

**Stoneybrook South
Community
Development District**

FINANCIAL STATEMENTS

September 30, 2017



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Stoneybrook South Community Development District
Table of Contents
September 30, 2017

REPORT

Independent Auditors' Report	1
------------------------------	---

FINANCIAL STATEMENTS

Management's Discussion and Analysis (required supplemental information)	3
--	---

Basic Financial Statements

Government-Wide Financial Statements	
Statement of Net Position	8

Statement of Activities	9
-------------------------	---

Fund Financial Statements

Balance Sheet – Governmental Funds	10
------------------------------------	----

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	11
--	----

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	12
---	----

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
---	----

Notes to Financial Statements	14
-------------------------------	----

Required Supplemental Information (other than MD&A)

Budget to Actual Comparison Schedule - General Fund	24
---	----

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 <i>Government Auditing Standards</i>	25
---	----

Management Letter	27
-------------------	----

Independent Accountant's Report - Compliance with Section 218.415 Florida Statutes	29
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INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
Stoneybrook South Community Development District
Osceola County, Florida

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
June 27, 2018



Management's Discussion And Analysis

Stoneybrook South Community Development District Management's Discussion and Analysis

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

FINANCIAL HIGHLIGHTS

- At September 30, 2017, the assets and deferred outflows of resources of the District exceed its liabilities and deferred inflows of resources by approximately \$25.2 million.
- During the fiscal year ended September 30, 2017, the District established infrastructure totaling approximately \$5.3 million, as part of the Assessment Area Two-A project.
- During the fiscal year ended September 30, 2017, the District incurred approximately \$1.3 million of interest expenditures and repaid principal of \$425,000.

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

Stoneybrook South Community Development District Management's Discussion and Analysis

Reporting the District's Most Significant Funds

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

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

THE DISTRICT AS A WHOLE

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

<i>September 30,</i>	2017	2016	Change
Assets			
Current and other assets	\$ 4,973,050	\$ 9,128,338	\$ (4,155,288)
Capital assets, net	45,065,701	39,960,919	5,104,782
Total assets	50,038,751	49,089,257	949,494
Deferred outflows of resources			
Deferred charge on refunding	25,219	26,344	(1,125)
Total assets and deferred outflows of resources	\$ 50,063,970	\$ 49,115,601	\$ 948,369
Liabilities			
Current liabilities	\$ 1,958,251	\$ 990,098	\$ 968,153
Other liabilities	22,259,926	22,697,997	(438,071)
Total liabilities	24,218,177	23,688,095	530,082
Deferred inflows of resources			
Deferred gain on refunding	596,844	623,469	(26,625)
Total deferred inflows of resources	596,844	623,469	(26,625)
Net position			
Net investment in capital assets	26,519,256	24,915,435	1,603,821
Restricted for:			
Debt service	459,761	386,378	73,383
Capital projects	-	642,483	(642,483)
Unrestricted	(1,730,068)	(1,140,259)	(589,809)
Total net position	25,248,949	24,804,037	444,912
Total liabilities, deferred inflows of resources and net position	\$ 50,063,970	\$ 49,115,601	\$ 948,369

Stoneybrook South Community Development District Management's Discussion and Analysis

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

During the fiscal year ended September 30, 2017, total assets and liabilities increased by approximately \$949,000 and \$530,000, respectively, while deferred inflows and outflows of resources did not change significantly. The increase in assets is primarily due to the acquisition of completed infrastructure in Assessment Area Two-A. The increase in liabilities is primarily due to the accrual of contracts payable related to the Assessment Area Two-A project.

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

<i>Year ended September 30,</i>	2017	2016	Change
Revenues:			
Program revenues:			
Charges for services	\$ 2,652,800	\$ 2,632,037	\$ 20,763
Grants and contributions	22,653	74,605	(51,952)
General revenues:			
Interest and other revenues	5,656	1,113,310	(1,107,654)
Total revenues	2,681,109	3,819,952	(1,138,843)
Expenses:			
General government	109,305	130,994	(21,689)
Maintenance and operations	844,638	791,187	53,451
Interest	1,282,254	1,305,740	(23,486)
Total expenses	2,236,197	2,227,921	8,276
Change in net position	444,912	1,592,031	(1,147,119)
Net position, beginning of year	24,804,037	23,212,006	1,592,031
Net position, end of year	\$ 25,248,949	\$ 24,804,037	\$ 444,912

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

Revenues decreased from the prior year by approximately \$1.1 million, while expenses did not change significantly. The decrease in revenues is primarily due to payments received by the District in the prior year according to a service agreement with Tohopekalgia Water Authority as reimbursement for costs of installation of oversized infrastructure. The overall result was a \$444,912 increase in net position for fiscal year 2017.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 10) reported a combined fund balance of approximately \$4 million, which is a decrease from last year's balance that totaled approximately \$9.1 million. Significant transactions are discussed below.

Stoneybrook South Community Development District Management's Discussion and Analysis

- During the fiscal year ended September 30, 2017, the District incurred approximately \$1.3 million of interest expenditures and repaid principal of \$425,000.
- During the fiscal year ended September 30, 2017, the District established infrastructure totaling approximately \$5.3 million, as part of the Assessment Area Two-A project.

The overall decrease in fund balance for the year ended September 30, 2017 totaled approximately \$5.1 million.

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 in the amount of \$10,804 and a favorable variance in expenditures in the amount of \$86,843 as compared to the budget. The variance in revenues is primarily related to the contraction of the District, as certain assessable lands were removed and included in the creation of a new district, Stoneybrook South Championsgate Community Development District. The variance in expenditures occurred primarily due to anticipated expenditures that were not incurred during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2017, the District had approximately \$45.1 million invested in capital assets. This amount represents a net increase of approximately \$5.1 million over the fiscal year 2016 total.

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

<i>September 30,</i>	2017	2016	Change
Capital assets not being depreciated	\$ 43,134,043	\$ 37,868,289	\$ 5,265,754
Capital assets being depreciated	2,414,574	2,414,574	-
Total, prior to depreciation	45,548,617	40,282,863	5,265,754
Accumulated depreciation	(482,916)	(321,944)	(160,972)
Net capital assets	\$ 45,065,701	\$ 39,960,919	\$ 5,104,782

More information about the District's capital assets is presented in Note 4 to the financial statements.

Stoneybrook South Community Development District Management's Discussion and Analysis

Debt

At September 30, 2017, the District had approximately \$22.9 million of bonds outstanding. This amount represents a decrease of \$425,000 from the fiscal year 2016 total.

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

<i>September 30,</i>	2017	2016	Change
Series 2013 bonds	\$ 8,555,000	\$ 8,745,000	\$ (190,000)
Series 2014 bonds	14,330,000	14,565,000	(235,000)
Total	\$ 22,885,000	\$ 23,310,000	\$ (425,000)

More information about the District's long-term debt is presented in Note 5 to the financial statements.

FUTURE FINANCIAL FACTORS

Stoneybrook South 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 policies and sets assessment rates. Assessment rates for fiscal year 2018 were established to provide for the operations of the District as well as the necessary debt service requirements.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. If you have questions about this report or need additional financial information, contact the Stoneybrook South Community Development District's management company at 135 W. Central Boulevard, Suite 320, Orlando, Florida 32801.



Basic Financial Statements

**Stoneybrook South Community Development District
Statement of Net Position**

<i>September 30,</i>	2017
	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,591,611
Investments	3,290,610
Assessments receivable	13,866
Other receivables	583
Prepaid expenses	25,621
Deposits	50,759
Capital assets:	
Not being depreciated	43,134,043
Depreciable, net	1,931,658
Total assets	50,038,751
Deferred outflows of resources	
Deferred charge on refunding	25,219
Total deferred outflows of resources	25,219
Liabilities	
Accounts payable	1,151
Contracts payable	965,209
Unearned revenue	12,750
Accrued interest payable	539,141
Non-current liabilities:	
Due within one year	440,000
Due in more than one year	22,259,926
Total liabilities	24,218,177
Deferred inflows of resources	
Deferred gain on refunding	596,844
Total deferred outflows of resources	596,844
Net position	
Net invested in capital assets	26,519,256
Restricted for:	
Debt service	459,761
Unrestricted	(1,730,068)
Total net position	\$ 25,248,949

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

Stoneybrook South Community Development District Statement of Activities

Year ended September 30,

2017

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Net (Expense) Revenue and Changes in Net Position
Primary government:						
Governmental activities:						
General government	\$ (109,305)	\$ 119,007	\$ -	\$ -	\$ 9,702	
Maintenance and operations	(844,638)	744,347	-	-	(100,291)	
Interest	(1,282,254)	1,789,446	12,361	10,292	529,845	
Total governmental activities	(2,236,197)	2,652,800	12,361	10,292	439,256	
General revenues						
Interest						5,656
Total general revenues						5,656
Change in net position						444,912
Net position - beginning of year						24,804,037
Net position - end of year						\$25,248,949

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

**Stoneybrook South Community Development District
Balance Sheet – Governmental Funds**

September 30,

2017

	General	Debt Service	Capital Projects	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,591,611	\$ -	\$ -	\$ 1,591,611
Investments	-	2,326,527	964,083	3,290,610
Assessments receivable	4,562	9,304	-	13,866
Other receivables	583	-	-	583
Prepaid expenditures	25,621	-	-	25,621
Deposits	50,759	-	-	50,759
Total assets	\$ 1,673,136	\$ 2,335,831	\$ 964,083	\$ 4,973,050
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 1,151	\$ -	\$ -	\$ 1,151
Contracts payable	-	-	965,209	965,209
Unearned revenue	12,750	-	-	12,750
Total liabilities	13,901	-	965,209	979,110
Fund balances				
Nonspendable	76,380	-	-	76,380
Restricted for:				
Debt service	-	2,335,831	-	2,335,831
Unassigned	1,582,855	-	(1,126)	1,581,729
Total fund balances (deficit)	1,659,235	2,335,831	(1,126)	3,993,940
Total liabilities and fund balances	\$ 1,673,136	\$ 2,335,831	\$ 964,083	\$ 4,973,050

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

Stoneybrook South Community Development District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of
Net Position

<i>September 30,</i>	2017
Total fund balance, governmental funds	\$ 3,993,940
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund level statements.	45,065,701
Deferred charges on refunding are not financial resources and, therefore are not reported as assets in governmental funds. The Statement of Net Position includes these charges, net of amortization.	25,219
Deferred gains on refunding are not financial resources and, therefore are not reported as liabilities in governmental funds. The Statement of Net Position includes these gains, net of amortization.	(596,844)
Liabilities not due and payable from current resources, including accrued interest, are not reported in the fund level statements.	(23,239,067)
Total net position - governmental activities	\$ 25,248,949

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

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

Year ended September 30,

2017

	General	Debt Service	Capital Projects	Total Governmental Funds
Revenues				
Assessments	\$ 863,354	\$ 1,789,446	\$ -	\$ 2,652,800
Interest	5,656	12,361	10,292	28,309
Total revenues	869,010	1,801,807	10,292	2,681,109
Expenditures				
Current:				
General government	109,305	-	-	109,305
Maintenance and operations	683,666	-	-	683,666
Debt service:				
Principal	-	425,000	-	425,000
Interest	-	1,309,831	-	1,309,831
Capital outlay	-	-	5,265,754	5,265,754
Total expenditures	792,971	1,734,831	5,265,754	7,793,556
Excess (deficit) of revenues over expenditures	76,039	66,976	(5,255,462)	(5,112,447)
Other Financing Sources (Uses)				
Transfer in	-	2,177	3,054	5,231
Transfer out	-	(3,054)	(2,177)	(5,231)
Total other financing sources (uses)	-	(877)	877	-
Net change in fund balances	76,039	66,099	(5,254,585)	(5,112,447)
Fund balances, beginning of year	1,583,196	2,269,732	5,253,459	9,106,387
Fund balances (deficit), end of year	\$ 1,659,235	\$ 2,335,831	\$ (1,126)	\$ 3,993,940

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

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

<i>Year ended September 30,</i>	2017
Net change in fund balances - governmental funds	\$ (5,112,447)
Capital outlay, reported as expenditures in the governmental funds, is shown as capital assets on the Statement of Net Position.	5,265,754
Governmental funds report principal payments on bonds when debt is paid, whereas these payments are eliminated in the Statement of Activities and recognized as a decrease in bonds payable in the Statement of Net Position.	425,000
Amortization of deferred charge, gain on refunding and original issue discount is not recognized in the governmental fund statements but is recorded as a component of interest expense in the Statement of Activities.	18,571
The change in accrued interest between the current and prior year is recorded on the Statement of Activities but not on the fund financial statements.	9,006
Depreciation on capital assets is not recognized in the fund financial statements but is reported as an expense in the Statement of Activities.	(160,972)
Change in net position of governmental activities	\$ 444,912

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

Stoneybrook South Community Development District Notes to Financial Statements

NOTE 1: NATURE OF ORGANIZATION

The Stoneybrook South Community Development District (the “District”) was established on July 24, 2006 pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes, by Osceola County Ordinance #06-26. 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 purpose of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District.

The District is governed by a Board of Supervisors (“Board”), which is comprised of five members. The Supervisors are elected on an at large basis by landowners of the District. Certain Supervisors are currently affiliated with the Developer of the community, Len-CG South, LLC. The District is economically dependent on the Developer. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the final responsibility for:

1. Allocating 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.

Stoneybrook South Community Development District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Measurement Focus, Basis of Accounting and Basis of Presentation

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

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

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 activities, operation and maintenance. Assessments are levied and certified for collection by the District prior to the start of the fiscal year which begins October 1st and ends on September 30th. 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.

Assessments 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.

Stoneybrook South Community Development District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District reports the following major governmental funds:

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

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt.

Capital Projects Fund – The Capital Projects Fund accounts for the financial resources to be used in the acquisition or construction of major infrastructure within the District financed with the Series 2013 and 2014 Bonds.

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

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

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

Cash, Deposits and Investments

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

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

The District is authorized to invest in financial instruments as established by Section 218.415, Florida Statutes. The authorized investments include among others negotiable direct or indirect obligations which are secured by the United States Government; 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.

Stoneybrook South Community Development District Notes to Financial Statements

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 following useful lives: Infrastructure, 15 years.

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

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.

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.

Stoneybrook South Community Development District Notes to Financial Statements

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 includes 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. At September 30, 2017, the District has one item, a deferred charge on refunding, which qualifies for reporting in this category. 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, 2017, the District has one item that qualifies for reporting in this category. A deferred gain on refunding results when the proceeds from refunding bonds are less than the bonds being refunded.

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.

Stoneybrook South Community Development District Notes to Financial Statements

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: INVESTMENTS

The District’s investments consist of money market funds in which shares are owned in the fund rather than the underlying investments. In accordance with GAAP, these amounts are reported at amortized cost.

The following is a summary of the District’s investments:

<u>September 30,</u>	<u>2017</u>	<u>Credit Risk</u>	<u>Maturities</u>
Short-term Money Market Funds	\$ 3,290,610	S&P AAAM	32 days

Custodial credit risk – For an investment, custodial credit risk is the risk that the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District has no formal policy for custodial risk. At September 30, 2017, the money market funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Interest rate risk – The District does not have a formal policy for addressing interest rate risk; however, investments are made with discretion, to seek reasonable returns, preserve capital, and in general, avoid speculative investments. The District manages its exposure to declines in fair values from interest rate changes by reviewing the portfolio on an ongoing basis for changes in effective yield amounts.

Stoneybrook South Community Development District Notes to Financial Statements

NOTE 3: INVESTMENTS (Continued)

Concentration risk – The District’s investment policy requires diversification, but does not specify limits on types of investments.

NOTE 4: CAPITAL ASSETS

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

	Beginning Balance	Additions	Transfer	Ending Balance
Governmental Activities:				
<i>Capital assets not being depreciated</i>				
Infrastructure under construction	\$ 37,868,289	\$5,265,754	\$ -	\$ 43,134,043
Total capital assets, not being depreciated	37,868,289	5,265,754	-	43,134,043
<i>Capital assets being depreciated</i>				
Infrastructure - landscaping	2,414,574	-	-	2,414,574
Total capital assets, being depreciated	2,414,574	-	-	2,414,574
<i>Less accumulated depreciation</i>				
Infrastructure - landscaping	321,944	160,972		482,916
Total accumulated depreciation	321,944	160,972	-	482,916
Total capital assets, being depreciated, net	2,092,630	(160,972)	-	1,931,658
Governmental activities capital assets	\$ 39,960,919	\$5,104,782	\$ -	\$ 45,065,701

The total projected cost of the infrastructure improvements has been estimated at \$62 million, of which approximately \$40 million was funded with proceeds from Series 2007 bonds. During the year ended September 30, 2014, the District issued Special Assessment Bonds, Series 2014, in the amount of \$14,785,000 to fund the Assessment Area Two-A project. The Developer entered into an agreement with the District to fund the remaining portion of the project (see Note 9). In October 2017, the Series 2013 and 2014 projects were both officially deemed complete. The infrastructure under construction was placed in service on October 1, 2017.

Depreciation expense of \$160,972 was allocated maintenance and operations on the Statement of Activities.

Stoneybrook South Community Development District Notes to Financial Statements

NOTE 5: BONDS PAYABLE

On June 18, 2013, the District issued \$9,300,000 of Special Assessment Refunding Bonds, Series 2013 which were issued to refund \$3,825,000 of Series 2007A Bonds and \$6,175,000 of Series 2007B Bonds with fixed interest rates of 5.50% and 6.5%. Interest is paid semiannually on each May 1 and November 1. Principal on the Series 2013 Bonds is paid serially commencing on May 1, 2014 through May 1, 2039.

In June 2014, the District issued \$14,785,000 of Special Assessment Bonds, Series 2014 consisting of \$2,775,000 2014 Term Bonds due on November 1, 2024 with a fixed interest rate of 4.75%, \$4,490,000 of 2014 Term Bonds due on November 1, 2034 with a fixed interest rate of 5.125%, and \$7,520,000 of 2014 Term Bonds due on November 1, 2044 with a fixed interest rate of 5.5%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District, specifically Assessment Area Two-A. Interest is paid semiannually on each May 1 and November 1. Principal on the Series 2014 Bonds is paid serially commencing on November 1, 2015 through November 1, 2044.

The Bond Indentures require that the District maintain adequate funds in reserve accounts to meet the debt service reserve requirements as defined in the Indentures. The requirements have been met for the fiscal year ended September 30, 2017.

The Bond Indentures have certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District 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 at September 30, 2017.

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities</i>					
Bonds Payable:					
Series 2013	\$ 8,745,000	\$ -	\$ (190,000)	\$ 8,555,000	\$ 195,000
Series 2014	14,565,000	-	(235,000)	14,330,000	245,000
	<u>\$ 23,310,000</u>	<u>\$ -</u>	<u>\$ (425,000)</u>	<u>\$22,885,000</u>	<u>\$ 440,000</u>

The balance of the long-term bonds at September 30, 2017 is summarized as follows:

<i>September 30,</i>	2017
Bond principal balance	\$ 22,885,000
Less unamortized bond discount	(185,074)
Net balance, Series 2013 and Series 2014 Bonds	\$ 22,699,926

Stoneybrook South Community Development District Notes to Financial Statements

NOTE 5: BONDS PAYABLE (Continued)

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

<i>Year Ending September 30,</i>	Principal	Interest	Total Debt Service
2018	\$ 440,000	\$ 1,288,119	\$ 1,728,119
2019	460,000	1,265,519	1,725,519
2020	485,000	1,241,775	1,726,775
2021	510,000	1,216,888	1,726,888
2022	535,000	1,190,581	1,725,581
2023-2027	3,140,000	5,497,606	8,637,606
2028-2032	4,150,000	4,485,875	8,635,875
2033-2037	5,500,000	3,114,969	8,614,969
2038-2042	4,975,000	1,392,925	6,367,925
2043-2045	2,690,000	227,150	2,917,150
	\$ 22,885,000	\$ 20,921,407	\$ 43,806,407

NOTE 6: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; 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. The District has not filed any claims under this commercial coverage during the last three years.

NOTE 7: MANAGEMENT COMPANY

The District has contracted with a management company to perform management consulting services, which include financial and accounting consulting 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 8: CONCENTRATION

A significant portion of 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. At September 30, 2017, the Developer owned a significant amount of the assessable property located within the District boundaries.

Stoneybrook South Community Development District Notes to Financial Statements

NOTE 8: CONCENTRATION (Continued)

During the year ended September 30, 2017, the Developer and a related entity were directly assessed \$49,040 and \$78,351 for operations and maintenance and debt service assessments, respectively. The Developer was also assessed \$128,915 and \$264,219 for operations and maintenance and debt service assessments, respectively, on the county tax roll.

During the year ended September 30, 2017, the District incurred expenditures of approximately \$5.2 million for the acquisition of completed infrastructure in Assessment Area Two-A from the Developer. At September 30, 2017, the District owed the Developer approximately \$963,000, which was included in Contracts payable on the accompanying financial statements.

NOTE 9: ACQUISITION AGREEMENT

During the year ended September 30, 2014, the District agreed, in substantial form, to an acquisition agreement with the Developer. The acquisition agreement includes a promissory note for amounts necessary to complete the project that are in addition to the construction funds received relating to the issuance of the Series 2014 Bonds, in the event that the District issues additional bonds. The District Engineer estimated the construction costs of Assessment Area 2-A to be \$17,895,000 and the funds deposited in the construction account relating to the Series 2014 bond issue amount to be \$13,822,005, a difference of \$4,072,995. Accordingly, the promissory note is estimated to be valued at approximately \$4.1 million; however, the note is only payable from the issuance of additional bonds for Assessment Area 2, which the District is not obligated to issue.



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

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

<i>Year ended September 30,</i>	2017		
	Original and Final Budget	Actual Amounts	Variance with Final Budget
Revenues			
Assessments	\$ 879,814	\$ 863,354	\$ (16,460)
Interest	-	5,656	5,656
Total revenues	879,814	869,010	(10,804)
Expenditures			
General government	139,375	109,305	30,070
Maintenance and operations	740,439	683,666	56,773
Total expenditures	879,814	792,971	86,843
Excess of revenues over expenditures	\$ -	\$ 76,039	\$ 76,039

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
Stoneybrook South Community Development District
Osceola 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 Stoneybrook South Community Development District (hereinafter referred to as the "District"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 27, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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, L.L.C.

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
June 27, 2018

MANAGEMENT LETTER

To the Board of Supervisors
Stoneybrook South Community Development District
Osceola County, Florida

Report on the Financial Statements

We have audited the financial statements of Stoneybrook South Community Development District ("District") as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated June 27, 2018.

Auditors' Responsibility

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

Other Reporting Requirements

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 this report, which is dated June 27, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes during the year ended September 30, 2017.

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

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

Annual Financial Report

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

Additional Matters

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

Purpose of this Letter

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

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
June 27, 2018



Carr, Riggs & Ingram, LLC
Certified Public Accountants
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INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Supervisors
Stoneybrook South Community Development District
Osceola County, Florida

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements references 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 judgement, including an assessment of 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, 2017.

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, L.L.C.

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
June 27, 2018