### Sweetwater Creek Community Development District

#### **FINANCIAL STATEMENTS**

**September 30, 2019** 



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#### **INDEPENDENT AUDITORS' REPORT**

To the Board of Supervisors Sweetwater Creek Community Development District St. Johns County, Florida Carr, Riggs & Ingram, LLC Certified Public Accountants 500 Grand Boulevard Suite 210 Miramar Beach, Florida 32550

(850) 837-3141 (850) 654-4619 (fax) CRIcpa.com

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sweetwater Creek Community Development District (hereinafter referred to as "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

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, 2019, 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

Caux Rigge & Ingram, L.L.C.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2020, 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 solely 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 effectiveness of the District's 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, LLC

Miramar Beach, Florida March 30, 2020

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ivianagei	ment's Discussion And	Analysis	

Our discussion and analysis of the Sweetwater Creek Community Development District's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the District's financial statements, which begin on page 8.

#### **FINANCIAL HIGHLIGHTS**

- At September 30, 2019, the assets and deferred outflows of resources of the District exceeded its liabilities by approximately \$5.9 million.
- During the fiscal year ended September 30, 2019, the District incurred approximately \$518,000 of interest expenditures and repaid \$560,000 of outstanding bond principal.
- During the fiscal year ended September 30, 2019, the District issued approximately \$10.8 million of Series 2019A Capital Improvement Revenue and Refunding Bonds to refund the Series 2007A Bonds and fund the Series 2019 Project, and incurred cost of issuance expenditures of approximately \$573,000.

#### **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 Districts' 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.

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

Our analysis of the District's major funds begins on page 6. 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.

#### THE DISTRICT AS A WHOLE

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

September 30,	2019	2018	Change
Assets			
Current and other assets	\$ 2,367,942	\$ 1,516,816	\$ 851,126
Capital assets, net	14,256,809	14,974,802	(717,993)
Total assets	16,624,751	16,491,618	133,133
Deferred outflows of resources			
Deferred charge on refunding	160,451	-	160,451
Total assets and deferred outflows of			
resources	\$ 16,785,202	\$ 16,491,618	\$ 293,584
Liabilities			
Current liabilities	\$ 586,891	\$ 883,472	\$ (296,581)
Other liabilities	10,271,272	8,980,000	1,291,272
Total liabilities	10,858,163	9,863,472	994,691
Net position			
Net investment in capital assets	9,102,058	9,537,884	(435,826)
Restricted for:			
Capital projects	282	-	282
Debt service	-	268,274	(268,274)
Unrestricted	(3,175,301)	(3,178,012)	2,711
Total net position	5,927,039	6,628,146	(701,107)
Total liabilities and net position	\$ 16,785,202	\$ 16,491,618	\$ 293,584

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

During the fiscal year ended September 30, 2019, total assets, deferred outflows of resources and liabilities increased by approximately \$133,000, \$160,000 and \$995,000, respectively. The increase in assets is primarily a result of the receipt of bonds proceeds in the current year, partially offset by depreciation on capital assets. The increase in deferred outflows of resources and liabilities is primarily due to the issuance of the revenue and refunding bonds, partially offset by the repayment of outstanding long-term bond principal.

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

Year ended September 30,	2019	2018	Change
Revenues:			
Program revenues:			
Charges for services	\$ 2,006,891	\$ 2,017,316	\$ (10,425)
Operating grants and contributions	201,037	621,746	(420,709)
General revenues:			
Developer contributions	-	10,473	(10,473)
Interest and other revenues	8,954	327	8,627
Total revenues	2,216,882	2,649,862	(432,980)
Expenses:			
General government	125,490	115,196	10,294
Maintenance and operations	357,338	409,352	(52,014)
Recreational facilities	780,691	675,283	105,408
Unallocated depreciation	726,025	726,025	-
Cost of issuance	573,063	-	573,063
Interest	355,382	545,555	(190,173)
Total expenses	2,917,989	2,471,411	446,578
Change in net assets	(701,107)	178,451	(879,558)
Net position, beginning of year	6,628,146	6,449,695	178,451
Net position, end of year	\$ 5,927,039	\$ 6,628,146	\$ (701,107)

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

Revenues decreased from the prior fiscal year by approximately \$433,000 and expenses increased over the prior fiscal year by approximately \$447,000. The decrease in revenues is primarily due to a decrease in prepayment revenue. The increase in expenses is primarily due to the cost of issuance for the Series 2019A Bonds in the current year. The overall result was a \$701,107 decrease in net position for the fiscal year 2019.

#### 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 fund balance of approximately \$2.2 million, which is a decrease from last year's balance that totaled approximately \$1.4 million. Significant transactions are discussed below.

- During the fiscal year ended September 30, 2019, the District received approximately \$184,000 of prepayments on debt service assessments.
- During the fiscal year ended September 30, 2019, the District incurred approximately \$518,000 of interest expenditures and repaid \$560,000 of outstanding long-term bond principal.
- During the fiscal year ended September 30, 2019, the District issued approximately \$10.8 million of Series 2019A Capital Improvement Revenue and Refunding Bonds to refund the Series 2007A Bonds and fund the Series 2019 Project, and incurred cost of issuance expenditures of approximately \$573,000.

The overall increase in fund balance for the year ended September 30, 2019 totaled approximately \$782,000.

#### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### Capital Assets

At September 30, 2019, the District had approximately \$14.3 million invested in capital assets (net of accumulated depreciation). This amount represents a decrease of approximately \$718,000 from the fiscal year 2018 total.

A listing of capital assets by major category for the current and prior year follows:

September 30,	2019 2018				Change	
Capital assets not being depreciated	\$ 8,032	\$	-	\$	8,032	
Capital assets being depreciated	21,506,966		21,506,966			
Total, prior to depreciation	21,514,998		21,506,966		8,032	
Accumulated depreciation	(7,258,189)		(6,532,164)		(726,025)	
Net capital assets	\$ 14,256,809	\$	14,974,802	\$	(717,993)	

More information about the District's capital assets is presented in Note 5 to the financial statements.

#### Debt

At September 30, 2019, the District had approximately \$10.8 million of bonds outstanding. This amount represents an increase of approximately \$1.3 million over the fiscal year 2018 total.

A listing of debt amounts outstanding for the current and prior year is as follows.

September 30,	2019	2018	Change		
Series 2007A bonds Series 2019A-1 bonds	\$ - 7,825,000	\$	9,540,000	\$ (9,540,000) 7,825,000	
Series 2019A-2 bonds	2,980,000		-	2,980,000	
	\$ 10,805,000	\$	9,540,000	\$ 1,265,000	

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

#### **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 24.

The District experienced an unfavorable variance in revenues as compared to the budget in the amount of \$34,153 and a favorable variance in expenditures as compared to the budget in the amount of \$63,229. The variance in revenues is primarily due to a decrease of cost sharing revenue for recreational facilities. The variance in expenditures is primarily due to anticipated maintenance projects that were not incurred in the current year.

#### **FUTURE FINANCIAL FACTORS**

Sweetwater Creek 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. Assessment rates for fiscal year 2020 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 Sweetwater Creek Community Development District's management company, Governmental Management Services Central Florida, LLC, at 135 West Central Boulevard, Suite 320, Orlando, Florida 32801.



## Sweetwater Creek Community Development District Statement of Net Position

September 30,	2019
	Governmental
	Activities
Assets	
Cash and cash equivalents	\$ 2,249,817
Assessments receivable	89,170
Other receivables	25
Prepaid expenses	28,930
Capital assets:	
Not being depreciated	8,032
Depreciable, net	14,248,777
Total assets	16,624,751
10tar 455005	10,024,731
Deferred outflows of resources	
Deferred charge on refunding	160,451
	450 454
Total deferred outflows of resources	160,451
Liabilities	
Accounts payable and accrued expenses	85,988
Contracts payable	8,032
Accrued interest payable	52,871
Non-current liabilities:	
Due within one year	440,000
Due in more than one year	10,271,272
Total liabilities	10,858,163
	· · ·
Net position	
Net investment in capital assets	9,102,058
Restricted for capital projects	282
Unrestricted	(3,175,301)
Total net position	\$ 5,927,039

## **Sweetwater Creek Community Development District**Statement of Activities

Year ended September 30,					2019				
								Ne	t (Expense)
								Re	venue and
								C	hanges in
			<u>Program</u>	Rever	<u>nues</u>			Ne	et Position
				(	Operating	(	Capital		
			Charges for		Grants and		ants and	Go	vernmental
Functions/Programs		Expenses	Services		ntributions		tributions		Activities
Primary government:		·							
Governmental activities:									
General government	\$	(125,490) \$	312,257	\$	-	\$	-	\$	186,767
Maintenance and operations		(357,338)	889,166		-		-		531,828
Recreation facilities		(780,691)	27,218		-		-		(753,473)
Unallocated depreciation		(726,025)	-		-		-		(726,025)
Cost of issuance		(573,063)	-		-		-		(573,063)
Interest		(355,382)	778,250		200,752		285		623,905
Total governmental activities	\$	(2,917,989) \$	2,006,891	\$	200,752	\$	285		(710,061)
	Gen	eral revenues							
		her revenues							8,954
	Tota	ıl general revenue	es						8,954
	Cha	nge in net positio	n						(701,107)
	Net	position - beginn	ing of year						6,628,146
	Net	position - end of	year					\$	5,927,039

## Sweetwater Creek Community Development District Balance Sheet – Governmental Funds

September 30,				2019				
								Total
						Captial	Go	vernmental
	(	General	De	bt Service		Project		Funds
Assets								
Cash and cash equivalents	\$	378,099	\$	326,076	\$	1,545,642	\$	2,249,817
Assessments receivable		9,350		79,820		-		89,170
Other receivables		25		-		-		25
Prepaid expenditures		28,930		-		-		28,930
Total assets	\$	416,404	\$	405,896	\$	1,545,642	\$	2,367,942
Liabilities, Deferred Inflows of Resourc	es a	nd Fund B	ala	nces				
Liabilities								
Accounts payable								
and accrued expenses	\$	85,988	\$	-	\$	-	\$	85,988
Contracts payable		-		-		8,032		8,032
Total liabilities		85,988		-		8,032		94,020
Deferred Inflows of Resources								
Deferred revenue				79,820				79,820
Total deferred inflows of resources				79,820		<u>-</u>		79,820
Total deferred lilliows of resources				79,620				79,620
Fund balances								
Nonspendable		28,930		-		-		28,930
Restricted for debt service		-		326,076		-		326,076
Restricted for capital projects		-		-		1,537,610		1,537,610
Assigned for pool and building		40,000		-		-		40,000
Unassigned		261,486		-		-		261,486
Total fund balances		330,416		326,076		1,537,610		2,194,102
Total liabilities, deferred inflows of								
resources and fund balances	\$	416,404	\$	405,896	\$	1,545,642	\$	2,367,942
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# Sweetwater Creek Community Development District Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

September 30,	2019
Total fund balances, governmental funds	\$ 2,194,102
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.	14,256,809
Deferred charges on refunding are not financial resources and, therefore are not reported as assets in fovernmental funds. The Statement of Net Position includes these charges, net of amortization.	160,451
Revenue reported in the Statement of Activities that was not collected within 60 days of the current year-end was deferred in the fund financial statements.	79,820
Liabilities not due and payable from current resources, including accrued interest, are not reported in the fund financial statements.	(10,764,143)
Total net position - governmental activities	\$ 5,927,039

# Sweetwater Creek Community Development District Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

Year ended September 30.	2019

Year ended September 30,			2019			
						Total
				Captial	Go	vernmental
	General	D	ebt Service	Project		Funds
Revenues						
Assessments	\$ 1,201,423	\$	698,430	\$ -	\$	1,899,853
Prepayments	-		183,549	-		183,549
Recreational facilities	27,218		-	-		27,218
Interest and other revenues	8,954		17,203	285		26,442
Total revenues	1,237,595		899,182	285		2,137,062
Expenditures						
Current:						
General government	125,490		-	-		125,490
Maintenance	357,338		-	-		357,338
Recreational facilities	780,691		-	-		780,691
Debt service:						
Principal	-		560,000	-		560,000
Interest	-		518,856	-		518,856
Cost of issuance	-		-	573,063		573,063
Capital outlay	-		-	8,032		8,032
Total expenditures	1,263,519		1,078,856	581,095		2,923,470
Excess (deficit) of revenues						
over expenditures	(25,924)		(179,674)	(580,810)		(786,408)
Other Financias Comment (Uses)						
Other Financing Sources (Uses)			2			2
Operating transfer in	-		3	- (2)		3
Operating transfer out	-		9 502 009	(3)		(3)
Bond proceeds Original issue discount	-		8,592,008	2,212,992		10,805,000
G	-		-	(94,569)		(94,569)
Transfer to bond escrow payment	-		(9,141,890) (549,879)	2 110 420		(9,141,890) 1,568,541
Total other financing sources (uses)			(349,679)	2,118,420		1,306,341
Net change in fund balances	(25,924)		(729,553)	1,537,610		782,133
Fund balances, beginning of year	356,340		1,055,629	-		1,411,969
Fund balances, end of year	\$ 330,416	\$	326,076	\$ 1,537,610	\$	2,194,102

# Sweetwater Creek Community Development District Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended September 30,	2019
Net change in fund balances - governmental funds	\$ 782,133
Depreciation on capital assets is not recognized in the fund financial statements but is reported as an expense in the Statement of Activities.	(726,025)
Capital outlay, reported as expenditures in the governmental funds, is shown as capital assets on the Statement of Net Assets.	8,032
Assessment amounts received that did not provide current financial resources in prior periods were recognized as revenue in the government-wide Statement of Activities in the prior period.	79,820
Principal payments, reported as a reduction to the liabilities on the Statement of Net Position, is shown as an expenditure in the governmental funds.	560,000
Bond proceeds, which are reported as other financing sources in the governmental funds, are recognized as long-term liabilities in the Statement of Net Position.	(10,805,000)
Transfer to bond escrow agent, which is reported an an other financing use in the governmental funds, is reported as a reduction to the liabilities on the Statement of Net Position.	9,141,890
Governmental funds report the effects of the bond issue discount when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	94,569
Bond discount and refunding costs are amortized over the lives of the bonds in the Statement of Activities, but are recognized as expenditures in the governmental funds.	(2,280)
The change in accrued interest between the current and prior year is recorded in the Statement of Activities but not on the fund financial statements.	165,754
Change in net position - governmental activities	\$ (701,107)

#### **NOTE 1: NATURE OF ORGANIZATION**

The Sweetwater Creek Community Development District (the "District") was created on May 24, 2006 pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes, by St. Johns County Ordinance #2006-59. The Act provides among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

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

The District is governed by a Board of Supervisors ("Board"), which is comprised of five members. The majority of the Supervisors are elected by District residents that are registered to vote in St. Johns County. One supervisor is still elected by owners of the property within the District. The Board exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes.

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 foregoing criteria, 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.

#### 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, 2019, 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.

Assessments, including debt service assessments along with operation and maintenance assessments, are non-ad valorem special assessments imposed on all lands located within the District and benefited by the District's improvement activities, operation and maintenance. Assessments are certified for collection by the District prior to the start of the fiscal year which begins October 1<sup>st</sup> and ends on September 30<sup>th</sup>. Operation and maintenance special assessments are imposed upon all benefited lands located in the District. Debt service special assessments are imposed upon certain lots and lands as described in each resolution imposing the special assessment for each series of bonds issued by the District.

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

Assessments, developer contributions, recreational facilities, 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:

<u>General Fund</u> – 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.

<u>Debt Service Fund</u> – 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.

<u>Capital Projects Funds</u> – The Capital Projects fund is used to account for the financial resources to be used for the acquisition or construction of major infrastructure within the District.

For the year ended September 30, 2019, 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.

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

#### **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.

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
Entrance road/Spine road	30
Neighborhood infrastructure	30
Master stormwater	30
Entry features	25
Recreational facilities	30
Other infrastructure	30

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.

#### **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 these 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.

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

#### **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Financial Position and Balance Sheet – Governmental Funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category: the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Financial 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. At September 30, 2019, the District has reported deferred revenue as a deferred inflow of resources. Deferred revenue represents fiscal year 2019 assessments not collected within 60 days of year-end.

#### **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 the District's bond covenants.

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.

#### **Estimates**

The preparation of financial statements in conformity 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.

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

#### **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.

#### **NOTE 3: 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, if any, have not exceeded this commercial coverage in the previous three years.

#### **NOTE 4: 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.

#### **NOTE 5: CAPITAL ASSETS**

During the year ended September 30, 2019, the District issued Series 2019A Bonds to fund the Series 2019 Project (see Note 6). The Series 2019 Project consists of various recreational improvements and is scheduled to be completed in fiscal year 2020.

#### **NOTE 5: CAPITAL ASSETS (Continued)**

The following is a summary of changes in the capital assets for the year ended September 30, 2019:

	Beginning Balance		dditions	Transfers and	Ending Balance	
Governmental Activities:	Dalance		uuitioiis	Conveyances	Lifullig Dalalice	
Capital assets not being depreciated						
Infrastructure under construction	\$ -	\$	8,032	\$ -	\$ 8,032	
Total capital assets, not being depreciated	-		8,032	-	8,032	
Capital assets being depreciated						
Entrance Road/ Spine Road	6,795,572		-	-	6,795,572	
Neighborhood infrastructure	5,797,708		-	-	5,797,708	
Master stormwater	3,063,807		-	-	3,063,807	
Entry Features	1,368,959		-	-	1,368,959	
Recreational facilities	2,745,115		-	-	2,745,115	
Other infrastructure	1,735,805		-	-	1,735,805	
Total capital assets, being depreciated	21,506,966		-	-	21,506,966	
Less accumulated depreciation						
Entrance Road/ Spine Road	2,265,190		226,519	-	2,491,709	
Neighborhood infrastructure	1,932,570		193,257	-	2,125,827	
Master stormwater	1,021,270		102,127	-	1,123,397	
Entry Features	383,306		54,758	-	438,064	
Recreational facilities	640,528		91,504	-	732,032	
Other infrastructure	289,300		57,860	-	347,160	
Total accumulated depreciation	6,532,164		726,025	-	7,258,189	
Total capital assets, being depreciated, net	14,974,802		(726,025)	-	14,248,777	
Total capital assets, net	\$ 14,974,802	\$	(717,993)	\$ -	\$ 14,256,809	

Depreciation expense of \$726,025 was unallocated on the accompanying Statement of Activities.

#### **NOTE 6: BONDS PAYABLE**

In May 2007, the District issued \$36,370,000 of Capital Improvement Revenue Bonds, Series 2007 consisting of \$19,205,000 Series 2007A Bonds, \$9,485,000 of Series 2007B-1 Bonds and \$7,680,000 of Series 2007B-2 Bonds with fixed interest rates of 5.500%, 5.300% and 5.125%, respectively. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest on the bonds is due semiannually on each May 1 and November 1. Principal on the Series A Bonds is due serially commencing on May 1, 2009 through May 1, 2038. As of March 2014, all of the Series B-1 and B-2 Bonds had been extinguished. As discussed in the following paragraph, the Series 2007A Bonds were refunded during fiscal year 2019.

#### **NOTE 6: BONDS PAYABLE (Continued)**

In July 2019, the District issued \$10,805,000 of Capital Improvement Revenue and Refunding Bonds, Series 2019 consisting of \$7,825,000 of Series 2019A-1 Bonds and \$2,980,000 of Series 2019A-2 Bonds. The Series 2019A-1 Bonds consist of \$3,645,000 Serial Bonds maturing May 1, 2020 through 2029 with fixed interest rates ranging from 2% to 2.5%, \$1,725,000 Term Bonds due on May 1, 2033 with a fixed interest rate of 2.875% and \$2,455,000 Term Bonds due May 1, 2038 with a fixed interest rate of 3.0%. The Series 2019A-2 Bonds consist of \$1,300,000 Term Bonds due on May 1, 2029 with a fixed interest rate of 3.5% and \$1,680,000 Term Bonds due May 1, 2038 with a fixed interest rate of 4.0%. The Bonds were issued to refund the remaining balance on the Series 2007A Bonds and fund improvements to existing facilities and new facilities, including various recreational improvements. Interest on the bonds is due semiannually on each May 1 and November 1. Principal on the Series A-1 and A-2 Bonds is due serially commencing on May 1, 2020 through May 1, 2038.

The Bond Indenture requires that the District maintain adequate funds in the reserve account to meet the debt service reserve requirement as defined in the Indenture. The reserve requirement has been met for the fiscal year ended September 30, 2019.

The Bond Indenture also has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedure to be followed by the District on assessments to property owners. The District agreed to levy special assessments in annual amounts adequate to provide payment of debt service. The District is in compliance with the requirements of the Bond Indenture.

The balance of the long-term bonds at September 30, 2019 is summarized as follows:

September 30,	 2019
Bond principal balance	\$ 10,805,000
Less unamortized bond discounts	(93,728)
Net balance	\$ 10,711,272

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

	ı	Beginning				Ending	[	Due Within
		Balance	Additions	-	Reductions	Balance		One Year
Governmental Activities								
Bonds Payable:								
Series 2007A	\$	9,540,000	\$ -	\$	(9,540,000)	\$ -	\$	-
Series 2019 A-1		-	7,825,000		-	7,825,000		330,000
Series 2019 A-2		-	2,980,000		-	2,980,000		110,000
	\$	9,540,000	\$ 10,805,000	\$	(9,540,000)	\$ 10,805,000	\$	440,000

#### **NOTE 6: BONDS PAYABLE (Continued)**

At September 30, 2019, the scheduled debt service requirements on long-term debt were as follows:

		Total Debt	
Year Ending September 30,	Principal	Interest	Service
2020	\$ 440,000	\$ 262,000	\$ 702,000
2021	455,000	355,996	810,996
2022	465,000	344,456	809,456
2023	480,000	331,383	811,383
2024	490,000	317,868	807,868
2025-2029	2,615,000	1,370,632	3,985,632
2030-2034	3,050,000	899,454	3,949,454
2035-2038	2,810,000	276,660	3,086,660
	\$ 10,805,000	\$ 4,158,449	\$ 14,963,449

#### **NOTE 7: COST SHARING AGREEMENT**

The District has entered into a cost sharing agreement with Marshall Creek Community Development District ("Marshall Creek"), whereby the Districts share certain costs associated with the maintenance, operation, upkeep, repair and replacement of reciprocally used facilities. The Districts each pay a portion of the costs and all costs are shared 72.2% Marshall Creek and 27.8% Sweetwater Creek, which is based on a formula set forth in the cost sharing agreement. Each District's respective portion is subject to change based on the number of platted lots in each District, as set forth in more detail in the cost sharing agreement. In connection with the agreement, the District paid approximately \$82,000 to Marshall Creek, which is included in Recreational facilities on the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

#### **NOTE 8: RELATED PARTY TRANSACTIONS**

A significant portion of the District's activity is dependent upon the continued involvement of the major landowner, Lennar, which is the Developer as of December 2013. The loss of significant involvement could have a material adverse effect on the District's operations. During the year ended September 30, 2019, one Board member was affiliated with the Developer.

During the year ended September 30, 2019, the Developer was directly assessed approximately \$199,000 and \$160,000 for operations and maintenance and debt service assessments, respectively. At September 30, 2019, the Developer owed the District approximately \$80,000 for assessments, which is included in Assessments receivable on the accompanying Statement of Net Position and Balance Sheet – Governmental Funds.

#### **NOTE 9: SUBSEQUENT EVENTS**

In October 2019, the District approved a pool resurfacing project not to exceed \$115,000 and amenity center painting project in the amount of \$41,725. Both projects are part of the Series 2019 Project discussed in Note 5.

# Required Supplemental Information (Other Than MD&A)

## Sweetwater Creek Community Development District Budget to Actual Comparison Schedule – General Fund

Year ended September 30,	2019					
	Original and Actual					riance with
	Fi	nal Budget		Amounts	Fir	nal Budget
Revenues						
Assessments	\$	1,188,599	\$	1,201,423	\$	12,824
Recreational facilities		83,149		27,218		(55,931)
Interest and other revenues		-		8,954		8,954
Total revenues		1,271,748		1,237,595		(34,153)
Expenditures						
General government		106,830		125,490		(18,660)
Maintenance		444,059		357,338		86,721
Recreational facilities		735,859		780,691		(44,832)
Capital outlay		40,000		-		40,000
Total expenditures		1,326,748		1,263,519		63,229
Excess (deficit) of revenues over expenditures	\$	(55,000)	\$	(25,924)	\$	29,076



Carr, Riggs & Ingram, LLC Certified Public Accountants 500 Grand Boulevard Suite 210 Miramar Beach, Florida 32550

(850) 837-3141 (850) 654-4619 (fax) CRIcpa.com

## 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 Sweetwater Creek Community Development District St. Johns County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Sweetwater Creek Community Development District (hereinafter referred to as 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 March 30, 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 did not disclose 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CARR, RIGGS & INGRAM, LLC

Cau, Rigge & Ingram, L.L.C.

Miramar Beach, Florida March 30, 2020



#### **MANAGEMENT LETTER**

Carr, Riggs & Ingram, LLC Certified Public Accountants 500 Grand Boulevard Suite 210 Miramar Beach, Florida 32550

(850) 837-3141 (850) 654-4619 (fax) CRIcpa.com

To the Board of Supervisors Sweetwater Creek Community Development District St. Johns County, Florida

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

We have audited the financial statements of Sweetwater Creek Community Development District ("District") as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated March 30, 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 Auditor General.

#### **Other Reports and Schedule**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent 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 these reports, which are dated March 30, 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 findings or recommendations made in the preceding annual audit report.

#### Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The information required is disclosed in the notes to the financial statements.



Carr, Riggs & Ingram, LLC Certified Public Accountants 500 Grand Boulevard Suite 210 Miramar Beach, Florida 32550

(850) 837-3141 (850) 654-4619 (fax) CRIcpa.com

#### **Financial Condition**

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 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 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.

#### **Other Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants 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, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

CARR, RIGGS & INGRAM, LLC

Can, Rigge & Ingram, L.L.C.

Miramar Beach, Florida March 30, 2020



#### INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Supervisors Sweetwater Creek Community Development District St. Johns County, Florida Carr, Riggs & Ingram, LLC Certified Public Accountants 500 Grand Boulevard Suite 210 Miramar Beach, Florida 32550

(850) 837-3141 (850) 654-4619 (fax) CRIcpa.com

We have examined Sweetwater Creek Community Development District's compliance with the requirements of Section 218.415, Florida Statutes, Local Government Investment Policies, during the year ended September 30, 2019. Management of the District is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the District's compliance with specified requirements.

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

This report is intended solely for the information and use of 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, LLC

Can, Rigge & Ingram, L.L.C.

Miramar Beach, Florida March 30, 2020