

**SIX MILE CREEK  
COMMUNITY DEVELOPMENT DISTRICT  
ST. JOHNS COUNTY, FLORIDA  
FINANCIAL REPORT  
SEPTEMBER 30, 2017**

**SIX MILE CREEK COMMUNITY DEVELOPMENT DISTRICT  
ST. JOHNS COUNTY, FLORIDA**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Six Mile Creek Community Development District, St. John's County, Florida ("District") as of and for the fiscal year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2017, and the respective changes in financial position, thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 7 and other referenced notes, the debt service fund has a deficit fund balance of (\$6,600,581) at September 30, 2017. Due to the Developer's failure to pay the debt assessments securing the District's Series 2007 Bonds in the prior and current fiscal years, the District did not have sufficient funds to make certain scheduled debt service payments in the past, current, and subsequent fiscal years and, as a result, the payments were not made. The District's failures to make its scheduled debt service payments when they are due are considered events of default. The District is economically dependent on the Developer. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

### **Report on Other Legal and Regulatory Requirements**

We have also issued our report dated June 25, 2018, on our consideration of the District's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

June 25, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Six Mile Creek Community Development District, St. Johns County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2017. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

### FINANCIAL HIGHLIGHTS

- The liabilities of the District exceeded its assets at the close of the fiscal year ended September 30, 2017, resulting in a net position deficit balance of (\$1,741,191).
- The change in the District's total net position in comparison with the prior year was \$(7,962,114), a decrease. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2017, the District's governmental funds reported combined ending fund balances of (\$6,625,448), a decrease of (\$4,634,040) in comparison with the prior fiscal year. A portion of fund balance is nonspendable for prepaid items, unassigned deficit fund balances in the debt service and capital projects funds, and the remainder is unassigned general fund balance which is available for spending at the District's discretion.

### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-Wide Financial Statements

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

The statement of net position presents information on all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual amount being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements include all governmental activities that are principally supported by assessments and Developer revenues. The District does not have any business-type activities. The governmental activities of the District include the general government (management), recreation and maintenance functions.

#### 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. The District has one fund category, the governmental funds.

## OVERVIEW OF FINANCIAL STATEMENTS (Continued)

### Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and 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 District's near-term financing requirements.

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

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

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

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities at the close of the most recent fiscal year.

The District's net position reflects its investment in capital assets (e.g. land, land improvements, and infrastructure) less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

		NET POSITION	
		SEPTEMBER 30	
		2017	2016
Assets, excluding capital assets	\$	2,327,608	\$ 7,390,025
Capital assets		39,063,491	43,013,640
Total assets		41,391,099	50,403,665
Liabilities, excluding long-term liabilities		10,217,134	10,665,235
Long-term liabilities		32,915,156	33,517,507
Total liabilities		43,132,290	44,182,742
Net position			
Net investment in capital assets		6,088,562	11,624,467
Restricted		-	2,128,334
Unrestricted		(7,829,753)	(7,531,878)
Total net position	\$	(1,741,191)	\$ 6,220,923

The District's net position decreased during the current fiscal year. The majority of the decrease is the result of a large conveyance of capital assets which occurred in the current fiscal year.

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

		CHANGES IN NET POSITION	
		FOR THE FISCAL YEAR ENDED SEPTEMBER 30,	
		2017	2016
Revenues:			
Program revenues			
Charges for services	\$	1,059,405	\$ 309,587
Operating grant and contributions		352,413	323,161
Capital grant and contributions		378,048	58,718
General revenues		13,087	-
Total revenues		1,802,953	691,466
Expenses:			
General government		139,441	139,862
Maintenance and operations		453,342	205,714
Parks and recreation		81,028	-
Interest		1,980,129	1,395,050
Conveyance of capital assets		7,111,127	784,954
Bond issue costs		-	446,759
Total expenses		9,765,067	2,972,339
Special Item:			
Gain on Bond cancellation		-	30,581,119
Change in net position		(7,962,114)	28,300,246
Net position - beginning		6,220,923	(22,079,323)
Net position - ending	\$	(1,741,191)	\$ 6,220,923

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2017 was \$9,765,067. The costs of the District's activities were partially funded by program revenues. Program revenues were comprised primarily of Developer contributions and assessments in the prior and current fiscal years. Revenues increased due to a large amount of prepaid assessment being collected in the current fiscal year as well as due to an increase in the assessment levy. In addition, the Developer made contributions to the District towards the project which were not made in the prior fiscal year. The increase in expenses is primarily the result of a large conveyance of fixed assets occurring during the current fiscal year.

## GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2017.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2017, the District had \$39,070,132 invested in capital assets for its governmental activities. In the government-wide financial statements depreciation of \$6,641 has been taken, which resulted in a net book value of \$39,063,491. More detailed information about the District's capital assets is presented in the notes of the financial statements.

### Capital Debt

At September 30, 2017, the District had \$35,070,000 in Bonds outstanding and \$37,201 in capital leases payable for its governmental activities. More detailed information about the District's capital debt is presented in the notes of the financial statements.

## ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND OTHER EVENTS

As discussed in the notes to the basic financial statements, the debt service fund has a deficit fund balance of (\$6,600,581) at September 30, 2017. Due to the Developer's failure to pay the debt assessments securing the District's Series 2007 Bonds in the prior and current fiscal years, the District did not have sufficient funds to make certain scheduled debt service payments in the past, current, and subsequent fiscal years and, as a result, the payments were not made. The District's failures to make its scheduled debt service payments when they are due are considered events of default. The District is economically dependent on the Developer.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Six Mile Creek Community Development District's Finance Department at 475 West Town Place Suite 114, St. Augustine, Florida, 32092.



**SIX MILE CREEK COMMUNITY DEVELOPMENT DISTRICT  
ST. JOHNS COUNTY, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017**

	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 16,279
Assessments receivable	2,565
Due from Developer	110,651
Prepays	22,300
Restricted assets:	
Investments	2,175,813
Capital assets	
Nondepreciable	39,003,718
Depreciable, net	59,773
Total assets	41,391,099
<b>LIABILITIES</b>	
Accounts payable	85,103
Contracts and retainage payable	77,736
Accrued interest payable	1,264,078
Unearned revenue	30,011
Due to Bondholder:	
Principal	2,160,000
Interest	6,600,206
Non-current liabilities:	
Due within one year*	96,003
Due in more than one year	32,819,153
Total liabilities	43,132,290
<b>NET POSITION</b>	
Net investment in capital assets	6,088,562
Unrestricted	(7,829,753)
Total net position	\$ (1,741,191)

\*The missed debt service payments due for the Series 2007 Bonds are reflected in the due to Bondholders account balance.

See notes to the financial statements

**SIX MILE CREEK COMMUNITY DEVELOPMENT DISTRICT  
ST. JOHNS COUNTY, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
				Governmental Activities	
Primary government:					
Governmental activities:					
General government	\$ 139,441	\$ 139,441	\$ 347,925	\$ -	\$ 347,925
Maintenance and operations	453,342	192,697	-	378,048	117,403
Parks and recreation	81,028	-	-	-	(81,028)
Interest on long-term debt	1,980,129	727,267	4,488	-	(1,248,374)
Conveyance of capital assets	7,111,127	-	-	-	(7,111,127)
Total governmental activities	9,765,067	1,059,405	352,413	378,048	(7,975,201)
General revenues:					
Miscellaneous income					13,087
Total general revenues					13,087
Change in net position					(7,962,114)
Net position - beginning					6,220,923
Net position - ending					\$ (1,741,191)

See notes to the financial statements

**SIX MILE CREEK COMMUNITY DEVELOPMENT DISTRICT  
ST. JOHNS COUNTY, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
<b>ASSETS</b>				
Cash	\$ 16,279	\$ -	\$ -	\$ 16,279
Investments	-	2,165,409	10,404	2,175,813
Assessments receivable	638	1,927	-	2,565
Due from Developer	76,685	-	33,966	110,651
Prepays items	22,300	-	-	22,300
Total assets	<u>\$ 115,902</u>	<u>\$ 2,167,336</u>	<u>\$ 44,370</u>	<u>\$ 2,327,608</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 85,103	\$ -	\$ -	\$ 85,103
Contracts and retainage payable	-	-	77,736	77,736
Due to Bondholder	-	8,760,206	-	8,760,206
Unearned revenue	22,300	7,711	-	30,011
Total liabilities	<u>107,403</u>	<u>8,767,917</u>	<u>77,736</u>	<u>8,953,056</u>
Fund balances:				
Nonspendable:				
Prepaid items	22,300	-	-	22,300
Unassigned	(13,801)	(6,600,581)	(33,366)	(6,647,748)
Total fund balances	<u>8,499</u>	<u>(6,600,581)</u>	<u>(33,366)</u>	<u>(6,625,448)</u>
Total liabilities and fund balances	<u>\$ 115,902</u>	<u>\$ 2,167,336</u>	<u>\$ 44,370</u>	<u>\$ 2,327,608</u>

See notes to the financial statements

**SIX MILE CREEK COMMUNITY DEVELOPMENT DISTRICT  
ST. JOHNS COUNTY, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017**

Fund balance - governmental funds \$ (6,625,448)

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net position includes those capital assets, net of accumulated depreciation, in the assets of the government as a whole.

Cost of capital assets	39,070,132	
Accumulated depreciation	<u>(6,641)</u>	39,063,491

All liabilities, both current and long-term, are reported in the government-wide financial statements.

Accrued interest payable	(1,264,078)	
Bonds payable*	(32,910,000)	
Capital leases	(37,201)	
Unamortized original issue discount	<u>32,045</u>	<u>(34,179,234)</u>
Net position of governmental activities		<u>\$ (1,741,191)</u>

\*The missed debt service payments due for the Series 2007 Bonds are reflected in the due to Bondholders account balance.

**SIX MILE CREEK COMMUNITY DEVELOPMENT DISTRICT  
ST. JOHNS COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
<b>REVENUES</b>				
Assessments	\$ 332,138	\$ 727,267	\$ -	\$ 1,059,405
Developer contributions	347,925	-	259,637	607,562
Miscellaneous income	13,087	-	116,393	129,480
Interest	-	4,488	2,018	6,506
Total revenues	<u>693,150</u>	<u>731,755</u>	<u>378,048</u>	<u>1,802,953</u>
<b>EXPENDITURES</b>				
Current:				
General government	134,053	5,388	-	139,441
Maintenance and operations	453,342	-	-	453,342
Parks and recreation	74,387	-	-	74,387
Debt service:				
Principal	29,213	641,000	-	670,213
Interest	3,348	1,995,057	-	1,998,405
Capital outlay	66,414	-	3,101,205	3,167,619
Total expenditures	<u>760,757</u>	<u>2,641,445</u>	<u>3,101,205</u>	<u>6,503,407</u>
Excess (deficiency) of revenues over (under) expenditures	(67,607)	(1,909,690)	(2,723,157)	(4,700,454)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	-	-	561,457	561,457
Transfer out	-	(561,457)	-	(561,457)
Proceeds from capital lease	66,414	-	-	66,414
Total other financing sources (uses)	<u>66,414</u>	<u>(561,457)</u>	<u>561,457</u>	<u>66,414</u>
Net change in fund balances	(1,193)	(2,471,147)	(2,161,700)	(4,634,040)
Fund balance - beginning	<u>9,692</u>	<u>(4,129,434)</u>	<u>2,128,334</u>	<u>(1,991,408)</u>
Fund balances - ending	<u>\$ 8,499</u>	<u>\$ (6,600,581)</u>	<u>\$ (33,366)</u>	<u>\$ (6,625,448)</u>

See notes to the financial statements

**SIX MILE CREEK COMMUNITY DEVELOPMENT DISTRICT  
ST. JOHNS COUNTY, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Net change in fund balances - total governmental funds	\$ (4,634,040)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is eliminated and is capitalized as capital assets in the statement of net position.	3,167,619
Governmental funds report the proceeds from capital leases as financial resources when the lease is entered into, whereas these amounts are eliminated in the statement of activities and recognized as long-term liabilities in the statement of net position.	(66,414)
Repayments of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.	670,213
Depreciation of capital assets is not recognized in the governmental fund financial statements, but is reported as an expense in the statement of activities.	(6,641)
Amortization of Bond discounts/premiums is not recognized in the governmental fund financial statements, but is reported as an expense in the statement of activities.	(1,448)
Conveyances of infrastructure improvements to other governments of previously capitalized capital assets is recorded as an expense in the statement of activities.	(7,111,127)
The change in accrued interest on long-term liabilities between the current and prior fiscal year is recorded in the statement of activities but not in the fund financial statements.	19,724
Change in net position of governmental activities	<u>\$ (7,962,114)</u>

See notes to the financial statements

**SIX MILE CREEK COMMUNITY DEVELOPMENT DISTRICT  
ST. JOHNS COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

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

Six Mile Creek Community Development District ("District") was established by Rule 42GGG-1, Florida Administrative Code, adopted by the Florida Land and Water Adjudicatory Commission effective March 7, 2007, pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. The Act provides among other things, the power to manage basic services for community development, power to borrow money and issue Bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

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

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes. The Supervisors are elected by the owners of the property within the District. In a prior fiscal year, Six Mile Creek Ventures, LLC (the "Previous Developer") conveyed all the real property it owned within the District to Six Mile Creek Investment Group, LLC (the "Developer"). At September 30, 2017, three of the Board members are affiliated with Developer.

The Board has the responsibility for:

1. Assessing and levying assessments.
2. Approving budgets.
3. Exercising control over facilities and properties.
4. Controlling the use of funds generated by the District.
5. Approving the hiring and firing of key personnel.
6. Financing improvements.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District is considered to be financially accountable and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Government-Wide and Fund Financial Statements**

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; operating-type special assessments for maintenance and debt service are treated as charges for services and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as *general revenues*.

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

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

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments are recognized as revenues in the year for which they are levied. Grants and similar items are to be recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

### **Assessments**

Assessments are non-ad valorem assessments on benefited property within the District. Operating and maintenance assessments are based upon the adopted budget and levied annually at a public hearing of the District. Debt service assessments are levied when Bonds are issued and assessed and collected on an annual basis. The District may collect assessments directly or utilize the uniform method of collection under Florida Statutes. Direct collected assessments are due as determined by annual assessment resolution adopted by the Board of Supervisors. Assessments collected under the uniform method are mailed by the County Tax Collector on November 1 and due on or before March 31 of each year. Property owners may prepay a portion or all of the debt service assessments on their property subject to various provisions in the Bond documents.

Assessments and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

The District reports the following major governmental funds:

### **General Fund**

The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

### **Debt Service Fund**

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

### **Capital Projects Fund**

This fund accounts for the financial resources to be used for the acquisition or construction of major infrastructure within the District.

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

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



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

### Assets, Liabilities and Net Position or Equity

#### Restricted Assets

These assets represent cash and investments set aside pursuant to Bond covenants or other contractual restrictions.

#### Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Inter-local Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. In addition, surplus funds may be deposited into certificates of deposit which are insured and any unspent Bond proceeds are required to be held in investments as specified in the Bond Indenture.

The District records all interest revenue related to investment activities in the respective funds. Investments are measured at amortized cost or reported at fair value as required by generally accepted accounting principles.

#### 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.

#### Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Furniture, fixtures, and equipment	10

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.

#### Unearned Revenue

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

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

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

#### Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized ratably over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s). For example, the District would record deferred outflows of resources on the statement of net position related to debit amounts resulting from current and advance refundings resulting in the defeasance of debt (i.e. when there are differences between the reacquisition price and the net carrying amount of the old debt).

Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s). For example, when an asset is recorded in the governmental fund financial statements, but the revenue is unavailable, the District reports a deferred inflow of resources on the balance sheet until such times as the revenue becomes available.

#### Fund Equity/Net Position

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

The District can establish limitations on the use of fund balance as follows:

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance – Includes spendable fund balance amounts established by the Board of Supervisors that are intended to be used for specific purposes that are neither considered restricted nor committed. The Board may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

The District first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the District's Bond covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

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

### Other Disclosures

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

## NOTE 3 – BUDGETARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year-end.

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

- a) Each year, the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the upcoming 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) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

## NOTE 4 – DEPOSITS AND INVESTMENTS

### Deposits

The District's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

### Investments

The District's investments were held as follows at September 30, 2017:

	<u>Amortized Cost</u>	<u>Credit Risk</u>	<u>Maturities</u>
First American Government Obligations Fund Class Y	\$ 294,752	S&P AAAM	Weighted average of the fund portfolio: 23 days
Fidelity Government Portfolio CI III	56,285	N/A	N/A
US Bank Money Market Account - Managed	1,824,776	N/A	N/A
Total investments	<u>\$ 2,175,813</u>		

*Credit risk* – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

*Concentration risk* – The District places no limit on the amount the District may invest in any one issuer.

*Interest rate risk* – The District does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

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

**Investments (Continued)**

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

*Fair Value Measurement* – When applicable, the District measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- *Level 1:* Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the District has the ability to access;
- *Level 2:* Investments whose inputs - other than quoted market prices - are observable either directly or indirectly; and,
- *Level 3:* Investments whose inputs are unobservable.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

Money market investments that have a maturity at the time of purchase of one year or less and are held by governments other than external investment pools should be measured at amortized cost. Accordingly, the District's investments have been reported at amortized cost above.

**NOTE 5 – INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended September 30, 2017 were as follows:

Fund	Transfer in	Transfer out
Debt service	\$ -	\$ 561,457
Capital projects	561,457	-
Total	\$ 561,457	\$ 561,457

The transfers between the debt service and capital projects funds related to the use of Series 2007 Reserve Account Funds to finance certain construction costs.

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the period ended September 30, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 8,230,000	\$ -	\$ -	\$ 8,230,000
Infrastructure under construction	34,783,640	3,101,205	7,111,127	30,773,718
Total capital assets, not being depreciated	43,013,640	3,101,205	7,111,127	39,003,718
Capital assets, being depreciated				
Furniture, fixtures, and equipment	-	66,414	-	66,414
Total capital assets, being depreciated	-	66,414	-	66,414
Less accumulated depreciation for:				
Furniture, fixtures, and equipment	-	6,641	-	6,641
Total accumulated depreciation	-	6,641	-	6,641
Total capital assets, being depreciated, net	-	59,773	-	59,773
Governmental activities capital assets, net	\$ 43,013,640	\$ 3,160,978	\$ 7,111,127	\$ 39,063,491

## **NOTE 6 – CAPITAL ASSETS (Continued)**

The total cost for the capital improvements for the District has been estimated at approximately \$156,326,750. Of that amount, approximately \$40,200,000 will be funded with proceeds from the Series 2007 Bonds. During the prior fiscal year, the District issued Series 2016 Bonds to finance approximately \$11.28M in infrastructure. It is anticipated that the remaining improvements will be funded with future Bond issues and Developer funds. Upon completion, certain infrastructure is to be conveyed to others for ownership and maintenance. During the current fiscal year, the District conveyed certain infrastructure assets in the amount of \$7,111,127. See Note 16 – Subsequent Events for additional information regarding project completion subsequent to fiscal year end.

Depreciation was charged to parks and recreation.

In connection with the 2007 project, if the District determines that there are deferred costs which exist at the completion of the project, a deferred cost account is to be established under the terms outlined in the Capital Improvement Revenue Bonds, Series 2007 Bond Indenture. The project has not yet been completed as of September 30, 2017, and the District has not yet determined if a liability exists for deferred costs.

## **NOTE 7 – LONG TERM LIABILITIES**

### **Series 2007 / Series 2014 Bifurcation**

On July 13, 2007, the District issued \$47,820,000 of Capital Improvement Revenue Bonds, Series 2007, dated July 1, 2007. The Bonds mature at intervals through May 1, 2038 with interest rates of 5.5% to 5.875 %. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1, commencing November 1, 2007 and principal is to be paid serially on each May 1, commencing May 1, 2010.

The Bonds are subject to optional redemption as discussed in the Bond Indenture. The Bonds are subject to extraordinary mandatory redemption in the manner outlined in the Bond Indenture.

Since the 2010 fiscal year, the Developer, and its predecessor, failed to make payment on the special assessments which ultimately secure the Series 2007 Bonds. As a result, the debt service payments from November 1, 2011 through those due in the current and subsequent fiscal years have not been made. Such failures to pay the debt service amounts due constitute events of default. The amount due has been reported in the financial statements as Due to Bondholders and reflects \$2,160,000 due for principal and \$6,600,206 due for interest.

During the 2015 fiscal year, the District bifurcated its Series 2007 Bonds into the following Series: \$42,700,000 of the Series 2007 Bonds and \$3,140,000 of the Series 2014A Bonds. Subsequent to the bifurcation in 2015, the District currently refunded the Series 2014A Bonds by issuing the Series 2015 Bonds.

During the prior fiscal year, the District approved accepting the surrender of certain remaining Series 2007 Bonds for cancellation with a corresponding reduction in assessments securing the Bonds. As a result, \$24,520,000 of Series 2007 Bonds was cancelled in the prior fiscal year. In conjunction with the cancellation, \$6,061,119 in previously accrued delinquent interest payments were also written off.

The Bond Indenture established a debt service reserve requirement as well as other restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District has levied special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District was not in compliance with the Reserve requirement for the Series 2007 Bonds as there is a deficit of approximately (\$1,230,000) at September 30, 2017. During the current fiscal year, approximately \$580,000 was withdrawn from the Series 2007 Reserve Trust Fund to finance certain construction expenses.

## NOTE 7 – LONG TERM LIABILITIES (Continued)

### Series 2015

On April 22, 2015, the District issued \$3,165,000 of Capital Improvement Revenue Refunding Bonds, Series 2015 consisting of \$440,000 Term Bonds due on May 1, 2020 with a fixed interest rate of 3.625%, \$535,000 Term Bonds due on May 1, 2025 with a fixed interest rate of 4.375%, and \$2,190,000 Term Bonds due on May 1, 2038 with a fixed interest rate of 5%. The Bonds were issued to currently refund the Series 2014A Bonds. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Bonds is to be paid serially commencing May 1, 2016 through May 1, 2038.

The Series 2015 Bonds are subject to redemption at the option of the District prior to their maturity. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

The Bond Indenture established a debt service reserve requirement as well as other restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District was in compliance with the requirements at September 30, 2017.

### Series 2016

In April 2016, the District issued Capital Improvement Revenue Refunding Bonds, consisting of \$7,315,000 Series 2016A Bonds and \$6,720,000 Series 2016B Bonds. The series 2016A Bonds consist of due \$345,000 Term Bonds due on November 1, 2020 with a fixed interest rate of 3.75%, \$1,175,000 Term Bonds due on November 1, 2028 with a fixed interest rate of 4.75%, \$1,740,000 Term Bonds due on November 1, 2036 with a fixed interest rate of 5.375%, and \$4,055,000 Term Bonds due on November 1, 2047 with a fixed interest rate of 5.75%. The Series 2016B Bonds consists of \$6,720,000 Term Bonds due on November 1, 2035 with a fixed interest rate of 5.875%. The Bonds were issued to finance certain infrastructure construction. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Series 2016A Bonds is to be paid serially commencing November 1, 2018 through November 1, 2047. Principal on the Series 2016B Bonds is to be paid serially commencing November 1, 2018 through November 1, 2047.

The Series 2016 Bonds are subject to redemption at the option of the District prior to their maturity. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture. The District prepaid \$135,000 of the Bonds during the current fiscal year.

The Bond Indenture established a debt service reserve requirement as well as other restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District was in compliance with the requirements at September 30, 2017.

### Long-term Debt Activity

Changes in long-term liability activity for the period ended September 30, 2017 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2007	\$ 18,180,000	\$ -	\$ -	\$ 18,180,000	\$ -
Series 2015	3,085,000	-	95,000	2,990,000	85,000
Original issue discount	23,981	-	1,142	22,839	-
Series 2016	14,035,000	-	135,000	13,900,000	-
Original issue discount	9,512	-	306	9,206	-
Capital lease	-	66,414	29,213	37,201	11,003
Total	\$ 35,266,507	\$ 66,414	\$ 257,765	\$ 35,075,156	\$ 96,003

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

**Long-term Debt Activity (Continued)**

At September 30, 2017, the scheduled debt service requirements on the long - term debt were as follows:

Year ending September 30:	Series 2015 and 2016		
	Principal	Interest	Total
2018	\$ 85,000	\$ 918,082	\$ 1,003,082
2019	200,000	906,183	1,106,183
2020	205,000	898,700	1,103,700
2021	220,000	891,032	1,111,032
2022	230,000	881,439	1,111,439
2023-2027	1,300,000	4,238,437	5,538,437
2028-2032	1,655,000	3,883,717	5,538,717
2033-2037	8,730,000	2,839,773	11,569,773
2038-2042	1,760,000	961,583	2,721,583
2043-2047	2,025,000	442,321	2,467,321
2048	480,000	13,800	493,800
<b>Total</b>	<b>\$ 16,890,000</b>	<b>\$ 16,875,067</b>	<b>\$ 33,765,067</b>

Series 2007 not included as amortization schedule has not been resized

**NOTE 8 – CAPITAL LEASE**

In the current fiscal year, the District entered into a lease agreement for financing the acquisition of fitness equipment for its amenity center at an annual interest rate of 8.63%. The lease agreement qualified as a capital lease for accounting purposes. The lease term is 49 months from lease inception. The assets acquired through the capital lease are:

Assets:	
Furniture, fixtures, and equipment	\$ 66,414
Less accumulated depreciation	<u>(6,641)</u>
Net	<u>\$ 59,773</u>

The future minimum lease payments as of September 30, 2017 are:

Year ending September 30:	Governmental Activities
2018	\$ 13,784
2018	13,784
2020	13,784
2021	<u>1,149</u>
Total minimum lease payments	42,501
Less: amount representing interest	<u>(5,300)</u>
Present value of minimum lease payments	<u>\$ 37,201</u>

**NOTE 9 – DEFICIT FUND EQUITY**

The debt service fund had a deficit fund balance of (\$6,600,581) at September 30, 2017. It is unclear how the deficit will be covered as the District has not collected any of its Series 2007 subsequent fiscal year assessments to-date.

## **NOTE 10 – DEVELOPER TRANSACTIONS**

The Developer owns a portion of the land within the District and has agreed to fund a portion of the general operations of the District. In connection therewith, Developer contribution revenue reflected in the general fund for the current fiscal year was \$347,925 which includes a receivable of \$76,685 as of September 30, 2017.

The Developer has also agreed to fund a portion of the capital improvement projects which are ongoing within the District. Accordingly, the Developer contributed \$259,637 which includes a receivable of \$33,966 as of September 30, 2017.

The Developer owns a portion of land within the District; therefore, assessment revenues in the general and debt service fund include the assessments levied on those lots owned by the Developer.

## **NOTE 11 – CONCENTRATION**

The District's activity is dependent upon the continued involvement of the Developer, the loss of which could have a material adverse effect on the District's operations.

## **NOTE 12 – WATER AND SEWER UNIT CONNECTION FEE REFUND AGREEMENT**

During the prior fiscal year, the District entered an updated agreement with St. Johns County relating to water and sewer connection fees. The District constructed certain water and sewer utilities to be owned and maintained by the County. Under the agreement, the County will refund a portion of connection fees collected up to \$4,311,421 related to water and sewer utilities that were constructed by the District. During the current fiscal year, \$116,393 related to the agreement was received from the County.

## **NOTE 13 – MANAGEMENT COMPANY**

The District has contracted with a management company to perform management advisory services, which include financial and accounting services. Certain employees of the management company also serve as officers of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, computer and other administrative costs.

## **NOTE 14 – RISK MANAGEMENT**

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

## **NOTE 15 – COMMITMENTS AND CONTINGENCIES**

### **Installed Traffic Lights Improvements**

Certain traffic light improvements were constructed on property owned by a neighboring property owner during a prior fiscal year in accordance with an easement between the prior Developer and the property owner. The property owner has taken the position that the District did not have the right to permanently install such improvements on his property and is demanding that they be removed. The matter is currently being negotiated between the District and the property owner, and no accrual has been made as the outcome cannot be determined.



## **NOTE 15 – COMMITMENTS AND CONTINGENCIES (Continued)**

### **Florida Roads Contracting**

The District has a construction contract with Florida Roads Contracting, LLC (“Florida Roads”) for the construction of certain infrastructure in the project. It was recently discovered that there is a defect in the work being performed by Florida Roads. The District is still in the preliminary stages of investigating the matter, but it intends on putting both Florida Roads and Clary & Associates, Inc. (“Clary”), the surveyor for the project, on notice that it intends to hold them responsible for the defect. During the prior fiscal year, a settlement agreement was reached, whereby the District, England Thims & Miller, and Clary would pay \$15,000, \$15,000, and \$20,000, respectively, to Florida Roads. Florida Roads would perform the work necessary to correct the defect.

### **Construction Commitments**

As of September 30, 2017, the District had open contracts for various construction projects. The contracts have approximately \$121,000 that was uncompleted at September 30, 2017.

## **NOTE 16 – SUBSEQUENT EVENTS**

### **Events of Default**

Subsequent to fiscal year end, certain scheduled debt service payments were due on the 2007 Bonds. However, shortfalls in the collection of special assessments caused there to be insufficient amounts available to fund the scheduled debt service payments. As a result, certain scheduled debt service payments were not made. The failure by the District to pay its debt service is considered an event of default.

### **Series 2017 Bonds**

Subsequent to fiscal year end, the District issued \$14,600,000 of the Series 2017 Bonds in order to fund its capital improvements project and currently refund \$2,220,000 of the Series 2016B Bonds. In addition, the District paid the Developer \$207,172 from the Series 2017 Bond proceeds in order to reimburse the Developer for certain expenses paid related to the Series 2017 Bonds.

### **Bond Payments**

Subsequent to fiscal year end, the District prepaid \$85,000 of the Series 2015 Bonds, \$120,000 of the Series 2016A Bonds, \$505,000 of the Series 2016B Bonds and \$20,000 of the Series 2017B Bonds. The prepayments were considered extraordinary mandatory redemptions as outlined in the Bond Indenture.

### **Completion of Series 2007 Project**

Subsequent to fiscal year end, the Series 2007 project was certified complete by the District Engineer. In addition, it was determined that there were no deferred costs.

**SIX MILE CREEK COMMUNITY DEVELOPMENT DISTRICT  
ST. JOHNS COUNTY, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts Original & Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Assessments	\$ 324,166	\$ 332,138	\$ 7,972
Developer contributions	449,119	347,925	(101,194)
Miscellaneous income	-	13,087	13,087
Total revenues	773,285	693,150	(80,135)
<b>EXPENDITURES</b>			
Current:			
General government	121,675	134,053	(12,378)
Maintenance and operations	326,309	453,342	(127,033)
Parks and recreation	325,300	74,387	250,913
Debt service:			
Principal	-	29,213	(29,213)
Interest	-	3,348	(3,348)
Capital Outlay	-	66,414	(66,414)
Total expenditures	773,284	760,757	12,527
Excess of revenues over expenditures	1	(67,607)	(67,608)
<b>OTHER FINANCING SOURCES</b>			
Proceeds from capital lease	-	66,414	66,414
Total other financing sources	-	66,414	66,414
Net change in fund balance	\$ 1	(1,193)	\$ (1,194)
Fund balance - beginning		9,692	
Fund balance - ending		\$ 8,499	

See notes to required supplementary information

**SIX MILE CREEK COMMUNITY DEVELOPMENT DISTRICT  
ST. JOHNS COUNTY, FLORIDA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2017.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Supervisors  
Six Mile 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 Six Mile Creek Community Development District, St. John's County, Florida ("District") as of and for the fiscal year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated June 25, 2018, which includes an emphasis of matter paragraph.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated June 25, 2018.

The District's responses to the findings identified in our audit are described in the accompanying Management Letter. We did not audit the District's responses and, accordingly, we express no opinion on them.

**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.

June 25, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE  
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY  
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

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

We have examined Six Mile Creek Community Development District, St. John's County, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2017. Management is responsible for District's compliance with those requirements. Our responsibility is to express an opinion on District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 in Section 218.415, Florida Statutes. 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 fiscal year ended September 30, 2017.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, management, and the Board of Supervisors of Six Mile Creek Community Development District, St. John's County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

June 25, 2018



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

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

**Report on the Financial Statements**

We have audited the accompanying basic financial statements of Six Mile Creek Community Development District, St. John's County, Florida ("District") as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated June 25, 2018, which includes an emphasis of matter paragraph.

**Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

**Other Reporting Requirements**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Auditor'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 25, 2018, should be considered in conjunction with this management letter.

**Purpose of this Letter**

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General of the state of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, as applicable, management, and the Board of Supervisors of Six Mile Creek Community Development District, St. John's County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Six Mile Creek Community Development District, St. John's County, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

June 25, 2018

## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

#### **2017-01 Financial Condition Assessment:**

Observation: The debt service fund has a deficit fund balance of (\$6,600,581) at September 30, 2017. Due to the Developer's failure to pay the debt assessments securing its Series 2007 Bonds in the prior and current fiscal years, the District did not have sufficient funds to make certain scheduled debt service payments in the past, current, and subsequent fiscal years and, as a result, the payments were not made. The District's failures to make its scheduled debt service payments when they are due are considered events of default. In addition, the District was not in compliance with the reserve requirement as there is a deficit of approximately (\$1,230,000) at September 30, 2017.

Recommendation: The District should take the necessary steps to alleviate the financial condition and to comply with the reserve requirement.

Reference Numbers for Prior Year Findings: 2016-01, 2015-01, 2011-01, 2012-01, 2012-02

Management Response: The District continues to take significant steps to alleviate the deteriorating financial condition. In addition to the issuance of the Series 2015 and Series 2016 Bonds, subsequent to the fiscal year end the District issued Series 2017, Capital Improvement Revenue Bonds to further develop the District. The real estate market drives demand which is the determining factor of which part of the District is developed. The continued development of the District will ultimately lead to the development of the property that secures the Series 2007 Bonds which will result in the elimination of the deteriorating financial condition.

### II. PRIOR YEAR FINDING

**2016-01 Financial Condition Assessment:** See finding 2017-01 above.



## REPORT TO MANAGEMENT (Continued)

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

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

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

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2016, except as noted above.

2. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2017, except as noted above.

3. Noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2017, except as noted above.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.

5. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2017 financial audit report.

6. In connection with our audit, we determined that the District has met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes. The District failed to make certain scheduled debt service payments due on the Series 2007 Bonds, as a result of a lack of funds. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and determined that a deteriorating financial condition was noted. See Findings section above for additional information. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.