

**SWI Community  
Development District**

**FINANCIAL STATEMENTS**

**September 30, 2017**



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors

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September 30, 2017**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Supervisors  
SWI Community Development District  
Port Orange, Florida

### ***Report on the Financial Statements***

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

### ***Management's Responsibility for the Financial Statements***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2017, and the respective changes in financial position 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 and budgetary comparison information, as listed 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 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 June 28, 2018, on our consideration of the District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida  
June 28, 2018



## **Management's Discussion And Analysis**

## SWI Community Development District Management's Discussion and Analysis

Our discussion and analysis of the SWI Community Development District's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2017. Please read it in conjunction with the District's financial statements, which begin on page 8.

### FINANCIAL HIGHLIGHTS

- At September 30, 2017, the liabilities of the District exceed its assets by approximately \$9 million (deficit).
- During the year ended September 30, 2017, the District issued \$14,300,000 of Capital Improvement Bonds, Series 2017. The bonds were issued to refinance the balance on a Note owed to the Developer. Additionally, the District incurred approximately \$365,000 of interest expenditures.

### USING THE ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities on pages 8 – 9 provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 10. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

#### ***Reporting the District as a Whole***

Our analysis of the District as a whole begins on page 4. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and related changes during the current year. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors; however, such as changes in the District's assessment base and the condition of the District's infrastructure, to assess the overall health of the District.

## SWI Community Development District Management's Discussion and Analysis

### **Reporting the District's Most Significant Funds**

Our analysis of the District's major funds begins on page 5. The fund financial statements begin on page 10 and provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. All of the District's funds are governmental fund-types.

- *Governmental funds* – All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities and governmental funds in a reconciliation with the fund financial statements.

### **THE DISTRICT AS A WHOLE**

The following table reflects the condensed Statement of Net Position and is compared to the prior year.

<i>September 30,</i>	<b>2017</b>	<b>2016</b>	<b>Change</b>
<b>Assets</b>			
Current and other assets	\$ 442,484	\$ 60,598	\$ 381,886
Capital assets, net	7,434,007	7,847,008	(413,001)
<b>Total assets</b>	<b>\$ 7,876,491</b>	<b>\$ 7,907,606</b>	<b>\$ (31,115)</b>
<b>Liabilities</b>			
Current liabilities	\$ 885,942	\$ 14,674,804	\$ (13,788,862)
Other liabilities	15,951,279	1,811,279	14,140,000
<b>Total liabilities</b>	<b>16,837,221</b>	<b>16,486,083</b>	<b>351,138</b>
<b>Deferred inflows of resources</b>			
Deferred revenue	-	4,332	(4,332)
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>4,332</b>	<b>(4,332)</b>
<b>Net position</b>			
Net investment in capital assets	(8,677,272)	(8,264,271)	(413,001)
Restricted for:			
Debt service	53,537	-	53,537
Unrestricted	(336,995)	(318,538)	(18,457)
<b>Total net position (deficit)</b>	<b>(8,960,730)</b>	<b>(8,582,809)</b>	<b>(377,921)</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 7,876,491</b>	<b>\$ 7,907,606</b>	<b>\$ (31,115)</b>

## SWI Community Development District Management's Discussion and Analysis

For more detailed information, see the accompanying Statement of Net Position.

During fiscal year ended September 30, 2017, total assets decreased by approximately \$31,000 from the prior year while liabilities increased approximately \$351,000. The decrease in assets is primarily a result of depreciation on capital assets offset by an increase in investments as a result of the issuance of the Series 2017 bonds. The increase in liabilities is primarily due to the increase of accrued interest.

The following schedule compares the Statement of Activities for the current and previous fiscal year.

<i>Year ended September 30,</i>	<b>2017</b>	<b>2016</b>	<b>Change</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 714,165	\$ 667,254	\$ 46,911
Grants and contributions	50,856	51,191	(335)
<b>Total revenues</b>	<b>765,021</b>	<b>718,445</b>	<b>46,576</b>
<b>Expenses:</b>			
General government	46,913	80,917	(34,004)
Maintenance and operations	413,001	413,001	-
Bond issue costs	148,088	-	148,088
Interest	534,940	712,700	(177,760)
<b>Total expenses</b>	<b>1,142,942</b>	<b>1,206,618</b>	<b>(63,676)</b>
Change in net position	(377,921)	(488,173)	110,252
Net position (deficit), beginning	(8,582,809)	(8,094,636)	(488,173)
<b>Net position (deficit), ending</b>	<b>\$ (8,960,730)</b>	<b>\$ (8,582,809)</b>	<b>\$ (377,921)</b>

For more detailed information, see the accompanying Statement of Activities.

Revenues increased from the prior year by approximately \$47,000, while expenses decreased from the prior year by approximately \$64,000. Revenues increased primarily as a result of extra user fee collections. Expenses decreased primarily as a result of less legal expense related to preparation for bond refinancing. The overall result was a \$377,921 decrease in net position for fiscal year 2017.

### THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 10) reported a combined deficit fund balance of approximately \$114,000, which is an increase from last year's deficit balance that totaled approximately \$14.6 million. Significant transactions are discussed below.

## SWI Community Development District Management's Discussion and Analysis

- During the year ended September 30, 2017, the District incurred approximately \$365,000 of interest expenditures.
- During the year ended September 30, 2017, the District issued \$14,300,000 of Capital Improvement Bonds, Series 2017, which were used to repay balances owed to the Developer.

The overall increase in fund balance for the year ended September 30, 2017 totaled approximately \$14.5 million.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### **Capital Assets**

At September 30, 2017, the District had approximately \$7.4 million invested in capital assets (net of accumulated depreciation). This amount represents a decrease of approximately \$413,000 from the fiscal year 2016 total. A listing of capital assets by major category for the current and prior year follows:

<i>September 30,</i>	<b>2017</b>	<b>2016</b>	<b>Change</b>
Grading and stormwater management	\$ 10,151,121	\$ 10,151,121	\$ -
Roadway and transportation	173,893	173,893	-
Total, prior to depreciation	10,325,014	10,325,014	-
Accumulated depreciation	(2,891,007)	(2,478,006)	(413,001)
Net capital assets	\$ 7,434,007	\$ 7,847,008	\$ (413,001)

More information about the District's capital assets is presented in Note 3 to the financial statements.

#### **Debt**

At September 30, 2017, the District had approximately \$16.1 million of long-term liabilities outstanding. A listing of debt amounts outstanding for the current and prior year is as follows:

<i>September 30,</i>	<b>2017</b>	<b>2016</b>	<b>Change</b>
Series 2010 Note	\$ -	\$ 14,300,000	\$ (14,300,000)
Series 2017	14,300,000	-	14,300,000
Deferred Obligation	1,811,279	1,811,279	-
	\$ 16,111,279	\$ 16,111,279	\$ -

More information about the District's long-term debt is presented in Note 6 to the financial statements.



## **SWI Community Development District Management's Discussion and Analysis**

### **GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS**

An Operating budget was established by the governing board for the District pursuant to the requirements of Florida Statutes. The budget to actual comparison for the general fund, including the original budget and final adopted budget, is shown at page 22.

The District experience an unfavorable variance in revenues as compared to the budget in the amount of \$27,734 and a favorable variance in expenditures of \$31,677. The variance in expenditures occurred primarily due to anticipated budgeted operating expenditures that were not incurred during the year. Revenues varied in a similar manner because the Developer currently funds the District generally to the extent it makes expenditures.

### **FUTURE FINANCIAL FACTORS**

SWI Community Development District is an independent special district that operates under the provisions of Chapter 190, Florida Statutes. The District operates under an elected Board of Supervisors, which establishes policy and sets assessment rates. Budgeted Developer contributions and user fee revenues for fiscal year 2018 were established to provide for the operations of the District as well as the necessary debt service requirements.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. If you have questions about this report or need additional financial information, contact the SWI Community Development District's management company, Fishkind & Associates, Inc., at 12051 Corporate Blvd., Orlando, Florida 32817.



## **Basic Financial Statements**

**SWI Community Development District  
Statement of Net Position**

<i>September 30,</i>	<b>2017</b>
	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 382,369
Other receivables	53,537
Prepaid expenses	6,578
Capital assets:	
Depreciable, net	7,434,007
Total assets	7,876,491
<b>Liabilities</b>	
Accounts payable	24,298
Accrued interest payable	701,644
Non-current liabilities:	
Due within one year	160,000
Due in more than one year	15,951,279
Total liabilities	16,837,221
<b>Net position</b>	
Net investment in capital assets	(8,677,272)
Restricted for:	
Debt service	53,537
Unrestricted	(336,995)
Total net position (deficit)	\$ (8,960,730)

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

**SWI Community Development District  
Statement of Activities**

*Year ended September 30,*

**2017**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	<u>Net (Expense) Revenue and Changes in Net Position</u>
<i>Primary government:</i>					
<i>Governmental activities:</i>					
General government	\$ (46,913)	\$ -	\$ 50,856	\$ 3,943	\$ 3,943
Unallocated depreciation	(413,001)	-	-	(413,001)	(413,001)
Bond issue costs	(148,088)	-	-	(148,088)	(148,088)
Interest	(534,940)	714,165	-	179,225	179,225
<b>Total governmental activities</b>	<b>\$ (1,142,942)</b>	<b>\$ 714,165</b>	<b>\$ 50,856</b>	<b>(377,921)</b>	<b>(377,921)</b>
Change in net position					(377,921)
<u>Net position (deficit) - beginning of year</u>					<u>(8,582,809)</u>
<u>Net position (deficit) - end of year</u>					<u>\$ (8,960,730)</u>

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

**SWI Community Development District  
Balance Sheet – Governmental Funds**

September 30,

2017

	General	Debt Service		Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 15,148	367,221	\$	382,369
Other receivable	-	53,537		53,537
Prepaid expenditures	4,540	2,038		6,578
<b>Total assets</b>	<b>\$ 19,688</b>	<b>\$ 422,796</b>	<b>\$</b>	<b>442,484</b>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ 2,996	\$ 21,302	\$	24,298
Accrued interest payable	-	531,831		531,831
<b>Total liabilities</b>	<b>2,996</b>	<b>553,133</b>		<b>556,129</b>
<b>Fund balances</b>				
Nonspendable	4,540	-		4,540
Unassigned	12,152	(130,337)		(118,185)
<b>Total fund balances (deficit)</b>	<b>16,692</b>	<b>(130,337)</b>		<b>(113,645)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 19,688</b>	<b>\$ 422,796</b>	<b>\$</b>	<b>442,484</b>

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

**SWI Community Development District**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of**  
**Net Position**

<i>September 30,</i>	<b>2017</b>
Total fund balances (deficit), governmental funds	\$ (113,645)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund level statements.	7,434,007
Liabilities not due and payable from current resources, including accrued interest, are not reported in the fund level statements.	(16,281,092)
Total net position (deficit) - governmental activities	\$ (8,960,730)

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

**SWI Community Development District  
Statement of Revenues, Expenditures and Changes in Fund Balances –  
Governmental Funds**

<i>Year ended September 30,</i>	<b>2017</b>		
	<b>General</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Developer contributions	\$ 50,856	\$ -	\$ 50,856
User fee revenues	-	714,165	714,165
<b>Total revenues</b>	<b>50,856</b>	<b>714,165</b>	<b>765,021</b>
<b>Expenditures</b>			
Current:			
General government	46,913	-	46,913
Debt service:			
Cost of issuance	-	148,088	148,088
Interest	-	365,127	365,127
<b>Total expenditures</b>	<b>46,913</b>	<b>513,215</b>	<b>560,128</b>
Excess of revenues over expenditures	3,943	200,950	204,893
<b>Other Financing Sources (Uses)</b>			
Bond proceeds	-	14,300,000	14,300,000
Transfers in	9,884	-	9,884
Transfers out	-	(9,884)	(9,884)
<b>Total other financing sources</b>	<b>9,884</b>	<b>14,290,116</b>	<b>14,300,000</b>
Net change in fund balances	13,827	14,491,066	14,504,893
Fund balances (deficit), beginning of year	2,865	(14,621,403)	(14,618,538)
Fund balances (deficit), end of year	\$ 16,692	\$ (130,337)	\$ (113,645)

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

**SWI Community Development District  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund  
Balances of Governmental Funds to the Statement of Activities**

<i>Year ended September 30,</i>	<b>2017</b>
Net change in fund balances - governmental funds	\$ 14,504,893
Depreciation on capital assets is not recognized in the fund financial statements but is reported as an expense in the Statement of Activities.	(413,001)
The change in accrued interest between the current and prior year is recorded on the Statement of Activities but not on the fund financial statements.	(169,813)
Bond proceeds, which are recorded as other financing sources in the governmental fund statements, are recognized as long-term liabilities in the Statement of Net Position.	(14,300,000)
<b>Change in net position of governmental activities</b>	<b>\$ (377,921)</b>

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

## SWI Community Development District Notes to Financial Statements

### NOTE 1: NATURE OF ORGANIZATION

The SWI Community Development District (the “District”) was established on November 2, 2007 pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes, by City of Port Orange Ordinance 2007-52. The Act provides, among other things, the power to manage basic services for community development, to borrow money and issue bonds, and to levy 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 a Board of Supervisors (“Board”), which is comprised of five members. The Supervisors are elected on an at large basis by the owners of the property within the District. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes. Certain members of the Board are affiliated with the Developer, Port Orange Town Center, LLC.

The Board has the final 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.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth by Generally Accepted Accounting Principles (GAAP) as defined by the Governmental Accounting Standards Board (GASB). Based on the criteria identified, no potential component units were found.

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to GAAP as applicable to governments in accordance with those promulgated by GASB. The following is a summary of the more significant policies:

#### ***Government-wide and Fund Financial Statements***

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

## SWI Community Development District Notes to Financial Statements

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by assessments, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The business-type activities are reported separately in government-wide financial statements; however, at September 30, 2017, the District did not have any significant business-type activities. Therefore, no business-type activities are reported. Assessments and other items not properly included as program revenues (i.e., charges to customers or applicants who purchase, use, or directly benefit from goods or services) are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### ***Measurement Focus, Basis of Accounting and Basis of 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 the related cash flows. Assessments are recognized as revenues in the year for which they are levied. Grants and other 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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Developer contributions, user fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

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.

## SWI Community Development District Notes to Financial Statements

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

For the year ended September 30, 2017, the District does not report any proprietary funds.

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 District's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use in the governmental fund financial statements, it is the government's policy to use committed resources first, followed by assigned resources, then unassigned resources as needed.

#### ***Cash, Deposits and Investments***

The District maintains deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida securities in accordance with collateral requirements determined by the State's Chief Financial Officer. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories.

Under this method, all the District's deposits are fully insured or collateralized at the highest level of security as defined by GASB, Statement Number 40, *Deposits and Investment Disclosures (An Amendment of GASB, Statement Number 3)*.

The District is authorized to invest in financial instruments as established by Section 218.415, Florida Statutes. The authorized investments include among others direct obligations of the U.S. Treasury; the Local Government Surplus Trust Funds as created by Section 218.405, Florida Statutes; SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and interest-bearing time deposits or savings accounts in authorized financial institutions.

#### ***Capital Assets***

Capital assets, which include primarily infrastructure assets (e.g., roads, sidewalks, water management systems and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District 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 and estimated historical cost if purchased or constructed. Donated 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 asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

## SWI Community Development District Notes to Financial Statements

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

Property, plant and equipment of the primary government are depreciated using the straight-line method over the estimated useful lives. Estimated useful lives for financial reporting purposes are as follows:

Asset	Years
Grading and stormwater management	25
Roadway and transportation	25

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.

#### ***Estimates***

The preparation of financial statements in accordance with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### ***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 using the straight-line or effective interest method. Bonds payable are reported net of premiums or discounts. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current period expenses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the 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***

In addition to assets, the Statement of Net Position and Balance Sheet – Governmental Funds will sometimes include 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 of this type of item at September 30, 2017.

## SWI Community Development District Notes to Financial Statements

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

In addition to liabilities, the s Statement of Net Position and Balance Sheet – Governmental Funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an 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 of this type of item at September 30, 2017.

#### ***Fund Equity***

Net position in the government-wide financial statements represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents assets related to infrastructure and property, plant and equipment, net of any related debt. Restricted net position represents the assets restricted by outside third-parties.

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the District board through approval of resolutions. Assigned fund balance is a limitation imposed by a designee of the District board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

#### ***Budgets***

The District is required to establish a budgetary system and an approved annual budget. Annual budgets are legally adopted on a basis consistent with GAAP for the General Fund. Any revision to the budget must be approved by the District Board. The budgets are compared to actual expenditures. In instances where budget appropriations and estimated revenues have been revised during the year, budget data presented in the financial statements represent final authorization amounts.

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. A public hearing is conducted to obtain comments.
- C. Prior to October 1, the budget is legally adopted by the District Board.
- D. All budget changes must be approved by the District Board.
- E. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

## SWI Community Development District Notes to Financial Statements

### NOTE 3: CAPITAL ASSETS

The following is a summary of changes in the capital assets for the year ended September 30, 2017:

	Beginning Balance	Additions	Transfers and Conveyances	Ending Balance
<b>Governmental Activities:</b>				
<i>Capital assets being depreciated</i>				
Grading and stormwater management	\$ 10,151,121	\$ -	\$ -	\$ 10,151,121
Roadway and transportation	173,893	-	-	173,893
<b>Total capital assets, being depreciated</b>	<b>10,325,014</b>	<b>-</b>	<b>-</b>	<b>10,325,014</b>
<i>Less accumulated depreciation</i>				
Grading and stormwater management	(2,436,270)	(406,045)	-	(2,842,315)
Roadway and transportation	(41,736)	(6,956)	-	(48,692)
<b>Total accumulated depreciation</b>	<b>(2,478,006)</b>	<b>(413,001)</b>	<b>-</b>	<b>(2,891,007)</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 7,847,008</b>	<b>\$ (413,001)</b>	<b>\$ -</b>	<b>\$ 7,434,007</b>

Depreciation expense of \$413,001 was reported on the accompanying Statement of Activities.

### NOTE 4: 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 maintains commercial insurance coverage to mitigate the risk of loss. Coverage may not extend to all situations. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in the previous three years.

### NOTE 5: MANAGEMENT COMPANY

The District has contracted with a management company to perform management advisory services, which include financial and accounting advisory services. Certain employees of the management company also serve as officers (Board appointed non-voting positions) of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, and other administrative costs.

## SWI Community Development District Notes to Financial Statements

### NOTE 6: LONG-TERM LIABILITIES

#### *Series 2010 Note*

On December 28, 2010, the District issued a \$14,300,000 Capital Improvement Note, Series 2010 with a fixed interest rate of 5% to Port Orange Town Center, LLC, the Developer. The Note was issued to provide interim financing for the repayment of amounts advanced by the Developer pursuant to the Developer Funding Agreement for the costs of completed improvements to the District. Interest is paid on the first day of each month, and is primarily funded by the user fee revenue as described below. The Note matured on September 1, 2015. As described below, the Series 2010 Note was paid in full upon the issuance of Series 2017 Bonds. Interest accrued on the Series 2010 Note through January 2017.

A User Fee of 1% is charged on all sales made at retail locations within District boundaries, and the revenue is used to pay interest on the Note as it is available. In prior years, however, the District did not receive enough User Fee revenue to make interest payments in full as they came due. At September 30, 2017 cumulative missed interest payments totaled \$531,831 and are shown as accrued interest on the accompanying Balance Sheet – Governmental Funds.

On February 7, 2017, the District issued \$14,300,000 of Capital Improvement Bonds, Series 2017 to refinance the outstanding principal on the Series 2010 Note in the current year.

#### *Developer Advance*

Certain costs advanced by the Developer exceeded the original principal amount of the Note. The difference is evidenced by a non-interest bearing Deferred Obligation of \$1,811,279, payable from excess user fee revenues as they are available.

#### *Bonds Payable*

In February 2017, the District issued \$14,300,000 of Capital Improvement Bonds, Series 2017, consisting of \$14,300,000 Term Bonds with an interest rate of 3.80%. These bonds were issued to refinance the amounts outstanding on the Series 2010 Note mentioned above. Interest is paid semiannually on each May 1 and November 1. Principal payments on the Series 2017 Bonds will be made serially commencing on November 1, 2017 through November 1, 2056.

**SWI Community Development District  
Notes to Financial Statements**

**NOTE 6: LONG-TERM LIABILITIES (Continued)**

Long-term liability activity for the year ended September 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities</i>					
Bonds Payable:					
Series 2010 Note	\$ 14,300,000	\$ -	\$ (14,300,000)	\$ -	\$ -
Series 2017	-	14,300,000	-	14,300,000	160,000
Deferred Obligation	1,811,279	-	-	1,811,279	-
	\$ 16,111,279	\$ 14,300,000	\$ (14,300,000)	\$ 16,111,279	\$ 160,000

At September 30, 2017, debt service requirements on the Note were as follows:

<i>Year Ending September 30,</i>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2018	\$ 160,000	\$ 540,360	\$ 700,360
2019	165,000	534,185	699,185
2020	170,000	527,820	697,820
2021	175,000	521,265	696,265
2022	185,000	514,425	699,425
2023-2027	1,025,000	2,460,215	3,485,215
2028-2032	1,235,000	2,245,705	3,480,705
2033-2037	1,490,000	1,987,970	3,477,970
2038-2042	1,795,000	1,676,275	3,471,275
2043-2047	2,160,000	1,302,070	3,462,070
2048-2052	2,605,000	850,345	3,455,345
2053-2056	3,135,000	306,755	3,441,755
	\$ 14,300,000	\$ 13,467,390	\$ 27,767,390

**NOTE 7: CONCENTRATION**

A significant portion of the District's activity is dependent upon the continued involvement of the Developer, Port Orange Town Center, LLC, the loss of which could have a material adverse effect on the District's operations.

The Developer contributed \$50,856 for operations and maintenance costs incurred during the year. In addition, as detailed in Note 6, the District's long-term liabilities include a deferred amount due to the Developer and included a note payable that was paid in full during the year.



**Required Supplemental Information  
(Other Than MD&A)**

**SWI Community Development District  
Budget to Actual Comparison Schedule – General Fund**

*Year ended September 30,*

**2017**

	Original and Final Budget	Actual Amounts	Variance with Final Budget
<b>Revenues</b>			
Developer contributions	\$ 78,590	\$ 50,856	\$ (27,734)
Total revenues	78,590	50,856	(27,734)
<b>Expenditures</b>			
General government	78,590	46,913	31,677
Total expenditures	78,590	46,913	31,677
Net change in fund balances	\$ -	\$ 3,943	\$ 3,943



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**INDEPENDENT AUDITORS' 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  
SWI Community Development District  
Port Orange, 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 SWI Community Development District (hereinafter referred to as the "District"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 28, 2018.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control described below as IC2017-001 that we consider to be material weaknesses.

### **IC2017-001: Interest Expense**

- Condition: As part of our audit procedures, we identified approximately \$50,000 of interest expenses and the related payable that were not accrued on the District's financial statements as of September 30, 2017.
- Criteria: Internal controls should be in place to provide reasonable assurance that payables and the related expenditures are appropriate and properly accrued.
- Cause: The prior year accrued interest was booked against the current year interest payments understating the current year expense.
- Effect: Accrued interest payable and interest expense on the financial statements were understated by approximately \$50,000.
- Recommendation: We recommend the District review outstanding debt and the related interest activity throughout the year to ensure that the proper liabilities and expenses are recorded.

The District's response to the finding identified in our audit is described below. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

- Management Response: The District has already taken further steps to insure that this oversight is avoided in the future.

### **Compliance and Other Matters**

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

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida

June 28, 2018



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## **MANAGEMENT LETTER**

To the Board of Supervisors  
SWI Community Development District  
Port Orange, Florida

### **Report on the Financial Statements**

We have audited the financial statements of the SWI Community Development District (“District”) as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated June 28, 2018.

### **Auditors’ 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 Auditors' 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 Accountants’ 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 June 28, 2018, 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. All prior findings or recommendations made in the preceding annual audit report have been corrected.

### **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 information required is disclosed in the notes to the financial statements.

## **Financial Condition and Management**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we 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.c. 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.

## **Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

## **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address 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. In connection with our audit, we did not have 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.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida  
June 28, 2018



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## INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Supervisors  
SWI Community Development District  
Port Orange, Florida

We have examined SWI Community Development District's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2017. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced 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 depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe 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, 2017.

This report is intended solely for the information and use of 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.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida  
June 28, 2018