

**SWI COMMUNITY DEVELOPMENT DISTRICT**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019**

**SWI COMMUNITY DEVELOPMENT DISTRICT  
TABLE OF CONTENTS  
SEPTEMBER 30, 2019**

<b>Independent Auditors' Report</b>	1 - 2
<b>Management's Discussion and Analysis</b>	3 - 7
<b>Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet – Governmental Funds	11
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds	12
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Notes to Financial Statements	15 - 21
<b>Required Supplementary Information</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balances - General Fund - Budget and Actual	23
<b>Additional Elements Required by the Rules of the Auditor General</b>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Special-Purpose Financial Statements Performed in Accordance with Government Auditing Standards	25 - 26
Independent Auditors' Management Letter Required by Chapter 10.550, Rules of the State of Florida, Office of the Auditor General	27 - 28
Independent Accountants' Examination Report	29

## INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors,  
SWI Community Development District:

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the SWI Community Development District (the District), as of and for the year ended September 30, 2019, 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***

The District's 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.

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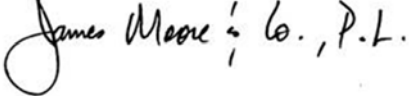
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### ***Opinions***

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, 2019, and the respective changes in financial position thereof the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida  
June 29, 2020

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

As management of the SWI Community Development District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2019.

### **Financial Highlights**

- The liabilities of the SWI Community Development District exceeded its assets at the close of the 2019 fiscal year by \$(9,617,653) (net position). Of this amount, \$(9,178,274) is net investment in capital assets.
- The District's total long-term liabilities decreased by \$165,000 during the 2019 fiscal year. This reflects the repayment of outstanding balances for bonds, notes and capital leases. The District paid interest expenditures of \$584,986.

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

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise 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 of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the 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 (e.g., uncollected taxes and earned but unused vacation leave). The governmental activities of the District include general government. The government-wide financial statements can be found on pages 9-10 of this report.

### Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, 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 are governmental funds.

### Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government'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 government'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 2 individual governmental funds, including the General Fund and Debt Service Fund. The General Fund and Debt Service Fund are reported as major funds.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the major funds.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 11-14 of this report.

### 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. The notes to the financial statements can be found on pages 15-21 of this report.

## Government-wide Financial Analysis

The following is a summary of the District's governmental activities net position for each of the past two years:

	<u>2019</u>	<u>2018</u>	<u>Change</u>
<b>ASSETS</b>			
Current and other assets	\$ 321,068	\$ 422,868	\$ (101,800)
Capital assets, net	6,608,005	7,021,006	(413,001)
Total assets	<u>\$ 6,929,073</u>	<u>\$ 7,443,874</u>	<u>\$ (514,801)</u>
<b>LIABILITIES</b>			
Current liabilities	\$ 930,447	\$ 874,826	\$ 55,621
Other liabilities	15,616,279	15,786,279	(170,000)
Total liabilities	<u>\$ 16,546,726</u>	<u>\$ 16,661,105</u>	<u>\$ (114,379)</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ (9,178,274)	\$ (8,930,273)	\$ (248,001)
Unrestricted	(439,379)	(286,958)	(152,421)
Total net position	<u>\$ (9,617,653)</u>	<u>\$ (9,217,231)</u>	<u>\$ (400,422)</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets by \$(9,617,653) at the close of the 2019 fiscal year. By far the largest portion of the District's net position (95.43% percent) reflects its investment in capital assets (infrastructure), less any related debt used to acquire those assets that are still outstanding.

The following is a summary of the changes in the District's governmental activities net position for each of the past two years:

	<u>2019</u>	<u>2018</u>	<u>Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 595,854	\$ 680,102	\$ (84,248)
Grants and contributions	62,858	74,879	(12,021)
Total revenues	<u>\$ 658,712</u>	<u>\$ 754,981</u>	<u>\$ (96,269)</u>
<b>Expenses:</b>			
General government	\$ 474,148	\$ 472,737	\$ 1,411
Interest	584,986	538,745	46,241
Total expenses	<u>\$ 1,059,134</u>	<u>\$ 1,011,482</u>	<u>\$ 47,652</u>
Change in net position	\$ 400,422	\$ 256,501	\$ 143,921
Net position, beginning	(9,217,231)	(8,960,730)	(256,501)
Net position, ending	<u>\$ (9,617,653)</u>	<u>\$ (9,217,231)</u>	<u>\$ (112,580)</u>

### Governmental activities

Governmental activities decreased the District's net position by \$(400,422). This amount is primarily attributable to decreases in general revenues including developer contributions and user fee revenues.

- The District's total revenues related to governmental activities decreased by approximately \$96,269 from the prior year. Factors that contributed to a decrease in revenues are a decrease in user fee collections.
- Expenses related to governmental activities increased by \$47,652 from the prior year. This is related to an increase in interest expenses related to debt.

### Governmental funds

As of the end of the fiscal year 2019, the District's governmental funds reported combined ending fund balances of \$(220,800), a decrease of approximately \$100,800 in comparison with the prior year.

### **Capital Asset and Debt Administration**

**Capital assets.** The District's investment in capital assets for its governmental funds as of September 30, 2019, amounts to \$6,608,005 (net of accumulated depreciation). This represents a net decrease of \$413,001. The District had no projects under construction at the end of 2019.

The following summarizes the District's capital assets as of September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Grading and stormwater management	\$ 10,151,121	\$ 10,151,121	\$ -
Roadway and transportation	173,893	173,893	-
Total, prior to depreciation	<u>10,325,014</u>	<u>10,325,014</u>	<u>-</u>
Accumulated depreciation	<u>(3,717,009)</u>	<u>(3,304,008)</u>	<u>(413,001)</u>
Net capital assets	<u>\$ 6,608,005</u>	<u>\$ 7,021,006</u>	<u>\$ (413,001)</u>

Additional information on the District's capital assets can be found in Note (4) beginning on page 19 of this report.

**Long-term Debt.** At the end of the 2019 fiscal year, the District had total bonded debt and notes payable principal outstanding of \$15,786,279

The following summarizes the District's long-term debt as of September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Series 2017	\$ 13,975,000	\$ 14,140,000	\$(165,000)
Deferred Obligation	1,811,279	1,811,279	-
Total long-term liabilities	<u>\$ 15,786,279</u>	<u>\$ 15,951,279</u>	<u>\$(165,000)</u>

The District's long-term liabilities decreased by \$165,000 during the current fiscal year. This decrease was attributable to repayment of the Series 2017 bond.

Additional information on the District's long-term liabilities can be found in Note (5) beginning on page 20 of this report.



**Other 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 2019 were established to provide for the operations of the district as well as the necessary debt service requirements.

**Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the SWI Community Development District's management company at 12051 Corporate Blvd., Orlando, Florida 32817.

**BASIC FINANCIAL STATEMENTS**

**SWI COMMUNITY DEVELOPMENT DISTRICT  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2019**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 270,605
Receivables, net	40,085
Due from developer	4,554
Prepays	5,824
Capital assets:	
Other capital assets, net of depreciation	6,608,005
Total assets	\$ 6,929,073
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 4,154
Due to developer	531,831
Unearned revenue	5,883
Accrued interest payable	218,579
Noncurrent liabilities:	
Due within one year:	
Bonds and notes payable	170,000
Due in more than one year:	
Bonds and notes payable	15,616,279
Total liabilities	\$ 16,546,726
<b>NET POSITION</b>	
Net investment in capital assets	\$ (9,178,274)
Unrestricted	(439,379)
Total net position	\$ (9,617,653)

The accompanying notes to financial statements are an integral part of this statement.

**SWI COMMUNITY DEVELOPMENT DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Change in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:					
General government	\$ 474,148	\$ 595,854	\$ 62,858	\$ -	\$ 184,564
Interest on long-term debt	584,986	-	-	-	(584,986)
Total governmental activities	<u>1,059,134</u>	<u>595,854</u>	<u>62,858</u>	<u>-</u>	<u>(400,422)</u>
					(400,422)
					(9,217,231)
					<u>\$ (9,617,653)</u>

The accompanying notes to financial statements are an integral part of this statement.

**SWI COMMUNITY DEVELOPMENT DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2019**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 15,677	\$ 254,928	\$ 270,605
Receivables, net	-	40,085	40,085
Due from developer	4,554	-	4,554
Prepaid items	5,824	-	5,824
Total assets	<u>\$ 26,055</u>	<u>\$ 295,013</u>	<u>\$ 321,068</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 4,154	\$ -	\$ 4,154
Unearned revenue	5,883	-	5,883
Due to developer	-	531,831	531,831
Total liabilities	<u>10,037</u>	<u>531,831</u>	<u>541,868</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid items	5,824	-	5,824
Unassigned	10,194	(236,818)	(226,624)
Total fund balances	<u>16,018</u>	<u>(236,818)</u>	<u>(220,800)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 26,055</u>	<u>\$ 295,013</u>	<u>\$ 321,068</u>

The accompanying notes to financial statements are an integral part of this statement.

**SWI COMMUNITY DEVELOPMENT DISTRICT  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2019**

<b>Fund balances - total governmental funds</b>		\$ (220,800)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Total governmental capital assets	10,325,014	
Less: accumulated depreciation	(3,717,009)	6,608,005
Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities, deferred outflows, and other debt-related deferred charges consist of the following:		
Bonds and notes payable	(15,786,279)	
Accrued interest payable	(218,579)	(16,004,858)
<b>Net position of governmental activities</b>		<b>\$ (9,617,653)</b>

The accompanying notes to financial statements are an integral part of this statement.

**SWI COMMUNITY DEVELOPMENT DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Developer contributions	\$ 62,858	\$ -	\$ 62,858
User fee revenues	-	597,223	597,223
<b>Total revenues</b>	<u>62,858</u>	<u>597,223</u>	<u>660,081</u>
<b>Expenditures</b>			
Current:			
General government	61,147	-	61,147
Debt service:			
Principal retirement	-	165,000	165,000
Interest and fiscal charges	-	534,320	534,320
<b>Total expenditures</b>	<u>61,147</u>	<u>699,320</u>	<u>760,467</u>
<b>Net change in fund balances</b>	<u>1,711</u>	<u>(102,097)</u>	<u>(100,386)</u>
<b>Fund balances, beginning of year</b>	14,307	(134,721)	(120,414)
<b>Fund balances, end of year</b>	<u>\$ 16,018</u>	<u>\$ (236,818)</u>	<u>\$ (220,800)</u>

The accompanying notes to financial statements are an integral part of this statement.

**SWI COMMUNITY DEVELOPMENT DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

<b>Net change in fund balances - total governmental funds</b>	<b>\$ (100,386)</b>
Differences in amounts reported for governmental activities in the statement of activities are:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives. Depreciation expense	(413,001)
Bond and loan proceeds are reported as financing sources in the governmental funds. However, the issuance of debt is reported as long-term debt payable in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position. These amounts are as follows: Principal repayment of general long-term debt	165,000
Receivables not considered to be available for current use are reported as deferred inflows of resources in the fund level statements.	(1,369)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. These adjustments are as follows: Change in accrued interest on long-term debt	(50,666)
<b>Change in net position of governmental activities</b>	<b><u><u>\$ (400,422)</u></u></b>

The accompanying notes to financial statements are an integral part of this statement.



**SWI COMMUNITY DEVELOPMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**(1) Summary of Significant Accounting Policies:**

The financial statements of the SWI Community Development District (the District), have been prepared in conformance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles and the District has adopted the GASB Codification. The following is a summary of the District's significant accounting policies:

(a) **Reporting entity**—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 (the 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 exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes. Certain Board members are affiliated with Port Orange Town Center, LLC (the Developer).

The Board has the final responsibility for allocating and levying assessments, approving budgets, exercising control over facilities and properties, controlling the use of funds generated by the District, approving the hiring and firing of key personnel, financing improvements, and other key matters of the District.

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 foregoing criteria, no potential component units were found.

(b) **Government-wide and fund financial statements**—The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report aggregated information for the overall government for all of the activities of the primary government. These statements do not report fiduciary funds or fiduciary component units such as retirement trust funds. Those activities are reported only in fund financial statements. The effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by assessments, are reported separately from business-type activities, which are financed wholly or partially by fees charged to external parties for goods or services and are reported in enterprise funds. However, at September 30, 2019, the District did not have any significant business-type activities. Therefore, no business-type activities are reported.

**SWI COMMUNITY DEVELOPMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

(1) **Summary of Significant Accounting Policies:** (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect costs are included in the program expense reported for individual functions and activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. 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 each governmental fund. Major individual governmental funds are reported as separate columns in the fund financial statements.

(c) **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 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 except for grant revenues which are considered earned when expenditures are incurred. 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 fee revenue, 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. Certain grant funds have been received in advance and are considered unearned revenue until such time as they are expended as part of the infrastructure construction project.

The District reports the following major governmental funds:

**General Fund**—The General Fund is the principal fund of the District which accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the District other than proprietary fund activities are financed through revenues received by the General 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.

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

**SWI COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**(1) Summary of Significant Accounting Policies: (Continued)**

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments (when applicable). Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**(d) Budgets and budgetary accounting**—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 Board. The budgets are compared to actual expenditures. In instances where budgeted appropriations and estimated revenues have been revised during the year, budget data presented in the financial statements represent final authorization amounts. The legal level of control is at the fund level.

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

- 1) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- 2) A public hearing is conducted to obtain comments.
- 3) Prior to October 1, the budget is legally adopted by the District Board.
- 4) All budget changes must be approved by the District Board.
- 5) Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

**(e) Deposits and investments**—The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

**(g) 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 acquisition 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.

Capital assets 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:

Assets	Years
Roadway and transportation	25 years
Grading and stormwater management	25 years

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.

**SWI COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

(1) **Summary of Significant Accounting Policies:** (Continued)

(h) **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. Original issue 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 the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(i) **Fund equity**—In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Those classifications are as follows:

*Nonspendable* – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Restricted* – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation (i.e., when the government assesses, levies, charges, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation

*Committed* – Fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance of the District Board are reported as committed fund balance.

*Assigned* – Fund balance amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance, except for stabilization arrangements.

*Unassigned* – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

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.

(j) **Net position flow assumption**—Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to determine amounts reported as restricted and unrestricted net position, it is the District's policy to consider restricted net position to have been used before unrestricted net position is applied.

(k) **Impact fees**—The District has not adopted any ordinances or resolutions to levy impact fees in accordance with Section 163.31801, Florida Statutes.

**SWI COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

(1) **Summary of Significant Accounting Policies:** (Continued)

(1) **Use of estimates**—Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

(2) **Reconciliation of Government-Wide and Fund Financial Statements:**

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**—Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

(3) **Deposits and Investments:**

The District’s cash and cash equivalents consist of legally authorized demand deposits in accordance with Section 218.415, Florida Statutes. The institutions in which these deposits are kept are certified as Qualified Public Depositories under the Florida Public Deposits Act. Therefore, in addition to applicable Federal Depository Insurance Corporation (FDIC) insurance, these balances on deposit at September 30, 2019, are insured or collateralized through the Bureau of Collateral Management, Florida Department of Financial Services. The District was exposed to no significant custodial credit or other risk related to its cash and investment activities.

(4) **Capital Assets:**

Capital asset activity for the fiscal year ended September 30, 2019, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, being depreciated –				
Grading and stormwater management	\$ 10,151,121	\$ -	\$ -	\$ 10,151,121
Roadway and transportation	173,893	-	-	173,893
Total capital assets, being depreciated	<u>10,325,014</u>	<u>-</u>	<u>-</u>	<u>10,325,014</u>
Less accumulated depreciation for–				
Grading and stormwater management	(3,248,360)	(406,045)	-	(3,654,405)
Roadway and transportation	(55,648)	(6,956)	-	(62,604)
Total accumulated depreciation	<u>(3,304,008)</u>	<u>(413,001)</u>	<u>-</u>	<u>(3,717,009)</u>
Governmental activities capital assets, net	<u>\$ 7,021,006</u>	<u>\$ (413,001)</u>	<u>\$ -</u>	<u>\$ 6,608,005</u>

Depreciation expense of \$413,001 was charged to the general government function on the statement of activities.

**SWI COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**(5) Long-Term Liabilities:**

Long-term liability activity for the year ended September 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable:					
Series 2017	\$ 14,140,000	\$ -	\$ (165,000)	\$ 13,975,000	\$ 170,000
Deferred Obligation	1,811,279	-	-	1,811,279	-
Governmental activities –	<u>\$ 15,951,279</u>	<u>\$ -</u>	<u>\$ (165,000)</u>	<u>\$ 15,786,279</u>	<u>\$ 170,000</u>
Total long-term liabilities					

Bonds and notes payable in the District’s governmental activities at September 30, 2019, were comprised of the following obligations:

Series 2017 Capital Improvement Bond, was issued to refinance the amounts outstanding on the Series 2010 Note, due in payments of principal plus interest at 3.80% semi-annually on May 1 and November 1 of each year until final maturity on November 1, 2056. Pledged by user fee revenues. \$ 13,975,000

Annual debt service requirements to maturity for the District’s governmental activities bonds and notes payable are as follows:

<u>Year Ending September 30,</u>	<u>Capital Improvement Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2020	\$ 170,000	\$ 527,820	\$ 697,820
2021	175,000	521,265	696,265
2022	185,000	514,425	699,425
2023	190,000	507,300	697,300
2024	195,000	499,985	694,985
2025-2029	1,110,000	2,379,180	3,489,180
2030-2034	1,325,000	2,148,425	3,473,425
2035-2039	1,610,000	1,870,170	3,480,170
2040-2044	1,930,000	1,534,820	3,464,820
2045-2049	2,330,000	1,131,450	3,461,450
2050-2054	2,805,000	644,955	3,449,955
2055-2056	1,950,000	113,050	2,063,050
Total	<u>\$ 13,975,000</u>	<u>\$ 12,392,845</u>	<u>\$ 26,367,845</u>

Certain costs advanced by the Developer for capital improvements exceeded the original principal amount of the Series 2010 Note. The difference is evidenced by a non-interest bearing Deferred Obligation payable from excess user fee revenues as they are available. At September 30, 2019, the balance of this deferred obligation totaled \$1,811,279.

**(6) 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; injuries to employees; and natural disasters, all of which is satisfactorily insured by limited risk, high deductible commercial general liability insurance. Commercial insurance policies are also obtained for other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**SWI COMMUNITY DEVELOPMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**(7) 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. For the period ended September 30, 2019, the District paid the management company \$30,000 and had a payable to the management company for \$2,637 at year end.

**(8) Related Party Transactions:**

The Developer contributed \$59,966 during the year for operations and maintenance costs in connection with an agreement to fund certain expenditures as they are incurred. Approximately \$4,989 is due from the Developer at September 30, 2019. In addition, as detailed in Note (5), the District has a remaining Deferred Obligation payable to the Developer in the amount of \$1,811,279.

A User Fee of 1% is charged on all sales made at retail locations within District boundaries, and the revenue was used to pay interest on the Note as it was 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, 2019, cumulative missed payments totaled \$531,831.

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.

**(9) Subsequent Events:**

Subsequent to September 30, 2019, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending and investment markets have been substantially impacted. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the District as of June 29, 2020, management believes that a material impact on District's financial position and results of future operations is reasonably possible.

**REQUIRED SUPPLEMENTARY INFORMATION**



**SWI COMMUNITY DEVELOPMENT DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Developer contributions	\$ 79,825	\$ 79,825	\$ 62,858	\$ (16,967)
<b>Expenditures</b>				
Current:				
General government	79,825	79,825	61,147	18,678
Net change in fund balances	-	-	1,711	1,711
Fund balances, beginning of year	14,307	14,307	14,307	-
Fund balances, end of year	<u>\$ 14,307</u>	<u>\$ 14,307</u>	<u>\$ 16,018</u>	<u>\$ 1,711</u>

The accompanying notes to financial statements are an integral part of this statement.

**ADDITIONAL INFORMATION**

**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:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 the SWI Community Development District (the District), as of and for the year ended September 30, 2019, 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 29, 2020.

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

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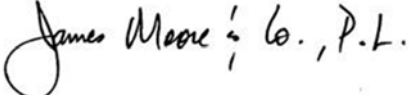
2477 Tim Gamble Place, Suite 200  
Tallahassee, FL 32308-4386  
Telephone: 850-386-6184

### ***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 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.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida  
June 29, 2020

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED  
BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA  
OFFICE OF THE AUDITOR GENERAL**

To the Board of Supervisors,  
SWI Community Development District:

**Report on the Financial Statements**

We have audited the financial statements of the SWI Community Development District, as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated June 29, 2020.

**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 Reporting Requirements**

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 Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 29, 2020, should be considered in conjunction with this management letter.

**Prior Audit Findings**

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

**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 legal authority for the primary government of the reporting entity is disclosed in Note 1 of the basic financial statements.

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## **Financial Condition and Management**

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

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

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

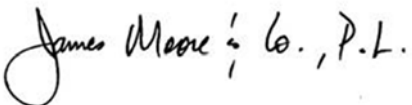
## **Additional Matters**

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

## **Purpose of this Letter**

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

Daytona Beach, Florida  
June 29, 2020

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial "J" and a stylized "M".

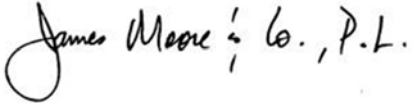
**INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT**

To the Board of Supervisors,  
SWI Community Development District:

We have examined the SWI Community Development District's (the District) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2019. 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 with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2019, in all material respects. An examination involves performing procedures to obtain evidence about the District's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the SWI Community Development District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.



Daytona Beach, Florida  
June 29, 2020

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