



Babcock Ranch Community Independent Special District

FINANCIAL STATEMENTS

September 30, 2022



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INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
Babcock Ranch Community Independent Special District
Charlotte County, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Babcock Ranch Community Independent Special District (hereinafter referred to as "District"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the District as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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, is the responsibility of

management, and 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the Florida Single Audit Act and is also not a required part of the basic financial statements.

The schedule of expenditures of state financial assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2023, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
June 28, 2023

Management's Discussion And Analysis

Babcock Ranch Community Independent Special District Management's Discussion and Analysis

Our discussion and analysis of the Babcock Ranch Community Independent Special District's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2022. Please read it in conjunction with the District's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- At September 30, 2022, the assets of the District as a whole exceeded its liabilities and deferred inflows of resources by approximately \$20 million. For the governmental activities at September 30, 2022, the assets of the District exceed its liabilities and deferred inflows of resources by approximately \$32 million. For the business-type activities at September 30, 2022, the liabilities and deferred inflows of resources of the District exceed its assets by approximately \$12.5 million (deficit) within the business-type activities.
- During the fiscal year ended September 30, 2022, the District issued Special Assessment Revenue Bonds, Series 2022 totaling \$80,515,000, to finance the Series 2022 Project.
- During the fiscal year ended September 30, 2022, the District paid approximately \$3.2 million and \$1.2 million of interest and cost of issuance expenditures, respectively, repaid \$885,000 of outstanding long-term principal and incurred approximately \$51.1 million of capital outlay expenditures related to work in progress on the infrastructure project.
- During the fiscal year ended September 30, 2022, the District incurred grant costs of approximately \$6.3 million related to a state-funded agreement with the State of Florida, Division of Emergency Management, to construct a regional emergency shelter.

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 11 – 12 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 13. 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 6. 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.

Babcock Ranch Community Independent Special District Management's Discussion and Analysis

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.

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

- Governmental activities – Most of the District's services are reported here, including general administration, operations and maintenance. Owner assessments finance most of these activities.
- Business-type activities – The District charges a fee to members and other users to help cover the costs associated with the operations of the water, sewer and irrigation utilities, and solid waste disposal.

Reporting the District's Most Significant Funds

Our analysis of the District's major funds begins on page 7. The fund financial statements begin on page 13 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. The District's funds are comprised of governmental fund-types and proprietary (business-type) funds.

- *Governmental funds* – Most 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.
- *Proprietary funds* – When the District charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the District's enterprise fund, a type of proprietary fund, is the same as the business-type activities we report in the government wide statements but provides more detail and additional information, such as cash flows.

Babcock Ranch Community Independent Special District Management's Discussion and Analysis

THE DISTRICT AS A WHOLE

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

<i>September 30,</i>	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	\$103,850	\$38,871	\$ 2,022	\$ 1,201	\$105,872	\$ 40,072
Construction in progress	108,328	57,121	-	-	108,328	57,121
Total assets	\$212,178	\$95,992	\$ 2,022	\$ 1,201	\$214,200	\$ 97,193
Liabilities						
Current liabilities	\$ 17,596	\$ 5,029	\$ 14,475	\$ 9,486	\$ 32,071	\$ 14,515
Other liabilities	159,011	78,849	-	-	159,011	78,849
Total liabilities	176,607	83,878	14,475	9,486	191,082	93,364
Deferred inflows of resources						
Deferred inflows related to leases	2,409	-	-	-	2,409	-
Deferred inflows of resources	516	-	57	102	573	102
Total deferred inflows of resources	2,925	-	57	102	2,982	102
Net position						
Net investment in capital assets	34,603	12,335	-	-	34,603	12,335
Restricted for:						
Debt service	-	297	-	-	-	297
Unrestricted	(1,957)	(518)	(12,510)	(8,387)	(14,467)	(8,905)
Total net position (deficit)	32,646	12,114	(12,510)	(8,387)	20,136	3,727
Total liabilities, deferred inflows of resources and net position	\$212,178	\$95,992	\$ 2,022	\$ 1,201	\$214,200	\$ 97,193

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

During the fiscal year ended September 30, 2022, total assets and liabilities increased by approximately \$117 million and \$98 million, respectively, over the prior fiscal year. The increase in assets and liabilities is primarily due to the issuance of the Series 2022 Bonds and the continued infrastructure construction during the fiscal year.

Babcock Ranch Community Independent Special District Management's Discussion and Analysis

The following schedule compares the Statement of Activities for the current and previous fiscal year (in thousands).

	Governmental Activities		Business-type Activities		Total Primary Government	
<i>For the year ended September 30,</i>	2022	2021	2022	2021	2022	2021
Revenue:						
Program revenue:						
Charges for services	\$ 5,928	\$ 3,649	\$ 12,128	\$ 8,382	\$ 18,056	\$ 12,031
Grants and contributions	25,235	4,539	-	-	25,235	4,539
General revenue:						
Cost sharing and other revenue	1,178	393	-	-	1,178	393
Total revenue	32,341	8,581	12,128	8,382	44,469	16,963
Expenses:						
General government	2,185	1,085	-	-	2,185	1,085
Maintenance and operations	3,462	2,501	-	-	3,462	2,501
Utilities	-	-	15,402	10,728	15,402	10,728
Solid waste	-	-	849	537	849	537
Bond issue costs	1,190	541	-	-	1,190	541
Developer repayment	-	2,330	-	-	-	2,330
Interest	4,972	3,066	-	-	4,972	3,066
Total expenses	11,809	9,523	16,251	11,265	28,060	20,788
Change in net position	20,532	(942)	(4,123)	(2,883)	16,409	(3,825)
Net position (deficit), beginning	12,114	13,056	(8,387)	(5,504)	3,727	7,552
Net position (deficit), ending	\$ 32,646	\$ 12,114	\$ (12,510)	\$ (8,387)	\$ 20,136	\$ 3,727

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

Revenue and expenses increased by approximately \$27.5 million and \$7.3 million, respectively. The increase in revenue is primarily due to the increase in developer contributions, grant revenues, and prepayment revenues for the SIB lot closings. The increase in government activity and business-type expense is due to accrual of interest expense and increased utility costs, respectively. The overall result was an approximately \$16.4 million increase in net position for fiscal year 2022.

THE DISTRICT'S FUNDS

Governmental Funds

As the District completed the year, its governmental funds (as presented in the balance sheet on page 13) reported a combined fund balance of approximately \$85.9 million, which is an increase over last year's balance of approximately \$33.5 million. Significant transactions are discussed below.

Babcock Ranch Community Independent Special District Management's Discussion and Analysis

- During the fiscal year ended September 30, 2022, the District issued Special Assessment Revenue Bonds, Series 2022 totaling \$80,515,000, to finance the Series 2022 Project.
- During the fiscal year ended September 30, 2022, the District incurred approximately \$3.2 million and \$1.2 million of interest and cost of issuance expenditures, respectively.
- During the fiscal year ended September 30, 2022, the District repaid approximately \$1.5 million of outstanding long-term principal and incurred approximately \$51 million of capital outlay expenditures related to work in progress on infrastructure projects.
- During the fiscal year ended September 30, 2022, the District incurred grant costs of approximately \$6.3 million related to a state-funded agreement with the State of Florida, Division of Emergency Management, to construct a regional emergency shelter.

The overall increase in fund balance for governmental funds for the year ended September 30, 2022 totaled approximately \$52.4 million.

Proprietary Fund

The District's proprietary fund provides the same type of information found in the business-type activities column of the government-wide financial statements, but in more detail. Significant transactions are discussed below.

- During the year ended September 30, 2022, the District incurred approximately \$15.4 million and \$849,000 of water, sewer and irrigation utilities and solid waste expenditures, respectively.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2022, the District had approximately \$108.3 million invested in capital assets not being depreciated. This amount represents a net increase of approximately \$51.2 million over the fiscal year 2021 total. A listing of capital assets by major category for the current and prior year follows (in thousands).

	Governmental Activities		Business-type Activities		Total Primary Government	
<i>September 30,</i>	2022	2021	2022	2021	2022	2021
Capital assets not being depreciated	\$108,328	\$57,121	\$ -	\$ -	\$108,328	\$ 57,121
Net capital assets	\$108,328	\$57,121	\$ -	\$ -	\$108,328	\$ 57,121

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

Babcock Ranch Community Independent Special District Management's Discussion and Analysis

Debt

At September 30, 2022, the District had approximately \$156.9 million bonds outstanding. This amount represents a net increase of approximately \$79.6 million over the fiscal year 2021 total. A listing of debt amount outstanding for the current and prior year is as follows (in thousands):

<i>September 30,</i>	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Series 2015	\$ 18,095	\$ 18,505	\$ -	\$ -	\$ 18,095	\$ 18,505
Series 2018	1,970	2,005	-	-	1,970	2,005
Series 2018 Assessment Area 2B	3,615	3,680	-	-	3,615	3,680
Series 2018 Assessment Area 3A	12,025	12,025	-	-	12,025	12,025
Series 2018 Assessment Area 4	3,095	3,150	-	-	3,095	3,150
Series 2020 Assessment Area 2C	5,045	5,145	-	-	5,045	5,145
Series 2020 Assessment Area 3A	8,235	8,405	-	-	8,235	8,405
Series 2020 Assessment Area 3B	2,495	2,545	-	-	2,495	2,545
Series 2021	21,870	21,870	-	-	21,870	21,870
Series 2022	80,515	-	-	-	80,515	-
	\$ 156,960	\$ 77,330	\$ -	\$ -	\$ 156,960	\$ 77,330

More information about the District's long-term debt is presented in Note 7 to the financial statements.

GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

An Operating budget was established by the governing board for the District pursuant to the requirements of Florida Statutes. The budget to actual comparison for the general fund, including the original budget and final adopted budget, is shown at page 39.

The District experienced an unfavorable variance of \$332,243 in revenue and a favorable variance of \$361,161 in expenditures as compared to the budget. The variance in revenue resulted primarily from the District needing less developer contributions than budgeted to fund the deficit in the current year and the District receiving less assessments than budgeted. The variance in expenditures is primarily due to anticipated maintenance expenditures that were not incurred during fiscal year 2022.

FUTURE FINANCIAL FACTORS

Babcock Ranch Community Independent Special District is an independent special district that operates under the provisions of Chapter 189, Florida Statutes, pursuant to Chapter 2007-306 Babcock Ranch Community Independent Special District Act. The District operates under an elected Board of Supervisors, which establishes policy and sets assessment rates. Assessment rates for fiscal year 2022 were established to provide for the operations of the District as well as the necessary debt service requirements.

Babcock Ranch Community Independent Special District Management's Discussion and Analysis

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 Babcock Ranch Community Independent Special District's management company, Wrathell, Hunt & Associates, LLC, at 2300 Glades Road, Suite 410W, Boca Raton, Florida 33431.

Basic Financial Statements

Babcock Ranch Community Independent Special District
Statement of Net Position

September 30,

2022

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,806,686	\$ 960,599	\$ 3,767,285
Investments	89,388,620	-	89,388,620
Accounts receivable	466,847	864,635	1,331,482
Due from developer	4,077,241	-	4,077,241
Internal balances	(47,761)	47,761	-
Prepaid expenses	135,377	148,812	284,189
Deposits	1,315	-	1,315
Other prepaid assets	4,612,302	-	4,612,302
Lease receivable	2,408,877	-	2,408,877
Capital assets:			
Not being depreciated	108,327,818	-	108,327,818
Total assets	212,177,322	2,021,807	214,199,129
Liabilities			
Accounts payable	3,446,083	43,279	3,489,362
Accrued interest payable	3,032,708	-	3,032,708
Accrued contracts payable	7,910,622	-	7,910,622
Accrued lease expenses	-	14,156,838	14,156,838
Retainage payable	3,049,107	-	3,049,107
Deposits payable	-	274,986	274,986
Due to other government	157,192	-	157,192
Non-current liabilities:			
Developer advances	1,200,000	-	1,200,000
Bonds payable - due within one year	1,500,000	-	1,500,000
Bonds payable - due in more than one year	155,456,950	-	155,456,950
Loan payable - due in more than one year	854,209	-	854,209
Total liabilities	176,606,871	14,475,103	191,081,974
Deferred inflow of resources			
Deferred inflows related to leases	2,408,877	-	2,408,877
Deferred revenue	515,958	57,082	573,040
Total deferred inflow of resources	2,924,835	57,082	2,981,917
Net position			
Net investment in capital assets	34,602,507	-	34,602,507
Unrestricted	(1,956,891)	(12,510,378)	(14,467,269)
Total net position (deficit)	\$ 32,645,616	\$ (12,510,378)	\$ 20,135,238

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

Babcock Ranch Community Independent Special District

Statement of Activities

For the year ended September 30,

2022

Functions/Programs	Expenses	Charges for Services	Program Revenue		Net (Expense) Revenue and Changes in Net Position		
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ (2,185,278)	\$ 760,105	\$ 869,512	\$ -	\$ (555,661)	\$ -	\$ (555,661)
Maintenance and operations	(3,462,148)	1,204,239	1,377,572	22,628,341	21,748,004	-	21,748,004
Cost of issuance	(1,189,898)	-	-	-	(1,189,898)	-	(1,189,898)
Interest	(4,972,143)	3,963,934	103,398	255,896	(648,915)	-	(648,915)
Total governmental activities	(11,809,467)	5,928,278	2,350,482	22,884,237	19,353,530	-	19,353,530
Business-type activities:							
Utilities	(15,402,428)	11,562,656	-	-	-	(3,839,772)	(3,839,772)
Solid waste	(849,423)	565,413	-	-	-	(284,010)	(284,010)
Total business-type activities	(16,251,851)	12,128,069	-	-	-	(4,123,782)	(4,123,782)
Total primary government	\$ (28,061,318)	\$ 18,056,347	\$ 2,350,482	\$ 22,884,237	19,353,530	(4,123,782)	15,229,748
General revenue							
Cost sharing and other revenue					1,178,193	-	1,178,193
Total general revenue					1,178,193	-	1,178,193
Change in net position					20,531,723	(4,123,782)	16,407,941
Net position (deficit) - beginning of year					12,113,893	(8,386,596)	3,727,297
Net position (deficit) - end of year					\$ 32,645,616	\$ (12,510,378)	\$ 20,135,238

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

Babcock Ranch Community Independent Special District

Balance Sheet – Governmental Funds

September 30,

2022

	General	Debt Service	Capital Projects	Nonmajor	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 640,131	\$ 2,166,555	\$ -	\$ -	\$ 2,806,686
Investments	-	10,671,521	78,717,099	-	89,388,620
Accounts receivable	125,972	207,968	-	-	333,940
Due from developer	711,377	206,639	3,120,877	-	4,038,893
Due from other entity	-	20,000	151,255	-	171,255
Deposits	1,315	-	-	-	1,315
Prepaid expenses	135,377	-	-	-	135,377
Other prepaid assets	-	-	4,612,302	-	4,612,302
Due from other funds	28,138	79,751	-	-	107,889
Total assets	\$ 1,642,310	\$ 13,352,434	\$ 86,601,533	\$ -	\$ 101,596,277
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 727,277	\$ -	\$ 2,718,806	\$ -	\$ 3,446,083
Retainage payable	-	-	3,049,107	-	3,049,107
Contracts payable	-	-	7,910,622	-	7,910,622
Developer advance	200,000	-	-	-	200,000
Due to other governments	157,192	-	-	-	157,192
Due to proprietary funds	155,650	-	-	-	155,650
Total liabilities	1,240,119	-	13,678,535	-	14,918,654
Deferred inflows of resources					
Deferred revenue	402,191	341,506	-	-	743,697
Total deferred inflows of resources	402,191	341,506	-	-	743,697
Fund balance					
Nonspendable	136,692	-	-	-	136,692
Restricted for debt service	-	13,010,928	4,612,302	-	17,623,230
Restricted for capital projects	-	-	68,310,696	-	68,310,696
Unassigned	(136,692)	-	-	-	(136,692)
Total fund balance (deficit)	-	13,010,928	72,922,998	-	85,933,926
Total liabilities, deferred inflows of resources and fund balance	\$ 1,642,310	\$ 13,352,434	\$ 86,601,533	\$ -	\$ 101,596,277

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

Babcock Ranch Community Independent Special District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of
Net Position

<u>September 30,</u>	<u>2022</u>
Total fund balances, governmental funds	\$ 85,933,926
Capital assets and deposits on capital improvements used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.	108,327,818
Lease receivables in governmental activities are not current financial resources and therefore are not reported in the fund financial statements.	2,408,877
Liabilities not due and payable from current resources, including accrued interest, are not reported in the fund level statements.	(161,843,867)
Revenue reported in the Statement of Activities that was not collected within 90 days of the current year-end was deferred in the fund financial statements.	743,697
Deferred inflows related to leases and deferred revenue will not be collected within 90 days after the close of the District's fiscal year-end and are not considered as "available" revenue in the governmental funds and, therefore, are reported as deferred inflows of resources.	(2,924,835)
Total net position - governmental activities	\$ 32,645,616

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

Babcock Ranch Community Independent Special District
Statement of Revenue, Expenditures and Changes in Fund Balances –
Governmental Funds

For the year ended September 30,

2022

	General	Debt Service	Capital Projects	Nonmajor	Total Governmental Funds
Revenue					
Assessments	\$ 1,964,344	\$ 3,963,934	\$ -	\$ -	\$ 5,928,278
Developer contributions	2,526,964	-	11,049,001	-	13,575,965
Grant revenue	-	-	7,282,724	-	7,282,724
Cost sharing and other revenue	1,156,118	-	-	-	1,156,118
Interest	-	30,501	255,896	-	286,397
Prepayment revenue	-	67,377	5,242,242	-	5,309,619
Total revenue	5,647,426	4,061,812	23,829,863	-	33,539,101
Expenditures					
Current:					
General government	2,156,360	-	-	-	2,156,360
Maintenance and operations	3,462,148	-	-	28,918	3,491,066
Capital outlay	-	-	51,207,052	-	51,207,052
Debt service:					
Bond issue costs	-	1,189,898	-	-	1,189,898
Principal	-	885,000	629,128	-	1,514,128
Interest	-	3,239,099	812	-	3,239,911
Total expenditures	5,618,508	5,313,997	51,836,992	28,918	62,798,415
Excess (deficit) of revenue over expenditures	28,918	(1,252,185)	(28,007,129)	(28,918)	(29,259,314)
Other Financing Sources (Uses)					
Debt proceeds	-	8,038,499	73,959,838	-	81,998,337
Original issue premium	-	(318,255)	-	-	(318,255)
Interfund transfers-in	-	-	10,002	-	10,002
Interfund transfers-out	(28,918)	(10,002)	-	28,918	(10,002)
Total other financing sources (uses)	(28,918)	7,710,242	73,969,840	28,918	81,680,082
Net change in fund balances	-	6,458,057	45,962,711	-	52,420,768
Fund balance, beginning of year	-	6,552,871	26,960,287	-	33,513,158
Fund balance (deficit), end of year	\$ -	\$ 13,010,928	\$ 72,922,998	\$ -	\$ 85,933,926

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

Babcock Ranch Community Independent Special District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities

<i>For the year ended September 30,</i>	2022
Net change in fund balances - governmental funds	\$ 52,420,768
Capital outlay, reported as expenditures in the governmental funds, is shown as capital assets on the Statement of Net Position.	51,207,052
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.	1,514,128
Amortization of original issue discounts and premiums is not recognized in the governmental fund statements but is reported as an expense in the Statement of Activities.	3,992
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.	(1,736,224)
Bond proceeds and original issue premium which are reported as other financing sources in the governmental funds are recognized as long-term liabilities in the Statement of Net Assets.	(81,680,082)
Certain revenue recognized on the accrual basis in the government wide financial statements are recorded on the modified accrual basis in a different year for governmental fund financial statements.	(1,197,911)
Change in net position of governmental activities	\$ 20,531,723

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

Babcock Ranch Community Independent Special District
Statement of Net Position – Proprietary Fund

<i>September 30,</i>	2022		
	Enterprise Funds		
	Utilities	Solid Waste	Total
Assets			
Cash and cash equivalents	\$ 938,728	\$ 21,871	\$ 960,599
Accounts receivable	832,108	32,527	864,635
Due from other enterprise funds	-	703	703
Due from governmental funds	48,484	-	48,484
Prepaid expenditures	127,156	21,656	148,812
Total assets	1,946,476	76,757	2,023,233
Liabilities			
Liabilities			
Accounts payable	41,873	881	42,754
Accrued lease expenses	13,064,728	1,092,110	14,156,838
Deposits payable	274,986	-	274,986
Due to other enterprise funds	703	-	703
Due to governmental funds	525	723	1,248
Total liabilities	13,382,815	1,093,714	14,476,529
Deferred inflows of resources			
Deferred revenue	57,082	-	57,082
Total deferred inflows of resources	57,082	-	57,082
Net Position			
Unrestricted	(11,493,421)	(1,016,957)	(12,510,378)
Total net position (deficit)	(11,493,421)	(1,016,957)	(12,510,378)
Total liabilities and fund balance	\$ 1,946,476	\$ 76,757	\$ 2,023,233

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

Babcock Ranch Community Independent Special District
Statement of Revenues, Expenses and Changes in Net Position – Proprietary
Fund

For the year ended September 30,

	2022		
	Enterprise Funds		
	Utilities	Solid Waste	Total
Revenue			
Charges for services:			
Water, sewer and irrigation utilities	\$ 3,800,030	\$ -	\$ 3,800,030
Water, sewer and irrigation connection fees	7,762,626	-	7,762,626
Solid waste	-	565,413	565,413
Total revenue	11,562,656	565,413	12,128,069
Operating expenses			
Administrative and other	280,839	29,109	309,948
Water, sewer and irrigation utilities	15,121,589	-	15,121,589
Solid waste	-	820,314	820,314
Total operating expenses	15,402,428	849,423	16,251,851
Operating income (loss)	(3,839,772)	(284,010)	(4,123,782)
Net position (deficit), beginning of year	(7,653,649)	(732,947)	(8,386,596)
Net position (deficit), end of year	\$ (11,493,421)	\$ (1,016,957)	\$ (12,510,378)

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

Babcock Ranch Community Independent Special District
Statement of Cash Flows – Proprietary Fund

<i>For the year ended September 30,</i>		2022		
		Enterprise Fund		
		Utilities	Solid Waste	Total
Cash flows from operating activities				
Receipts from customers	\$ 10,908,877	\$ 579,738	\$ 11,488,615	
Receipts from internal services provided	130,113	-	130,113	
Payments to suppliers	(10,915,262)	(558,307)	(11,473,569)	
Net cash provided by operating activities	123,728	21,431	145,159	
Net increase in cash and cash equivalents	124,253	21,431	145,684	
Cash and cash equivalents, beginning of year	814,475	440	814,915	
Cash and cash equivalents, end of year	\$ 938,728	\$ 21,871	\$ 960,599	

(continued)

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

Babcock Ranch Community Independent Special District
Statement of Cash Flows – Proprietary Fund (Continued)

For the year ended September 30,

2022

	Enterprise Fund		
	Utilities	Solid Waste	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (3,839,772)	\$ (284,010)	\$ (4,123,782)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Change in operating assets and liabilities:			
Accounts receivable	(471,231)	(10,954)	(482,185)
Due from other enterprise funds	-	11,759	11,759
Due from governmental funds	(44,815)	255	(44,560)
Prepaid expenses	(127,156)	(21,656)	(148,812)
Accounts payable	27,925	(2,508)	25,417
Accrued lease expenses	4,642,971	327,822	4,970,793
Deposits payable	(7,250)	-	(7,250)
Due to other enterprise funds	(11,759)	-	(11,759)
Due to governmental funds	-	723	723
Deferred revenue	(45,185)	-	(45,185)
Net cash provided by operating activities	\$ 123,728	\$ 21,431	\$ 145,159

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

Babcock Ranch Community Independent Special District

Notes to Financial Statements

NOTE 1: NATURE OF ORGANIZATION

The Babcock Ranch Community Independent Special District (the “District”) was established on June 27, 2007 pursuant to Chapter 189, Florida Statutes, by Ch. 2007-306, Laws of Florida. The District has among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and the power to levy ad valorem taxes and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

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

The District is governed by a Board of Supervisors (“the Board”), which is comprised of five members. The Supervisors are elected on an at large basis by the owners of the property within the District. Certain supervisors are affiliated with the Developer of the District, Babcock Property Holdings, LLC (“the Developer” or “BPH”). The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 189, Florida Statutes.

The Board has the final responsibility for:

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

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

Babcock Ranch Community Independent Special District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The business-type activities are reported separately in government-wide financial statements. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included as program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds and enterprise 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 and timing 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 90 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, Developer contributions 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.

Babcock Ranch Community Independent Special 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 bonds previously issued or other means.

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges and assessments to customers for water, sewer and irrigation utilities and solid waste disposal services. Operating expenses for enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Proprietary funds include the following enterprise fund type:

Utilities Fund – The Utilities Fund is used to account for the operations that provide water, sewer and irrigation utilities within the District.

Solid Waste Fund – The Solid Waste Fund is used to account for the operations that provide solid waste utilities 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 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.

Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Babcock Ranch Community Independent Special District

Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Deposits and Investments

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

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

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

Receivables

Accounts receivable - The water and sewer receivables are shown net of an allowance for uncollectible accounts. Since management considers all receivables to be collectible at September 30, 2022, no allowance has been established at this time.

Lease receivables - The District's lease receivables are measured at the present value of lease payments expected to be received during the lease term.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include primarily infrastructure assets (e.g., roads, sidewalks, water management systems, right-to-use, and similar assets), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial/individual costs of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical costs and estimated historical cost if purchased or constructed.

Babcock Ranch Community Independent Special District

Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. When completed and placed in service, property, plant and equipment of the primary government will be depreciated using the straight-line method over the estimated useful lives. As of September 30, 2022, there were no assets held by the District that were being depreciated.

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

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line or effective interest method. Bonds payable are reported net of these premiums or discounts. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current period expenses.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and Balance Sheet – Governmental Funds will sometimes include a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any of this type of item at September 30, 2022.

In addition to liabilities, the accompanying Statement of Net Position and Balance Sheet – Governmental Funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At September 30, 2022, the District has reported deferred revenue as a deferred inflow of resources. Deferred revenue in the governmental funds represents amounts to fund fiscal year 2022 expenditures, but not collected within 90 days of year-end. Deferred revenue in the business-type activities represents prepaid tap fees. The deferred inflows related to leases are associated with amounts owed to the District, as lessor, by an entity leasing the District's capital assets.

Babcock Ranch Community Independent Special District

Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

Deferred revenue recorded on the enterprise fund balance sheet represents amounts received before eligibility requirements are met.

Leases

Lease contracts that provide the District with control of a non-financial asset, such as land, buildings or equipment, for a period of time in excess of twelve months are reported as a leased asset with a related lease liability. For the year ended September 30, 2022, the District determined the lease/operating agreements held for utilities and solid waste require reimbursement on actual variable costs and therefore have not recognized a lease liability for future minimum payments.

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 net assets related to infrastructure and property, plant and equipment net of any related debt. Restricted net position represents the net position 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.

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.

Babcock Ranch Community Independent Special District

Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- E. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Subsequent Events

Management has evaluated subsequent events through the date of the financial statements were available to be issued, June 28, 2023, and determined there was one event that occurred requiring disclosure. See Note 14. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The implementation of this statement had a significant impact on the District's financial statements. There were no significant impacts of implementing this Statement.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The Statement is being applied prospectively, therefore, there were no significant impacts of implementing this Statement.

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented.

Babcock Ranch Community Independent Special District

Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

GASB Statement No. 100, *Accounting Changes and Error Corrections*, This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The District is evaluating the requirements of the above statements and the impact on reporting.

NOTE 3: INVESTMENTS

All investments held at September 30, 2022 consist of money market funds in which shares are owned in the fund rather than the underlying investments. In accordance with GASB 72, *Fair Value Measurement and Application*, these amounts are reported at amortized cost.

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

<i>September 30,</i>	2022	Credit Risk	Weighted Average Maturities
Short-term Money Market Funds	\$ 89,388,620	S&P AAAM	14 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, 2022, none of the investments listed above are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Babcock Ranch Community Independent Special District

Notes to Financial Statements

NOTE 3: INVESTMENTS

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

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.

Credit risk – Section 150: *Investments* of the GASB Codification requires that governments provide information about credit risk associated with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations. The District’s investment policy limit investments to securities with specific ranking criteria.

NOTE 4: RECEIVABLES

Accounts Receivable

For the Wastewater and Sewer Utility System and Solid Waste System Funds operating revenues are generally recognized on the basis of cycle billings rendered monthly. The amount of services delivered for the period from the last billing date to September 30, 2022 (unbilled receivable), is estimated and accrued at year end. The District deems all amounts collectable therefore an allowance for doubtful accounts is not necessary. If payments are not received from customers, services are shut off and deposits are applied against negative balances.

Lease Receivable

The District leases a storm shelter to Babcock Neighborhood School (an unrelated party). The real property is used by the lessee for school and gymnasium use. Effective October 1, 2022, the District implemented the provisions of GASB Statement No. 87, which established a single model for lease accounting based on the principle that leases represent a financing of the right to use an asset, therefore eliminating the operating vs. capital lease classifications. The District’s lease receivable is measured at the present value of lease payments expected to be received during the lease term, including options reasonably certain to be exercised. The lease term is perpetual, however management anticipates 30 years for the lease term commencing in 2022. The discount rate used to calculate present value of the lease payments is 2.75%, which is the District’s incremental borrowing rate for bonds in 2022. The lease also contains a CPI inflation factor requiring annual incremental increases of a minimum 2% and maximum 5% depending on CPI for the year. For present value calculations, the minimum required 2% increase is included in the lease liability. Variations from the 2% minimum increase will be recognized through changes in inflows of resources in the period the increase occurs.

Babcock Ranch Community Independent Special District

Notes to Financial Statements

NOTE 4: RECEIVABLES (Continued)

The lease also requires variable lease payments from the lessee for shared maintenance costs. The District recognized shared maintenance lease revenue totaling \$18,405 and base lease revenue of \$15,200 for total lease revenue of \$33,605. The total inflows of resources for the base lease amounts recognized and reflected in the financial statements were as follows:

September 30, 2022

Principal	\$ 9,680
Interest	5,520
Total	\$ 15,200

Future principal and interest lease income payments (excluding variable maintenance fees) as of September 30, 2022 are as follows:

<i>Fiscal year ending September 30,</i>	Principal	Interest	Total
2023	\$ 25,332	\$ 65,868	\$ 91,200
2024	27,891	65,134	93,025
2025	30,557	64,327	94,884
2026	33,336	63,446	96,782
2027	36,232	62,486	98,718
2028-2032	228,941	295,065	524,006
2033-2037	321,203	257,342	578,545
2038-2042	433,168	205,593	638,761
2043-2047	568,376	136,867	705,243
2048-2052	703,841	47,812	751,653
Total	\$ 2,408,877	\$ 1,263,940	\$ 3,672,817

NOTE 5: CAPITAL ASSETS

The following is a summary of changes in the capital assets for the year ended September 30, 2022:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<i>Capital assets not being depreciated</i>				
Construction in progress	\$ 57,120,766	\$ 51,207,052	\$ -	\$ 108,327,818
Total capital assets, not being depreciated	\$ 57,120,766	\$ 51,207,052	\$ -	\$ 108,327,818

Babcock Ranch Community Independent Special District

Notes to Financial Statements

NOTE 6: ACCRUED LEASE EXPENSES – UTILITIES AND SOLID WASTE

In January 2017, the District entered into a 30-year agreement with MSKP Town & Country Utility, LLC (“T&C”) and Babcock Ranch Irrigation, LLC (“BRI”), both entities affiliated with the Developer, to provide certain public services, including but not limited to water, wastewater and irrigation quality water service, within the boundaries of the District. The District took control of the water, sewer and irrigation utility services in February 2017, and as such recorded business-type revenue and expenses during the fiscal year ended September 30, 2022.

In accordance with the agreement, the District must pay for T&C’s actual variable cost of the property and operations each month plus a markup of 10.55% (return on equity). In addition, the agreement requires additional cost reimbursement for replacement or expansion expenditures incurred by the District including interest expense for payments in arrears. The agreement includes a purchase option and a put option enabling the District and T&C, respectively to have the right to enact the District to purchase the water and sewer property and operations. The District can exercise the purchase option any time after October 1, 2040, but before the termination or expiration of the agreement. T&C can exercise the put option any time before the termination or expiration of the agreement. In December 2020, the District received a validation final judgement on bonds totaling \$287,420,000, to cover estimated future cost of the water and sewer property including but not limited to real property, equipment, lines, easements, records, permits, software, and improvements.

In June 2018, the District entered into a 30-year agreement with Ecologic, which is affiliated with the Developer, to provide certain public services, including but not limited to solid waste disposal, within the boundaries of the District. The District took control of the solid waste disposal services in January 2018, and as such recorded business-type revenue and expenses during the fiscal year ended September 30, 2022.

In accordance with the agreement, the District must pay for Ecologic’s actual variable cost of the property and operations each month plus a markup of 8.6% (return on equity). In addition, the agreement requires additional costs reimbursement for replacement or expansion expenditures incurred by the District including interest expense for payments in arrears. The agreement includes a purchase option and a put option enabling the District and the Ecologic, respectively to have the right to enact the District to purchase the solid waste property. The District can exercise the purchase option any time after October 1, 2040, but before the termination or expiration of the lease. The Ecologic can exercise the put option any time before the termination or expiration of the lease. In December 2020, the District received a validation final judgement on bonds totaling \$23,162,000, to cover the estimated cost of the solid waste property.

The utilities agreement requires interest to be paid on the accrued lease expense balance. As of September 30, 2022, the District has accrued lease expense balance due of \$14,156,838 for current year and prior year operations.

During the fiscal year ended September 30, 2022, the District incurred related variable lease expenses totaling approximately \$15.9 million and \$820,000, which are reported as water, sewer and irrigation utilities and solid waste, respectively, on the accompanying statement of activities and statement of revenue, expenses and changes in net position – proprietary funds. At September 30, 2022, the District owed approximately \$15 million in cumulative lease costs from current and prior year operations, which is reported as accrued lease expenses on the accompanying statement of net position.

Babcock Ranch Community Independent Special District

Notes to Financial Statements

NOTE 7: LONG-TERM DEBT AND LIABILITIES

Bonds Payable

On December 17, 2015, the District issued \$19,955,000 of Special Assessment Bonds, Series 2015 consisting of \$1,685,000 Term Bonds due on November 1, 2021 with a fixed interest rate of 4.40%, \$2,100,000 Term Bonds due on November 1, 2026 with a fixed interest rate of 4.875%, \$2,655,000 Term Bonds due on November 1, 2036 with a fixed interest rate of 5%, and \$13,515,000 Term Bond due on November 1, 2046 with a fixed interest rate of 5.25%. The Bonds were issued to finance the construction project. Interest is to be paid semiannually on each May 1 and November 1, commencing May 1, 2016. Principal is to be paid annually on each November 1, commencing November 1, 2017. The Series 2015 Bonds are subject to redemption at the option of the District prior to their maturity.

In April 2018, the District issued \$2,075,000 of Special Assessment Bonds, Series 2018 consisting of \$400,000 Term Bonds due on November 1, 2028 with a fixed interest rate of 4.5% and \$1,675,000 Term Bonds due on November 1, 2048 with a fixed interest rate of 5%. The Bonds were issued to finance assessment area 2A of the construction project. Interest is to be paid semiannually on each May 1 and November 1, commencing May 1, 2018. Principal is to be paid annually on each November 1, commencing November 1, 2019. The Series 2018 Bonds are subject to redemption at the option of the District prior to their maturity.

In December 2018, the District issued \$3,740,000 of Special Assessment Bonds, Series 2018 consisting of \$330,000 Term Bonds due on November 1, 2024 with a fixed interest rate of 4%, \$400,000 Term Bonds due on November 1, 2029 with a fixed interest rate of 4.5%, \$1,140,000 Term Bonds due on November 1, 2039 with a fixed interest rate of 5%, and \$1,870,000 Term Bonds due on November 1, 2049 with a fixed interest rate of 5%. The Bonds were issued to finance assessment area 2B of the construction project. Interest is to be paid semiannually on each May 1 and November 1, commencing May 1, 2019. Principal is to be paid annually on each November 1, commencing November 1, 2020. The Series 2018 Bonds are subject to redemption at the option of the District prior to their maturity.

In December 2018, the District issued \$12,025,000 of Special Assessment Bonds, Series 2018 consisting of \$590,000 Term Bonds due on November 1, 2024 with a fixed interest rate of 4%, \$1,165,000 Term Bonds due on November 1, 2029 with a fixed interest rate of 4.5%, \$3,340,000 Term Bonds due on November 1, 2039 with a fixed interest rate of 5%, \$5,470,000 Term Bonds due on November 1, 2049 with a fixed interest rate of 5.125%, and \$1,460,000 Term Bonds due on November 1, 2051 with a fixed interest rate of 5.125%. The Bonds were issued to finance assessment area 3A of the construction project. Interest is to be paid semiannually on each May 1 and November 1, commencing May 1, 2019. Principal is to be paid annually on each November 1, commencing November 1, 2022. The Series 2018 Bonds are subject to redemption at the option of the District prior to their maturity.

Babcock Ranch Community Independent Special District

Notes to Financial Statements

NOTE 7: LONG-TERM DEBT AND LIABILITIES (Continued)

In December 2018, the District issued \$3,220,000 of Special Assessment Bonds, Series 2018 consisting of \$280,000 Term Bonds due on November 1, 2024 with a fixed interest rate of 4%, \$345,000 Term Bonds due on November 1, 2029 with a fixed interest rate of 4.5%, \$980,000 Term Bonds due on November 1, 2039 with a fixed interest rate of 5%, and \$1,615,000 Term Bonds due on November 1, 2049 with a fixed interest rate of 5.125%. The Bonds were issued to finance assessment area 4 of the construction project. Interest is to be paid semiannually on each May 1 and November 1, commencing May 1, 2019. Principal is to be paid annually on each November 1, commencing November 1, 2020. The Series 2018 Bonds are subject to redemption at the option of the District prior to their maturity.

In September 2020, the District issued \$5,145,000 of Special Assessment Bonds, Series 2020 consisting of \$410,000 Term Bonds due on May 1, 2025 with a fixed interest rate of 2.5%, \$585,000 Term Bonds due on May 1, 2030 with a fixed interest rate of 3%, \$1,550,000 Term Bonds due on May 1, 2040 with a fixed interest rate of 4%, and \$2,600,000 Term Bonds due on May 1, 2051 with a fixed interest rate of 4%. The Bonds were issued to finance assessment area 2C of the construction project. Interest is to be paid semiannually on each May 1 and November 1, commencing May 1, 2021. Principal is to be paid annually on each November 1, commencing May 1, 2022. The Series 2020 Bonds are subject to redemption at the option of the District prior to their maturity.

In September 2020, the District issued \$8,545,000 of Special Assessment Bonds, Series 2020 consisting of \$850,000 Term Bonds due on May 1, 2025 with a fixed interest rate of 2.5%, \$1,015,000 Term Bonds due on May 1, 2030 with a fixed interest rate of 3%, \$2,680,000 Term Bonds due on May 1, 2040 with a fixed interest rate of 4%, and \$4,000,000 Term Bonds due on May 1, 2050 with a fixed interest rate of 4%. The Bonds were issued to finance assessment area 3A of the construction project. Interest is to be paid semiannually on each May 1 and November 1, commencing May 1, 2021. Principal is to be paid annually on each November 1, commencing May 1, 2021. The Series 2020 Bonds are subject to redemption at the option of the District prior to their maturity.

In September 2020, the District issued \$2,545,000 of Special Assessment Bonds, Series 2020 consisting of \$205,000 Term Bonds due on May 1, 2025 with a fixed interest rate of 2.5%, \$290,000 Term Bonds due on May 1, 2030 with a fixed interest rate of 3%, \$770,000 Term Bonds due on May 1, 2040 with a fixed interest rate of 4%, and \$1,280,000 Term Bonds due on May 1, 2051 with a fixed interest rate of 4%. The Bonds were issued to finance assessment area 3B of the construction project. Interest is to be paid semiannually on each May 1 and November 1, commencing May 1, 2021. Principal is to be paid annually on each May 1, commencing May 1, 2022. The Series 2020 Bonds are subject to redemption at the option of the District prior to their maturity.

In June 2021, the District issued \$21,870,000 of Special Assessment Bonds, Series 2021 consisting of \$1,865,000 Term Bonds due on May 1, 2026 with a fixed interest rate of 2.375%, \$2,625,000 Term Bonds due on May 1, 2031 with a fixed interest rate of 2.875%, \$6,645,000 Term Bonds due on May 1, 2041 with a fixed interest rate of 3.2%, and \$10,735,000 Term Bonds due on May 1, 2052 with a fixed interest rate of 4%. The Bonds were issued to finance the Series 2021 assessment area construction project. Interest is to be paid semiannually on each May 1 and November 1, commencing November 1, 2021. Principal is to be paid annually on each November 1, commencing May 1, 2023. The Series 2021 Bonds are subject to redemption at the option of the District prior to their maturity.

Babcock Ranch Community Independent Special District

Notes to Financial Statements

NOTE 7: LONG-TERM DEBT AND LIABILITIES (Continued)

In April 2022, the District issued \$80,515,000 of Special Assessment Bonds, Series 2022 consisting of \$5,375,000 Term Bonds due on May 1, 2027 with a fixed interest rate of 4.125%, \$8,120,000 Term Bonds due on May 1, 2032 with a fixed interest rate of 4.35%, \$23,405,000 Term Bonds due on May 1, 2042 with a fixed interest rate of 4.9%, and \$43,615,000 Term Bonds due on May 1, 2053 with a fixed interest rate of 5.064%. The Bonds were issued to finance the Series 2022 construction project. Interest is to be paid semiannually on each May 1 and November 1, commencing May 1, 2022. Principal is to be paid annually on each November 1, commencing November 1, 2023. The Series 2022 Bonds are subject to redemption at the option of the District prior to their maturity.

The Bond Indentures have established debt service reserve requirements 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 is in compliance with those requirements of the Bond Indentures at September 30, 2022.

The balance of the long-term bonds at September 30, 2022 is summarized as follows:

<i>September 30,</i>	2022
Bond principal balance	\$ 156,960,000
Less unamortized bond discounts	(798,415)
Add unamortized bond premiums	795,365
Net balance, Series 2015, 2018, 2020, 2021 and 2022	\$ 156,956,950

Long-term liability activity for the year ended September 30, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities</i>					
Bonds Payable:					
Series 2015	\$ 18,505,000	\$ -	\$ (410,000)	\$ 18,095,000	\$ 380,000
Series 2018	2,005,000	-	(35,000)	1,970,000	35,000
Series 2018 2B	3,680,000	-	(65,000)	3,615,000	65,000
Series 2018 3A	12,025,000	-	-	12,025,000	190,000
Series 2018 4	3,150,000	-	(55,000)	3,095,000	55,000
Series 2020 2C	5,145,000	-	(100,000)	5,045,000	100,000
Series 2020 3A	8,405,000	-	(170,000)	8,235,000	175,000
Series 2020 3B	2,545,000	-	(50,000)	2,495,000	50,000
Series 2021	21,870,000	-	-	21,870,000	450,000
Series 2022	-	80,515,000	-	80,515,000	-
	\$ 77,330,000	\$ 80,515,000	\$ (885,000)	\$ 156,960,000	\$ 1,500,000

Babcock Ranch Community Independent Special District Notes to Financial Statements

NOTE 7: LONG-TERM DEBT AND LIABILITIES (Continued)

At September 30, 2022, the scheduled debt service requirements on long-term debt were as follows:

<i>For the Year Ending September 30,</i>	Principal	Interest	Total Debt Service
2023	\$ 1,500,000	\$ 7,240,720	\$ 8,740,720
2024	2,815,000	7,167,329	9,982,329
2025	2,920,000	7,061,797	9,981,797
2026	3,040,000	6,951,091	9,991,091
2027	3,145,000	6,833,392	9,978,392
2028-2032	17,805,000	32,138,283	49,943,283
2033-2037	22,200,000	27,830,345	50,030,345
2038-2042	28,010,000	22,066,629	50,076,629
2043-2047	35,475,000	14,636,203	50,111,203
2048-2052	35,020,000	6,128,838	41,148,838
2053	5,030,000	251,500	5,281,500
	\$ 156,960,000	\$ 138,306,127	\$ 295,266,127

Loan Payable

On June 25, 2021, the District was approved for a State Infrastructure Bank (“SIB”) state funded line of credit loan up to \$31.3 million to fund certain roadway improvements in Lee and Charlotte Counties. The District anticipated costs totaling approximately \$62.7 million. The District began drawing on the SIB loan beginning in fiscal year ended September 30, 2022. The 20-year loan requires annual payments of principal and interest through June 2041 based on timing and amount of loan draws. The loan has a fixed interest rate of 3.63%. As of September 30, 2022, the loan payable balance is \$854,209, as stated on the accompanying statement of net position and the first principal payment of approximately \$1.4 million is not due until 2025. The District may make prepayments on the loan without penalty but may only make prepayments on a quarterly basis.

The District will repay the SIB loan by requiring the Developer to collect transportation fees upon the sale of lots and property to homebuilders. These fees are remitted to Florida Department of Transportation (FDOT) upon sale of lots and property. The District has committed to levying special assessments to cover any projected shortfall of transportation fees to cover the SIB loan payments, if any. FDOT has received advance payments from homebuilders totaling \$5.2 million during the year that will be utilized to pay the loan payable balance as additional loan draws occur and payments are due. As of September 30, 2022, the District has approximately \$4.6 million in prepaid assets to reflect prepayments held with FDOT.

Babcock Ranch Community Independent Special District

Notes to Financial Statements

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District maintains commercial insurance coverage to mitigate the risk of loss. Coverage may not extend to all situations. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in the previous three years.

NOTE 9: MANAGEMENT COMPANY

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

NOTE 10: CONCENTRATION

A significant portion of the District's future activity is dependent upon the continued involvement of the Developer, Babcock Property Holdings, LLC, the loss of which could have a materially adverse effect on the District's operations. At September 30, 2022, the Developer owned a majority of the assessable property located within the District boundaries. See Note 11.

In addition, a significant portion of the District's future activity is dependent upon two homebuilders, the loss of which could have a materially adverse effect on the District's operations. The District assessed these two homebuilders a total of \$718,806 and \$1,911,395 for operations and maintenance and debt service for the year ended September 30, 2022, respectively.

NOTE 11: RELATED PARTY TRANSACTIONS

For the year ended September 30, 2022, the District recognized developer contributions totaling \$2,526,964 and \$11,049,001 in the General Fund and Capital Projects Fund, respectively. Developer contributions are recognized as revenue for governmental funds when received during the year or within 90 days after year-end. In addition, the District directly assessed the Developer \$206,811 and \$413,711 for operations and maintenance and debt service, respectively. As of September 30, 2022, the Developer owed the District approximately \$4.0 million, which is reported as due from Developer on the accompanying statement of net position and balance sheet – governmental funds.

At September 30, 2022, the District owed the Developer \$1,200,000 in advances, of which \$1,000,000 was given to the District in fiscal year 2011 and used to make a deposit of \$1,000,000 with the State of Florida Department of Transportation related to future capital improvements to State Road 31. As of September 30, 2022, this entire \$1,000,000 construction deposit paid in fiscal year 2011 is included in Capital assets, not being depreciated on the accompanying Statement of Net Position.

Babcock Ranch Community Independent Special District

Notes to Financial Statements

NOTE 11: RELATED PARTY TRANSACTIONS (Continued)

During the year ended September 30, 2022, the District made payments of approximately \$16.2 million to the Developer related entities for Utilities and Solid Waste leases (see Note 6) and has an accrued lease expense to these entities totaling approximately \$14.2 million as of September 30, 2022.

NOTE 12: COST SHARING AGREEMENTS

In December 2022, the District entered into a cost sharing agreement with the Developer controlled, Babcock Ranch Residential Association, Inc. ("Residential Association") for safety patrol services. The other parties to the agreement were billed \$33,801 by the District, which is included in cost sharing and other revenue on the accompanying statement of activities and statement of revenue, expenditures and changes in fund balances – governmental funds. For fiscal year 2022, the District paid \$559,141 to the Residential Association representing 60% of the total safety patrol shared expense, and is included in maintenance and operations on the accompanying statement of activities and statement of revenue, expenditures and changes in fund balances – governmental funds.

In August 2021, the District entered into a cost sharing agreement with various entities controlled by the Developer, Babcock Ranch Residential Association, Inc. ("Residential Association"), MSKP Town & Country Utility, LLC ("MSKP"), Ecologic Waste Management, LLC ("Ecologic"), Kitson Babcock, LLC ("Kitson"), Babcock Ranch Commercial Association, Inc., and Babcock Property Holdings, LLC ("BPH"), for shared software subscription services. The District anticipates the shared annual software subscription will ease administration and potentially provide cost savings to property owners and residents within the District. The agreement requires the Residential Association to pay 12.5%, MSKP to pay 45%, Ecologic to pay 5%, and Kitson to pay 12.5% annually plus any other fees required for the software subscription. The District will pay the remaining 25% for software subscription costs and BPH and the Commercial Association have no costs allocated for reimbursement. The District recognized \$375,908 for cost sharing revenues and \$455,763 for related software costs for the year ended September 30, 2022.

NOTE 13: STATE GRANT

In December 2020, the District approved in substantial form a state-funded grant agreement with the state of Florida, Division of Emergency Management, in accordance with Florida Statute Section 215.971. This is a cost-reimbursement agreement, subject to the availability of funds, for Southwest Florida Regional Emergency Shelter Construction. The maximum reimbursement amount for the entirety of this agreement is \$8 million. The District began the project in fiscal year 2021, and incurred reimbursable costs totaling approximately \$1.7 million. The District incurred an additional \$14 million of costs in fiscal year 2022, which is included in capital outlay on the accompanying Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds. The District has recognized the remaining available grant reimbursement of \$6.3 million in the accompanying Statement of Activities on the accrual basis which is included in capital grants and contributions. For the capital projects fund, the District recognized grant revenue from the State of Florida totaling approximately \$7.2 million in the accompanying Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds on the modified accrual basis. The building is included in capital assets not being depreciated on the accompanying Statement of Net Position since the asset was not fully complete as of September 30, 2022.

Babcock Ranch Community Independent Special District
Notes to Financial Statements

NOTE 14: SUBSEQUENT EVENT

Subsequent to year end, the District transferred approximately \$15.7 million in infrastructure costs to buildings upon completion of the gymnasium/storm shelter construction.

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

**Babcock Ranch Community Independent Special District
Budget to Actual Comparison Schedule – General Fund**

For the year ended September 30,

2022

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenue				
Assessments	\$ 1,680,102	\$ 2,167,864	\$ 1,964,344	\$ (203,520)
Developer contributions	1,687,385	2,654,757	2,526,964	(127,793)
Cost sharing and other revenues	518,357	1,157,048	1,156,118	(930)
Total revenue	3,885,844	5,979,669	5,647,426	(332,243)
Expenditures				
General government	759,801	2,064,393	2,156,360	(91,967)
Maintenance and operations	3,126,043	3,915,276	3,462,148	453,128
Total expenditures	3,885,844	5,979,669	5,618,508	361,161
Excess of revenue over expenditures	\$ -	\$ -	\$ 28,918	\$ 28,918

**Babcock Ranch Community Independent Special District
Schedule of Expenditures of State Financial Assistance**

For the year ended September 30, 2022

Grantor/Program Title	CSFA Number	Grant Contract Number	Expenditures	Amount Provided To Subrecipients
STATE FINANCIAL ASSISTANCE:				
Florida Division of Emergency Management				
Southwest Florida Regional Shelter Construction	31.064	F0011	\$ 6,319,235	\$ -
Total Florida Division of Emergency Management			6,319,235	-
Florida Department of Transportation				
State Infrastructure Bank	55.020	N/A	2,252,150	-
Total Florida Department of Transportation			2,252,150	
Total Expenditures of State Financial Assistance			\$ 8,571,385	\$ -

Babcock Ranch Community Independent Special District
Notes to the Schedule of Expenditures of State Financial Assistance

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance (“Schedule”) represents amounts expended from State of Florida financial assistance programs during the fiscal year as determined on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of the Department of Financial Services Rules, Chapter 69I-5, Florida Administrative Code, State Financial Assistance. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District’s accounting records from which the basic financial statements have been reported. Funds that are not subject to the Florida Single Audit Act are not included on this schedule.

The District’s State Project CFDA 55.020 - State Infrastructure Bank (SIB) is loan program utilized for road infrastructure through Florida Department of Transportation. The loan program is state funded. The District is reporting related expenses on the schedule incurred for the period October 1, 2021 through September 30, 2022 on the accrual basis. As of September 30, 2022, the balance due on the SIB loan \$854,209 is included in loan payable on the accompanying Statement of Net Position.

The District does not have loan guarantees or noncash assistance relating to state financial assistance.

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
Babcock Ranch Community Independent Special District
Charlotte 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, the business-type activities and each major fund of Babcock Ranch Community Independent Special District (hereinafter referred to as the "District"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report dated June 28, 2023.

Report on 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) as a basis for designing 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 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.

Report on 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 financial statements. 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 28, 2023

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE AND CHAPTER 10.550, RULES OF THE
AUDITOR GENERAL**

To the Board of Supervisors
Babcock Ranch Community Independent Special District
Charlotte County, Florida

Report on Compliance for Each Major State Project

We have audited the District's compliance with the types of compliance requirements described in the Department of Financial Services' *State Projects Compliance Supplement*, that could have a direct and material effect on each of the District's major State projects for the year ended September 30, 2022. The District's major State projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with State statutes, regulations, and the terms and conditions of its State projects applicable to its State projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major State projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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. Those standards and Chapter 10.550, Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State project occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State project. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major State Project

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State projects for the year ended September 30, 2022.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State project and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
June 28, 2023

Babcock Ranch Community Independent Special District
Schedule of Findings and Questioned Costs
September 30, 2022

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? ☐ yes ☒ no
- Significant deficiency identified? ☐ yes ☒ none noted

Noncompliance material to financial statements noted? ☐ yes ☒ no

State Awards

Internal control over major state projects:

- Material weakness identified? ☐ yes ☒ no
- Significant deficiency identified? ☐ yes ☒ none noted

Type of auditors' report issued on compliance for major State projects: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550, Rules of the Auditor General ☐ yes ☒ none noted

Identification of major state projects:

State CSFA Number	Program Name
31.064	Southwest Florida Regional Shelter Construction
55.020	State Infrastructure Bank

The dollar threshold used to distinguish between type A and B programs was \$750,000 for major state projects.

FINANCIAL STATEMENT FINDINGS

None noted

STATE AWARD FINDINGS

None noted

MANAGEMENT LETTER

To the Board of Supervisors
Babcock Ranch Community Independent Special District
Charlotte County, Florida

Report on the Financial Statements

We have audited the financial statements of Babcock Ranch Community Independent Special District ("District") as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated June 28, 2023.

Auditors' Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 28, 2023, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

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

Financial Condition

Section 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 to identify the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

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

Specific Information

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the Babcock Ranch Community Independent Special District reported:

- a. The total number of district employees compensated in the last pay period of the District's fiscal year as 0.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as 0.
- c. All compensation earned by or awarded to employees whether paid or accrued, regardless of contingency as \$0.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$0.
- e. Each construction project with a total cost of at least \$65,000 approved by the District that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as:
 - Hurricane Ian Lake Bank Erosion repairs project RFP approved by the District in April 2023 for estimated project costs totaling of \$3.5 million.
- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes, as \$1,732,664.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, Rules of the Auditor General, the Babcock Ranch Community Independent Special District reported:

- a. The rate or rates of non-ad valorem special assessments imposed by the District as ranging from \$414 to \$440 for operations and maintenance and \$441 to \$2,936 for debt service per residential unit.
- b. The total amount of special assessments collected by or on behalf of the District as \$5,928,278.
- c. The total amount of outstanding bonds issued by the District as \$156,960,000.

Additional Matters

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

Purpose of this Letter

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

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida

June 28, 2023

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Supervisors
Babcock Ranch Community Independent Special District
Charlotte County, Florida

We have examined Babcock Ranch Community Independent Special District's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2022. Management of the District is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance 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 performed the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2022.

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 28, 2023