental funds and proprietary 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 outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two governmental funds for external reporting. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and debt service fund, both of which are considered to be major funds.

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

### Proprietary Fund

The District maintains one type of proprietary fund, an enterprise fund. An enterprise fund is used to report the same function presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for the operations of the golf course and related recreational facilities within the District.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

### 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 plus deferred outflows of resources at the close of the most recent fiscal year.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	NET POSITION					
	SEPTEMBER 30,					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 1,475,746	\$ 1,298,673	\$ 671,498	\$ 755,759	\$ 2,147,244	\$ 2,054,432
Capital assets, net of depreciation	3,202,654	3,556,534	1,268,856	1,393,293	4,471,510	4,949,827
Total assets	4,678,400	4,855,207	1,940,354	2,149,052	6,618,754	7,004,259
Deferred outflows of resources	180,425	202,978	289,439	314,608	469,864	517,586
Current liabilities	397,443	397,737	641,396	724,408	1,038,839	1,122,145
Long-term liabilities	14,975,917	16,197,907	4,781,988	5,176,291	19,757,905	21,374,198
Total liabilities	15,373,360	16,595,644	5,423,384	5,900,699	20,796,744	22,496,343
Net position						
Net investment in capital assets	(11,592,838)	(12,438,395)	(3,230,645)	(3,345,942)	(14,823,483)	(15,784,337)
Restricted	165,478	136,974	299,245	299,190	464,723	436,164
Unrestricted	912,825	763,962	(262,191)	(390,287)	650,634	373,675
Total net position (deficit)	\$ (10,514,535)	\$ (11,537,459)	\$ (3,193,591)	\$ (3,437,039)	\$ (13,708,126)	\$ (14,974,498)

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,					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues						
Charges for services	\$ 3,018,244	\$ 3,026,564	\$ 2,145,079	\$ 2,250,616	\$ 5,163,323	\$ 5,277,180
Operating grants and contributions	118	194	-	-	118	194
General revenues						
Unrestricted investment earnings	879	619	59	106	938	725
Miscellaneous	56,324	64,040	-	-	56,324	64,040
Loss on sale of equipment	-	-	-	(45,984)	-	(45,984)
Total revenues	3,075,565	3,091,417	2,145,138	2,204,738	5,220,703	5,296,155
Expenses:						
General government	234,055	213,638	-	-	234,055	213,638
Physical environment	918,540	933,639	-	-	918,540	933,639
Recreational	-	-	1,631,721	1,731,037	1,631,721	1,731,037
Interest	914,859	959,128	255,156	263,117	1,170,015	1,222,245
Total expenses	2,067,454	2,106,405	1,886,877	1,994,154	3,954,331	4,100,559
Transfers	14,813	-	(14,813)	-	-	-
Change in net position	1,022,924	985,012	243,448	210,584	1,266,372	1,195,596
Net position (deficit) - beginning, previously stated	(11,537,459)	(11,804,699)	(3,437,039)	(3,279,415)	(14,974,498)	(15,084,114)
Effect of adoption of GASB No. 65	-	(717,772)	-	(368,208)	-	(1,085,980)
Net position (deficit) - beginning, as restated	(11,537,459)	(12,522,471)	(3,437,039)	(3,647,623)	(14,974,498)	(16,170,094)
Net position (deficit) - ending	\$ (10,514,535)	\$ (11,537,459)	\$ (3,193,591)	\$ (3,437,039)	\$ (13,708,126)	\$ (14,974,498)

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

### **Governmental activities**

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2014 was \$2,067,454. The costs of the District's activities were primarily funded by program revenues. Program revenues were comprised primarily of assessments for both the current and prior fiscal years. The District also received funds for administrative fees to the golf fund. In total, expenses, including depreciation, decreased slightly from the prior fiscal year. The majority of the decrease was the result of a decrease in interest expense based on the amortization schedule of the Bonds.

### **Business-type activities**

Business-type activities reflect the operations of the golf course and related recreational facilities within the District. The cost of operations is covered primarily by charges to customers. The District also receives revenues from assessments on residents of the District. Recreational expenses decreased from the prior fiscal year due primarily to a decrease in operational and maintenance cost costs of the golf course.

## 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, 2014.

The variance between budgeted and actual general fund revenues for the current fiscal year is the result of the less people taking advantage of the early payment discount than anticipated. The actual general fund expenditures for the current fiscal year were lower than budgeted amounts due primarily to anticipated costs which were not incurred in the current fiscal year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2014, the District had \$10,682,483 invested in infrastructure, machinery and equipment and improvements, for its governmental activities. In the government-wide financial statements depreciation of \$7,479,829 has been taken, which resulted in a net book value of \$3,202,654. The District's business-type activities reported net capital assets of \$1,268,856. More detailed information about the District's capital assets is presented in the notes of the financial statements.

### Capital Debt

At September 30, 2014, the District had \$15,000,000 Bonds outstanding for its governmental activities. For business-type activities, the District had Bonds outstanding of \$5,145,000. In addition, the District had a capital lease payable of \$63,008 for its business-type 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

The District does not anticipate any major projects or significant changes to its infrastructure maintenance program for the subsequent fiscal year. In addition, it is anticipated that the general operations of the District will increase. Golf and recreational activities are also expected to increase.



## 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 Viera East Community Development District's Finance Department at 135 W. Central Boulevard, Suite 320, Orlando, Florida, 32801.

**VIERA EAST COMMUNITY DEVELOPMENT DISTRICT  
BREVARD COUNTY, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 174,382	\$ 206,559	\$ 380,941
Investments	760,427	-	760,427
Accounts receivable	-	218	218
Assessments receivable	792	-	792
Inventories	-	45,369	45,369
Prepaid items	15,292	29,464	44,756
Restricted assets:			
Investments	524,853	389,888	914,741
Capital assets:			
Nondepreciable	-	872,830	872,830
Depreciable, net	3,202,654	396,026	3,598,680
Total assets	<u>4,678,400</u>	<u>1,940,354</u>	<u>6,618,754</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding (debit)	180,425	289,439	469,864
Total deferred outflows of resources	<u>180,425</u>	<u>289,439</u>	<u>469,864</u>
<b>LIABILITIES</b>			
Accounts payable	38,068	28,245	66,313
Unearned revenue	-	125,668	125,668
Accrued interest payable	359,375	90,643	450,018
Non-current liabilities:			
Due within one year	1,525,000	396,840	1,921,840
Due in more than one year	13,450,917	4,781,988	18,232,905
Total liabilities	<u>15,373,360</u>	<u>5,423,384</u>	<u>20,796,744</u>
<b>NET POSITION</b>			
Net investment in capital assets	(11,592,838)	(3,230,645)	(14,823,483)
Restricted for debt service	165,478	299,245	464,723
Unrestricted	912,825	(262,191)	650,634
Total net position (deficit)	<u>\$ (10,514,535)</u>	<u>\$ (3,193,591)</u>	<u>\$ (13,708,126)</u>

See notes to the financial statements

**VIERA EAST COMMUNITY DEVELOPMENT DISTRICT  
BREVARD COUNTY, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
General government	\$ 234,055	\$ 234,055	\$ -	\$ -	\$ -	\$ -
Physical environment	918,540	598,870	-	(319,670)	-	(319,670)
Interest on long-term debt	914,859	2,185,319	118	1,270,578	-	1,270,578
Total governmental activities	<u>2,067,454</u>	<u>3,018,244</u>	<u>118</u>	<u>950,908</u>	<u>-</u>	<u>950,908</u>
Business-type activities:						
Recreational	1,631,721	1,547,001	-	-	(84,720)	(84,720)
Interest on long-term debt	255,156	598,078	-	-	342,922	342,922
Total business-type activities	<u>1,886,877</u>	<u>2,145,079</u>	<u>-</u>	<u>-</u>	<u>258,202</u>	<u>258,202</u>
General revenues:						
Unrestricted investment earnings				879	59	938
Miscellaneous				56,324	-	56,324
Total general revenues				<u>57,203</u>	<u>59</u>	<u>57,262</u>
Transfers				14,813	(14,813)	-
Change in net position				<u>1,022,924</u>	<u>243,448</u>	<u>1,266,372</u>
Net position (deficit) - beginning				<u>(11,537,459)</u>	<u>(3,437,039)</u>	<u>(14,974,498)</u>
Net position (deficit) - ending				<u>\$ (10,514,535)</u>	<u>\$ (3,193,591)</u>	<u>\$ (13,708,126)</u>

See notes to the financial statements

**VIERA EAST COMMUNITY DEVELOPMENT DISTRICT  
BREVARD COUNTY, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014**

	Major Funds		Total Governmental Funds
	General	Debt Service	
<b>ASSETS</b>			
Cash	\$ 174,382	\$ -	\$ 174,382
Investments	760,427	524,853	1,285,280
Assessments receivable	792	-	792
Prepaid items	15,292	-	15,292
Total assets	<u>\$ 950,893</u>	<u>\$ 524,853</u>	<u>\$ 1,475,746</u>
<b>LIABILITIES</b>			
Accounts payable	38,068	\$ -	\$ 38,068
Total liabilities	<u>38,068</u>	<u>-</u>	<u>38,068</u>
Fund balances:			
Nonspendable:			
Prepaid items	15,292	-	15,292
Restricted for:			
Debt service	-	524,853	524,853
Assigned to:			
Capital reserves	731,249		731,249
Unassigned	166,284	-	166,284
Total fund balances	<u>912,825</u>	<u>524,853</u>	<u>1,437,678</u>
Total liabilities and fund balances	<u>\$ 950,893</u>	<u>\$ 524,853</u>	<u>\$ 1,475,746</u>

See notes to the financial statements

**VIERA EAST COMMUNITY DEVELOPMENT DISTRICT  
BREVARD COUNTY, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014**

Total fund balances - governmental funds \$ 1,437,678

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

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 any accumulated depreciation, in the net position of the government as a whole.

Cost of capital assets	10,682,483	
Accumulated depreciation	<u>(7,479,829)</u>	3,202,654

Deferred charges on refunding of long-term debt are shown as deferred outflows/inflows of resources in the government-wide financial statements; however, this amount is expensed in the governmental fund financial statements. 180,425

Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.

Accrued interest payable	(359,375)	
Bonds payable	<u>(14,975,917)</u>	(15,335,292)
Net position of governmental activities		<u><u>\$ (10,514,535)</u></u>

See notes to the financial statements

**VIERA EAST COMMUNITY DEVELOPMENT DISTRICT  
BREVARD COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Major Funds		Total Governmental Funds
	General	Debt Service	
<b>REVENUES</b>			
Assessments	\$ 832,925	\$ 2,185,319	\$ 3,018,244
Interest income	879	118	997
Miscellaneous	56,324	-	56,324
Total revenues	<u>890,128</u>	<u>2,185,437</u>	<u>3,075,565</u>
<b>EXPENDITURES</b>			
Current:			
General government	191,418	42,637	234,055
Physical environment	539,289	-	539,289
Debt service:			
Principal	-	1,225,000	1,225,000
Interest	-	908,437	908,437
Capital outlay	25,371	-	25,371
Total expenditures	<u>756,078</u>	<u>2,176,074</u>	<u>2,932,152</u>
Excess (deficiency) of revenues over (under) expenditures	134,050	9,363	143,413
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in/ (out)	14,813	-	14,813
Total other financing sources (uses)	<u>14,813</u>	<u>-</u>	<u>14,813</u>
Net change in fund balances	148,863	9,363	158,226
Fund balances - beginning	<u>763,962</u>	<u>515,490</u>	<u>1,279,452</u>
Fund balances - ending	<u>\$ 912,825</u>	<u>\$ 524,853</u>	<u>\$ 1,437,678</u>

See notes to the financial statements

**VIERA EAST COMMUNITY DEVELOPMENT DISTRICT  
BREVARD 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, 2014**

Net change in fund balances - total governmental funds	\$	158,226
Amounts reported for governmental activities in the statement of activities are different because:		
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.		1,225,000
The change in accrued interest on long-term liabilities between the current and prior fiscal years is recorded in the statement of activities, but not in the governmental fund financial statements.		19,141
Amortization of Bond discounts/premiums is not recognized in the governmental fund financial statements, but is reported as an expense in the statement of activities.		(3,010)
Amortization of the deferred charge on refunding is not recognized in the governmental fund financial statements, but is reported as an expense in the statement of activities.		(22,553)
Depreciation of capital assets is not recognized in the governmental fund financial statements, but is reported as an expense in the statement of activities.		(353,880)
Change in net position of governmental activities	<u>\$</u>	<u>1,022,924</u>

See notes to the financial statements

**VIERA EAST COMMUNITY DEVELOPMENT DISTRICT  
BREVARD COUNTY, FLORIDA  
STATEMENT OF NET POSITION - PROPRIETARY FUND  
SEPTEMBER 30, 2014**

<b>ASSETS</b>	
Current assets:	
Cash and equivalents	\$ 206,559
Accounts receivable	218
Inventories	45,369
Prepaid items and deposits	29,464
Total current assets	<u>281,610</u>
Noncurrent assets:	
Restricted assets:	
Investments	389,888
Capital assets:	
Land	872,830
Buildings	773,247
Improvements other than buildings	5,671,594
Furniture and fixtures	63,674
Machinery and equipment	1,227,499
Less accumulated depreciation	<u>(7,339,988)</u>
Total capital assets (net of depreciation)	<u>1,268,856</u>
Total noncurrent assets	<u>1,658,744</u>
Total assets	<u>1,940,354</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	<u>289,439</u>
Total deferred outflows of resources	<u>289,439</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	17,737
Accrued wages	10,508
Unearned revenue	125,668
Due to other funds	-
Payable from restricted assets:	
Accrued bond interest payable	90,643
Bonds payable	345,000
Lease payable	51,840
Total current liabilities	<u>641,396</u>
Noncurrent liabilities	
Lease payable	11,168
Bonds payable	<u>4,770,820</u>
Total noncurrent liabilities	<u>4,781,988</u>
Total liabilities	<u>5,423,384</u>
<b>NET POSITION</b>	
Net investment in capital assets	(3,230,645)
Restricted	299,245
Unrestricted	<u>(262,191)</u>
Total net position (deficit)	<u>\$ (3,193,591)</u>

See notes to the financial statements



**VIERA EAST COMMUNITY DEVELOPMENT DISTRICT  
BREVARD COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
FUND NET POSITION - PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

Operating revenues:	
Charges for services:	
Golf Course	\$ 1,228,227
Restaurant	201,710
Pro Shop	104,396
Other	12,668
Total operating revenues	<u>1,547,001</u>
Operating expenses:	
Golf Course	860,316
Restaurant	232,443
Pro Shop	156,434
Administrative and other	238,906
Depreciation and amortization	143,622
Total operating expenses	<u>1,631,721</u>
Operating income (loss)	<u>(84,720)</u>
Nonoperating revenues (expenses):	
Assessment revenue	598,078
Interest income	59
Interest expense	(255,156)
Total nonoperating revenues (expenses)	<u>342,981</u>
Transfer out	(14,813)
Change in net position	243,448
Total net position (deficit) - beginning	<u>(3,437,039)</u>
Total net position (deficit) - ending	<u>\$ (3,193,591)</u>

See notes to the financial statements

**VIERA EAST COMMUNITY DEVELOPMENT DISTRICT  
BREVARD COUNTY, FLORIDA  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

CASH FLOW FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,479,761
Payments for goods and services	(1,124,868)
Payments to employees	(375,645)
Net cash provided (used) by operating activities	<u>(20,752)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from assessments	598,078
Purchase of capital assets	(19,185)
Transfers out	(14,813)
Principal paid	(383,064)
Interest paid	(232,057)
Net cash provided (used) by capital and related financing activities	<u>(51,041)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	4,552
Interest income	59
Net cash provided (used) by investing activities	<u>4,611</u>
Net increase (decrease) in cash and cash equivalents	(67,182)
Cash and cash equivalents - October 1	<u>273,741</u>
Cash and cash equivalents - September 30	<u>\$ 206,559</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (84,720)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	143,622
(Increase)/Decrease in:	
Accounts receivable	1,151
Prepaid items and deposits	12,217
Inventory	(841)
Increase/(Decrease) in:	
Accounts payable	(23,623)
Accrued wages	5,395
Due to other funds	(5,562)
Unearned revenue	(68,391)
Total adjustments	<u>63,968</u>
Net cash provided (used) by operating activities	<u>\$ (20,752)</u>

See notes to the financial statements

**VIERA EAST COMMUNITY DEVELOPMENT DISTRICT  
BREVARD COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

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

Viera East Community Development District ("District") was created on April 16, 1991 by the Florida Land and Water Adjudicatory Commission by Chapter 42M-1, pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. The Act provides among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

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

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected by registered voters, as provided by F. S. Chapter 190.006. 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. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

**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.

### **Debt Service Fund**

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

The District reports the following major proprietary fund:

### **Recreation Fund**

The recreation fund accounts for the operation of a public golf course, restaurant and pro shop that are financed and supported primarily by user charges.

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses of the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

### **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).

Pursuant to *CS/SB 2090 (CS/HB 1793)*, Florida Legislature, the District adopted Resolution 95-8 on September 27, 1995, establishing the District's present investment policy.

All investments are made based on reasonable research as to credit quality, liquidity and interest rate risk prior to the investment being acquired.

The investment policy authorizes the District to invest in U.S. Government obligations; U.S. Government agency obligations; U.S. Government instrumentality obligations; Canadian Government obligations; repurchase agreements; certificates of deposit; savings and loan association deposits; prime bankers acceptances; prime commercial paper; investment-grade obligations of state, provincial and local governments and public authorities; money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist of only domestic securities; and statewide investment pools.

The investment policy provides maturity and liquidity requirements for investments. The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. To the extent possible, the District will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the District will not directly invest in securities maturing more than five years from the date of purchase. Reserve funds may be invested in securities exceeding five years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of funds. All investments are required to be purchased pursuant to competitive bids. Since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). The policy also requires diversification of the investment portfolio to control the risk of loss from over concentration of assets in a security type and institution.

The State Board of Administration's Local Government Surplus Funds Trust Fund (Florida PRIME) is a "2a-7 like" pool. A "2a-7 like" pool is an external investment pool that is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. Thus, the pool operates essentially as a money market fund. Rule 2a-7 is the rule that allows money market funds to use amortized cost to maintain a constant NAV of \$1.00 per share, provided that such funds meet certain conditions. The District has reported its investment in Florida PRIME at the same value as the pooled shares allocated to the District.

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

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

#### Deposits and Investments (Continued)

Unspent Bond proceeds are required to be held in investments as specified in the Bond Indenture. The District records all interest revenue related to investment activities in the respective funds and reports investments at fair value.

#### Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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 governmental 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>
Furniture and fixtures	5 - 7
Improvements other than buildings	15
Buildings	20
Infrastructure	30
Machinery and equipment	3 - 7

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.

#### Refundings of Debt

For current refundings and advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources/deferred inflow of resources and recognized ratably as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. In connection with the refunding, \$22,553 and \$25,169 was recognized as a component of interest expense in the current fiscal year for the governmental activities and business-type activities, respectively.

#### Unearned Revenue

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

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

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

#### 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 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.

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.

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

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

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

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 fund. All annual appropriations lapse at fiscal year end.

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

- a) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain 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.



**NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)**

**Investments**

The District's investments were held as follows at September 30, 2014:

	Fair Value	Credit Risk	Maturities
Investment in Local Government Surplus Funds Trust Fund (Florida PRIME)	\$ 746,251	S&P AAAM	Weighted average of the fund portfolio: 39 days
First American Prime Oblig Fd CI Z	928,917	S&P AAAM	Weighted average of the fund portfolio: 38 days
Total Investments	<u>\$ 1,675,168</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. The District's investment policy pursuant to Resolution 95-8 mitigates credit risk by limiting investments to the safest type of securities; pre-qualifying the financial institutions, brokers, dealers, intermediaries, and advisors with which an entity will do business; and diversifying the investment portfolio so that potential losses on individual securities will be minimized.

*Interest rate risk* – Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in the general interest rates. The District's investment policy limits interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds in shorter-term securities. The District should limit its maximum final stated maturities to five years unless specific authority is given to exceed. This policy is pursuant to Resolution 95-8.

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

**NOTE 5 – INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended September 30, 2014 were as follows:

Fund	Transfer in	Transfer out
General	\$ 14,183	\$ -
Enterprise Fund	-	14,183
Total	<u>\$ 14,183</u>	<u>\$ 14,183</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 enterprise fund to the general fund were to fund certain capital reserves.

## NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, being depreciated				
Infrastructure	\$ 10,561,792	\$ -	\$ -	\$ 10,561,792
Improvements	12,742	-	-	12,742
Machinery and equipment	107,949	-	-	107,949
Total capital assets, being depreciated	10,682,483	-	-	10,682,483
Less accumulated depreciation for:				
Infrastructure	7,008,293	352,060	-	7,360,353
Improvements	9,707	1,820	-	11,527
Machinery and equipment	107,949	-	-	107,949
Total accumulated depreciation	7,125,949	353,880	-	7,479,829
Total capital assets, being depreciated, net	3,556,534	(353,880)	-	3,202,654
Governmental activities capital assets, net	\$ 3,556,534	\$ (353,880)	\$ -	\$ 3,202,654

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Business type activities</u>				
Capital assets, not being depreciated				
Land	\$ 872,830	\$ -	\$ -	\$ 872,830
Capital assets, being depreciated				
Furniture and fixtures	63,674	-	-	63,674
Buildings	773,247	-	-	773,247
Improvements other than buildings	5,671,594	-	-	5,671,594
Machinery and equipment	1,208,315	19,184	-	1,227,499
Total capital assets, being depreciated	7,716,830	19,184	-	7,736,014
Less accumulated depreciation for:				
Furniture and fixtures	63,591	81	-	63,672
Buildings	753,699	19,550	-	773,249
Improvements other than buildings	5,458,103	22,758	-	5,480,861
Machinery and equipment	920,973	101,233	-	1,022,206
Total accumulated depreciation	7,196,366	143,622	-	7,339,988
Total capital assets, being depreciated, net	520,464	(124,438)	-	396,026
Business type activities capital assets, net	\$ 1,393,294	\$ (124,438)	\$ -	\$ 1,268,856

Depreciation expense was charged to physical environment function for governmental activities and the recreation function for business-type activities.

## NOTE 7 – LONG-TERM LIABILITIES

### Series 2003

In 2003, the District issued \$10,845,000 of Water Management Refunding Bonds, Series 2003 due on May 1, 2014 with interest rates ranging from 1.10% to 3.75%. The Bonds were issued for the current refunding of the Series 1993A Bonds. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Bonds is to be paid serially commencing May 1, 2004 through May 1, 2014.

The Series 2003 Bonds are not subject to optional redemption. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

## **NOTE 7 – LONG-TERM LIABILITIES (Continued)**

### **Series 2003 (Continued)**

The Bond Indenture provides for a surety bond to be obtained in place of funding for the Debt Service Reserve Fund (the "Reserve Fund"). The Debt Service Reserve Fund Surety Bond constitutes a Debt Service Reserve Fund Insurance Policy under the Bond Indenture. The District has obtained the required bonding and is in compliance with the reserve requirement.

The Bond Indenture established certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service. The District was in compliance with the requirements at September 30, 2014.

### **Series 2006**

In 2006, the District issued \$15,000,000 of Water Management Refunding Bonds Series 2006 due May 1, 2022, with a fixed interest rate of 5.75%. The Bonds were issued for the current refunding of the Series 1996A Bonds and the Series 1996B Bonds. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Bonds is to be paid serially commencing May 1, 2015 through May 1, 2022.

The Series 2006 Bonds are not subject to optional redemption. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

The Bond Indenture provides for a surety bond to be obtained in place of funding for the Debt Service Reserve Fund (the "Reserve Fund"). The Debt Service Reserve Fund Surety Bond constitutes a Debt Service Reserve Fund Insurance Policy under the Bond Indenture. The District has obtained the required bonding and is in compliance with the reserve requirement.

The Bond Indenture established certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service. The District was in compliance with the requirements at September 30, 2014.

### **Series 2012**

On March 13, 2012, the District issued \$5,805,000 of Special Assessment Revenue Refunding Bonds Series 2012 due May 1, 2026, with interest rates ranging from 2.5% to 5.0%. The Bonds were issued for the current refunding of the Series 1996 Bonds. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Bonds is to be paid serially commencing May 1, 2013 through May 1, 2026. The Series 2012 Bonds are secured by the pledged revenue as defined in the Master Trust Indenture.

The Series 2012 Bonds maturing prior to May 1, 2022 are not subject to optional redemption. The Bonds maturing on or after May 1, 2023 are subject to redemption prior to maturity at the option of the District at any time after May 1, 2022. The Bonds are subject to mandatory redemption requirements in the manner outlined in the Bond Indenture.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirement as defined in the Indenture. In addition, the Bond Indenture has certain restrictions and requirements relating principally to the procedures to be followed in the collection of pledged revenues and the application of the revenues to the various restricted accounts. The District is in compliance with the requirements of the Bond Indenture as if September 30, 2014.

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Long-term Debt Activity**

Changes in long-term liability activity for the fiscal year ended September 30, 2014 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2003	\$ 1,225,000	\$ -	\$ (1,225,000)	\$ -	\$ -
Series 2006	15,000,000	-	-	15,000,000	1,525,000
Bond discount	(27,093)	-	3,010	(24,083)	-
Total	<u>\$ 16,197,907</u>	<u>\$ -</u>	<u>\$ (1,221,990)</u>	<u>\$ 14,975,917</u>	<u>\$ 1,525,000</u>
<u>Business-type Activities</u>					
Bonds payable:					
Series 2012	\$ 5,480,000	\$ -	\$ (335,000)	\$ 5,145,000	\$ 345,000
Bond discount	(31,717)	-	2,537	(29,180)	-
Total	<u>\$ 5,448,283</u>	<u>\$ -</u>	<u>\$ (332,463)</u>	<u>\$ 5,115,820</u>	<u>\$ 345,000</u>

At September 30, 2014, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2015	\$ 1,525,000	\$ 862,500	\$ 2,387,500
2016	1,620,000	774,812	2,394,812
2017	1,710,000	681,662	2,391,662
2018	1,810,000	583,338	2,393,338
2019	1,910,000	479,262	2,389,262
2020-2022	6,425,000	752,964	7,177,964
Total	<u>\$ 15,000,000</u>	<u>\$ 4,134,538</u>	<u>\$ 19,134,538</u>

At September 30, 2014, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Business-type Activities		
	Principal	Interest	Total
2015	\$ 345,000	\$ 219,068	\$ 564,068
2016	355,000	208,718	563,718
2017	365,000	197,180	562,180
2018	380,000	185,318	565,318
2019	395,000	171,638	566,638
2020-2024	2,240,000	598,081	2,838,081
2025-2026	1,065,000	80,500	1,145,500
Total	<u>\$ 5,145,000</u>	<u>\$ 1,660,503</u>	<u>\$ 6,805,503</u>

**NOTE 8 – LEASE PAYABLE**

The District previously purchased a fleet of golf carts under a capital lease agreement. The lease requirements 48 monthly payments of \$4,320 and expires in December 2015. Future minimum lease payments required are as follows:

Year ending September 30,	
2015	\$ 51,840
2016	12,960
	<u>64,800</u>
Less: Amount representing interest	1,792
Present value of future lease payments	<u>\$ 63,008</u>

**NOTE 9 – OPERATING LEASES**

During the prior fiscal year, the District entered into two equipment leases that were classified as operating leases. One lease required an advanced payment of \$22,717 and 59 monthly payments of \$2,738 commencing on February 1, 2013. The other lease required an advanced payment of \$17,857 and 47 monthly payments of \$2,476 commencing on February 1, 2013. The advance payments are being amortized over the term of leases. Prepaid lease balances at September 30, 2014 were \$13,775 and \$9,107, respectively. Lease expenses during the current fiscal year totaled \$71,454. The future minimum payments under the operating leases are as follows:

Year ending September 30,	
2015	\$ 62,569
2016	62,569
2117	40,286
2018	8,215
Minimum future lease payments	<u>\$ 173,639</u>

**NOTE 9 – DEFICIT FUND EQUITY**

At September 30, 2014, the District had an accumulated deficit in the enterprise fund. The accumulated deficit arose from depreciation expense, which is a non-cash item. It is expected that the deficit will be eliminated in subsequent periods through additional charges for services, including benefit assessments.

**NOTE 10 – 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 11 – RISK MANAGEMENT**

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

**VIERA EAST COMMUNITY DEVELOPMENT DISTRICT  
BREVARD COUNTY, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Amounts Original & Final	Actual Amounts	Positive (Negative)
<b>REVENUES</b>			
Assessments	\$ 826,157	\$ 832,925	\$ 6,768
Interest income	350	879	529
Miscellaneous	56,280	56,324	44
Total revenues	882,787	890,128	7,341
<b>EXPENDITURES</b>			
Current:			
General government	191,466	191,418	48
Physical environment	664,957	539,289	125,668
Capital outlay		25,371	(25,371)
Total expenditures	856,423	756,078	100,345
Excess (deficiency) of revenues over (under) expenditures	26,364	134,050	107,686
<b>OTHER FINANCING SOURCES</b>			
Transfer in	35,336	14,813	(20,523)
Total other financing sources (uses)	35,336	14,813	(20,523)
Net change in fund balance	\$ 61,700	148,863	\$ 87,163
Fund balance - beginning		763,962	
Fund balance - ending		\$ 912,825	

See notes to required supplementary information

**VIERA EAST COMMUNITY DEVELOPMENT DISTRICT  
BREVARD COUNTY, FLORIDA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

The District is required to establish a budgetary system and an approved Annual Budget for the general fund. The District's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Board. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The legal level of budgetary control, the level at which expenditures may not exceed 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, 2014.

The variance between budgeted and actual general fund revenues for the current fiscal year is the result of the less people taking advantage of the early payment discount than anticipated. The actual general fund expenditures for the current fiscal year were lower than budgeted amounts due primarily to anticipated costs which were not incurred in the current fiscal year.



**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  
Viera East Community Development District  
Brevard 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, the business-type activities and each major fund of Viera East Community Development District, Brevard County, Florida ("District") as of and for the fiscal year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated May 18, 2015.

**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*.



**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.

May 18, 2015



**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  
Viera East Community Development District  
Brevard County, Florida

We have examined Viera East Community Development District, Brevard 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, 2014. 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 and, accordingly, included examining, on a test basis, evidence about District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on 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, 2014.

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 Viera East Community Development District, Brevard County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

May 18, 2015



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

To the Board of Supervisors  
Viera East Community Development District  
Brevard County

**Report on the Financial Statements**

We have audited the accompanying basic financial statements of Viera East Community Development District, Brevard County, Florida ("District") as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated May 18, 2015.

**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 Reports and Schedule**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and 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*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 18, 2015, 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 Viera East Community Development District, Brevard County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Viera East Community Development District, Brevard 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.

May 18, 2015

## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

### II. PRIOR YEAR FINDINGS

None

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

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

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

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2013.

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, 2014.

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, 2014.

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, 2014 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 as of September 30, 2014. 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.