



**Babcock Ranch Community  
Independent Special District**

**FINANCIAL STATEMENTS**

**September 30, 2023**



	Page
<b>FINANCIAL SECTION</b>	
Independent Auditor’s Report.....	1
Management’s Discussion And Analysis (required supplemental information).....	4
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-Wide Financial Statements	
Statement of Net Position.....	11
Statement of Activities.....	12
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet – Governmental Funds.....	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	14
Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds.....	15
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Proprietary Fund Financial Statements	
Statement of Net Position.....	17
Statement of Revenue, Expenses and Changes in Net Position.....	18
Statement of Cash Flows.....	19
Notes to Financial Statements.....	21
<b>Required Supplemental Information (other than MD&amp;A)</b>	
Budget to Actual Comparison Schedule - General Fund.....	42
<b>Supplementary Information</b>	
Schedule of Expenditures of State Financial Assistance.....	43
Notes to the Schedule of Expenditures of State Financial Assistance.....	44
<b>COMPLIANCE SECTION</b>	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	45
Independent Auditor’s Report on Compliance For Each Major State Project and Report on Internal Control Over Compliance and Chapter 10.550, Rules of the Auditor General.....	47
Schedule of Findings and Questioned Costs.....	49
Management Letter.....	50
Independent Accountant’s Report on Compliance with Section 218.415 Florida Statutes....	53



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## **INDEPENDENT AUDITOR’S 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, each major fund and the aggregate remaining fund information of Babcock Ranch Community Independent Special District (hereinafter referred to as “District”), as of and for the year ended September 30, 2023, 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, each major fund and the aggregate remaining fund information of the District as of September 30, 2023, 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 Auditor’s 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.

#### **Emphasis of Matter**

As discussed in Note 2 to the financial statements, the District implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, which is a change in accounting principle that addresses accounting and financial reporting for transactions that meet that definition. This affects the comparability of amounts reported for the 2022-23 fiscal year with amounts reported for the 2021-22 fiscal year. Our opinion is not modified with respect to this matter.

## **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.

## **Auditor's 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 auditor's 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.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance, as required by Chapter 10.650, Rules of the Auditor General of the State of Florida, 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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, 2024, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida  
June 28, 2024

## **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, 2023. Please read it in conjunction with the District's financial statements, which begin on page 11.

### **FINANCIAL HIGHLIGHTS**

- At September 30, 2023, the assets of the District as a whole exceeded its liabilities and deferred inflows of resources by approximately \$19.4 million. For the governmental activities at September 30, 2023, the assets of the District exceed its liabilities and deferred inflows of resources by approximately \$38.1 million. For the business-type activities at September 30, 2023, the liabilities and deferred inflows of resources of the District exceed its assets by approximately \$18.6 million (deficit) within the business-type activities.
- During the fiscal year ended September 30, 2023, the District received loan proceeds of \$3.5 million and made draws on the SIB loan totaling approximately \$4.8 million.
- During the fiscal year ended September 30, 2023, the District paid approximately \$7.2 million of interest expenditures, repaid approximately \$2.3 million of outstanding long-term principal and incurred approximately \$41.7 million of capital outlay expenditures related to work in progress on the infrastructure project.
- During the fiscal year ended September 30, 2023, the District incurred grant costs of approximately \$4.1 million related to a state-funded agreement with the Florida Department of Transportation to widen and reconstruct State Road 31 in Lee and Charlotte Counties.

### **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

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

used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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	
	2023	2022	2023	2022	2023	2022
<b>Assets</b>						
Current and other assets	\$ 68,367	\$103,850	\$ 3,613	\$ 2,022	\$ 71,980	\$105,872
Capital assets, net	150,232	108,328	-	-	150,232	108,328
<b>Total assets</b>	<b>\$ 218,599</b>	<b>\$212,178</b>	<b>\$ 3,613</b>	<b>\$ 2,022</b>	<b>\$222,212</b>	<b>\$214,200</b>
<b>Liabilities</b>						
Current liabilities	\$ 12,261	\$ 17,596	\$ 22,171	\$ 14,475	\$ 34,432	\$ 32,071
Other liabilities	165,238	159,011	-	-	165,238	159,011
<b>Total liabilities</b>	<b>177,499</b>	<b>176,607</b>	<b>22,171</b>	<b>14,475</b>	<b>199,670</b>	<b>191,082</b>
<b>Deferred inflows of resources</b>						
Deferred inflows related to leases	2,384	2,409	-	-	2,384	2,409
Deferred inflows of resources	617	516	86	57	703	573
<b>Total deferred inflows of resources</b>	<b>3,001</b>	<b>2,925</b>	<b>86</b>	<b>57</b>	<b>3,087</b>	<b>2,982</b>
<b>Net position</b>						
Net investment in capital assets	41,944	34,603	-	-	41,944	34,603
Restricted for:						
Debt service	2,183	-	-	-	2,183	-
Capital projects	3	-	-	-	3	-
Unrestricted (deficit)	(6,031)	(1,957)	(18,644)	(12,510)	(24,675)	(14,467)
<b>Total net position (deficit)</b>	<b>38,099</b>	<b>32,646</b>	<b>(18,644)</b>	<b>(12,510)</b>	<b>19,455</b>	<b>20,136</b>
Total liabilities, deferred inflows of resources and net position	\$ 218,599	\$212,178	\$ 3,613	\$ 2,022	\$222,212	\$214,200

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

During the fiscal year ended September 30, 2023, total assets and liabilities increased by approximately \$8.0 million and \$8.6 million, respectively, over the prior fiscal year. The increase in assets and liabilities is primarily due to the continued infrastructure construction during the fiscal year and issuance of the Series 2023 Note Payable as well as draws made on the SIB Loan.

## 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).

<i>For the year ended September 30,</i>	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
<b>Revenue:</b>						
Program revenue:						
Charges for services	\$ 9,215	\$ 5,928	\$ 14,161	\$ 12,128	\$ 23,376	\$ 18,056
Grants and contributions	10,275	25,235	-	-	10,275	25,235
General revenue:						
Cost sharing and other revenue	1,550	1,178	-	-	1,550	1,178
<b>Total revenue</b>	<b>21,040</b>	<b>32,341</b>	<b>14,161</b>	<b>12,128</b>	<b>35,201</b>	<b>44,469</b>
<b>Expenses:</b>						
General government	2,114	2,185	-	-	2,114	2,185
Maintenance and operations	6,399	3,462	-	-	6,399	3,462
Utilities	-	-	19,250	15,402	19,250	15,402
Solid waste	-	-	1,045	849	1,045	849
Bond issue costs	35	1,190	-	-	35	1,190
Unallocated amortization	108	-	-	-	108	-
Interest	7,188	4,972	-	-	7,188	4,972
<b>Total expenses</b>	<b>15,844</b>	<b>11,809</b>	<b>20,295</b>	<b>16,251</b>	<b>36,139</b>	<b>28,060</b>
Change in net position	5,196	20,532	(6,134)	(4,123)	(938)	16,409
Net position (deficit), beginning	32,646	12,114	(12,510)	(8,387)	20,136	3,727
Change in accounting principle (see Note 2)	257	-	-	-	257	-
Net position (deficit), beginning as restated	32,903	12,114	(12,510)	(8,387)	20,393	3,727
Net position (deficit), ending	\$ 38,099	\$ 32,646	\$ (18,644)	\$ (12,510)	\$ 19,455	\$ 20,136

For more detailed information, see the accompanying Statement of Activities. Beginning net position has been restated effective October 1, 2022 as result of the adoption of an accounting principle change for a right-to-use subscription asset and related liability. See Note 2 for additional information.

Revenue decreased by approximately \$9.3 million from the prior year while expenses increased by approximately \$8.1 million over the prior year. The decrease in revenue is primarily due to the decrease in developer contributions, grant revenues, and prepayment revenues for the SIB lot closings received in the prior year. 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 \$938,000 decrease in net position for fiscal year 2023.

### 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 \$55.6 million, which is a decrease of approximately \$30.3 million from last year's balance of approximately \$85.9 million. Significant transactions are discussed below.

## Babcock Ranch Community Independent Special District Management’s Discussion and Analysis

- During the fiscal year ended September 30, 2023, the District received loan proceeds of \$3.5 million and made draws on the SIB loan totaling approximately \$4.8 million.
- During the fiscal year ended September 30, 2023, the District paid approximately \$7.2 million of interest expenditures, repaid approximately \$2.3 million of outstanding long-term principal and incurred approximately \$41.7 million of capital outlay expenditures related to work in progress on the infrastructure project.
- During the fiscal year ended September 30, 2023, the District incurred grant costs of approximately \$4.1 million related to a state-funded agreement with the Florida Department of Transportation to widen and reconstruct State Road 31 in Lee and Charlotte Counties.

### **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, 2023, the District incurred approximately \$19.3 million and \$1 million of water, sewer and irrigation utilities and solid waste expenditures, respectively.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### **Capital Assets**

At September 30, 2023, the District had approximately \$150 million invested in capital assets. This amount represents a net increase of approximately \$42 million over the fiscal year 2022 total. A listing of capital assets by major category for the current and prior year follows (in thousands).

<i>September 30,</i>	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Right-to-use subscription assets, net	\$ 325	\$ -	\$ -	\$ -	\$ 325	\$ -
Capital assets not being depreciated	133,841	108,328	-	-	133,841	108,328
Capital assets being depreciated	16,066	-	-	-	16,066	-
<b>Net capital assets</b>	<b>\$ 150,232</b>	<b>\$108,328</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$150,232</b>	<b>\$108,328</b>

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, 2023, the District had approximately \$163.9 million in long-term debt outstanding. This amount represents a net increase of approximately \$6.1 million over the fiscal year 2022 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	
	2023	2022	2023	2022	2023	2022
Series 2015	\$ 17,685	\$ 18,095	\$ -	\$ -	\$ 17,685	\$ 18,095
Series 2018	1,935	1,970	-	-	1,935	1,970
Series 2018 Assessment Area 2B	3,550	3,615	-	-	3,550	3,615
Series 2018 Assessment Area 3A	11,835	12,025	-	-	11,835	12,025
Series 2018 Assessment Area 4	3,015	3,095	-	-	3,015	3,095
Series 2020 Assessment Area 2C	4,945	5,045	-	-	4,945	5,045
Series 2020 Assessment Area 3A	8,060	8,235	-	-	8,060	8,235
Series 2020 Assessment Area 3B	2,445	2,495	-	-	2,445	2,495
Series 2021	21,420	21,870	-	-	21,420	21,870
Series 2022	80,515	80,515	-	-	80,515	80,515
SIB Loan payable	5,013	854	-	-	5,013	854
Note Series 2203A and B	3,500	-	-	-	3,500	-
	<b>\$ 163,918</b>	<b>\$ 157,814</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 163,918</b>	<b>\$ 157,814</b>

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 42.

The District experienced an unfavorable variance of \$513,368 in revenue and a favorable variance of \$575,142 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 prepaid lot assessments than budgeted. The variance in expenditures is primarily due to anticipated maintenance expenditures that were not incurred during fiscal year 2023.

### **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 2024 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,

2023

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 8,736,813	\$ 2,422,544	\$ 11,159,357
Investments	53,027,016	-	53,027,016
Accounts receivable	188,300	990,796	1,179,096
Internal balances	(12,648)	12,648	-
Prepaid expenses	15,764	186,499	202,263
Deposits	2,155	-	2,155
Other prepaid assets	4,025,772	-	4,025,772
Lease receivable	2,383,544	-	2,383,544
Capital assets:			
Right-to-use subscription assets, net	325,499	-	325,499
Not being depreciated	133,840,624	-	133,840,624
Depreciable, net	16,066,479	-	16,066,479
<b>Total assets</b>	<b>218,599,318</b>	<b>3,612,487</b>	<b>222,211,805</b>
<b>Liabilities</b>			
Accounts payable	2,614,967	201,299	2,816,266
Accrued interest payable	2,971,084	-	2,971,084
Accrued contracts payable	2,109,742	-	2,109,742
Accrued lease expenses	-	21,697,185	21,697,185
Subscription liability	122,357	-	122,357
Retainage payable	3,944,834	-	3,944,834
Deposits payable	-	272,279	272,279
Due to developer	356,328	-	356,328
Due to other government	264,392	-	264,392
Non-current liabilities:			
Developer advances	1,200,000	-	1,200,000
Bonds payable - due within one year	2,815,000	-	2,815,000
Bonds payable - due in more than one year	156,088,519	-	156,088,519
Loan payable - due in more than one year	5,012,594	-	5,012,594
<b>Total liabilities</b>	<b>177,499,817</b>	<b>22,170,763</b>	<b>199,670,580</b>
<b>Deferred inflow of resources</b>			
Deferred inflows related to leases	2,383,535	-	2,383,535
Deferred revenue	616,998	85,845	702,843
<b>Total deferred inflow of resources</b>	<b>3,000,533</b>	<b>85,845</b>	<b>3,086,378</b>
<b>Net position (deficit)</b>			
Net investment in capital assets	41,944,349	-	41,944,349
Restricted for:			
Debt service	2,182,771	-	2,182,771
Capital projects	3,193	-	3,193
Unrestricted	(6,031,345)	(18,644,121)	(24,675,466)
<b>Total net position (deficit)</b>	<b>\$ 38,098,968</b>	<b>\$ (18,644,121)</b>	<b>\$ 19,454,847</b>

*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,

2023

Functions/Programs	Expenses	Charges for Services	Program Revenue		Net (Expense) Revenue and Changes in Net Position			Total
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities		
<b>Primary government:</b>								
<b>Governmental activities:</b>								
General government	\$ (2,114,281)	\$ 524,462	\$ 849,486	\$ -	\$ (740,333)	\$ -	\$ (740,333)	
Maintenance and operations	(6,398,827)	1,587,275	2,570,953	3,875,401	1,634,802	-	1,634,802	
Cost of issuance	(34,675)	-	-	-	(34,675)	-	(34,675)	
Unallocated amortization	(108,492)	-	-	-	(108,492)	-	(108,492)	
Interest	(7,187,930)	7,102,778	413,668	2,565,459	2,893,975	-	2,893,975	
<b>Total governmental activities</b>	<b>(15,844,205)</b>	<b>9,214,515</b>	<b>3,834,107</b>	<b>6,440,860</b>	<b>3,645,277</b>	<b>-</b>	<b>3,645,277</b>	
<b>Business-type activities:</b>								
Utilities	(19,250,085)	13,316,575	-	-	-	(5,933,510)	(5,933,510)	
Solid waste	(1,045,110)	844,877	-	-	-	(200,233)	(200,233)	
<b>Total business-type activities</b>	<b>(20,295,195)</b>	<b>14,161,452</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,133,743)</b>	<b>(6,133,743)</b>	
<b>Total primary government</b>	<b>\$ (36,139,400)</b>	<b>\$ 23,375,967</b>	<b>\$ 3,834,107</b>	<b>\$ 6,440,860</b>	<b>3,645,277</b>	<b>(6,133,743)</b>	<b>(2,488,466)</b>	
<b>General revenue</b>								
Cost sharing and other revenue					1,550,672	-	1,550,672	
<b>Total general revenue</b>					<b>1,550,672</b>	<b>-</b>	<b>1,550,672</b>	
Change in net position					5,195,949	(6,133,743)	(937,794)	
Net position (deficit) - beginning of year as previously reported					32,645,616	(12,510,378)	20,135,238	
Change in accounting principle (see Note 2)					257,403	-	257,403	
<b>Net position (deficit) - end of year</b>					<b>\$ 38,098,968</b>	<b>\$ (18,644,121)</b>	<b>\$ 19,454,847</b>	

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



## Babcock Ranch Community Independent Special District Balance Sheet – Governmental Funds

September 30,

2023

	General	Debt Service	Capital Projects	Nonmajor	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 2,022,502	\$ 2,597,937	\$ 4,116,374	\$ -	\$ 8,736,813
Investments	-	9,072,452	43,954,564	-	53,027,016
Accounts receivable	89,914	111,840	-	-	201,754
Due from developer	-	512,950	-	314	513,264
Deposits	2,155	-	-	40	2,195
Prepaid expenses	15,764	-	-	-	15,764
Other prepaid assets	-	-	4,025,732	-	4,025,732
Due from other funds	78,044	-	-	(78,044)	-
<b>Total assets</b>	<b>\$ 2,208,379</b>	<b>\$ 12,295,179</b>	<b>\$ 52,096,670</b>	<b>\$ (77,690)</b>	<b>\$ 66,522,538</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 1,056,702	\$ -	\$ 1,520,853	\$ 36,230	\$ 2,613,785
Retainage payable	-	-	3,944,834	-	3,944,834
Contracts payable	-	-	2,109,742	-	2,109,742
Developer advance	200,000	-	-	-	200,000
Due to developer	414,688	-	469,540	-	884,228
Due to other governments	264,392	-	-	-	264,392
Due to proprietary funds	12,648	-	-	-	12,648
<b>Total liabilities</b>	<b>1,948,430</b>	<b>-</b>	<b>8,044,969</b>	<b>36,230</b>	<b>10,029,629</b>
<b>Deferred inflows of resources</b>					
Deferred revenue	260,397	584,340	-	-	844,737
<b>Total deferred inflows of resources</b>	<b>260,397</b>	<b>584,340</b>	<b>-</b>	<b>-</b>	<b>844,737</b>
<b>Fund balance (Deficit)</b>					
Nonspendable	17,919	-	-	-	17,919
Restricted for debt service	-	11,710,839	4,025,732	-	15,736,571
Restricted for capital projects	-	-	40,025,969	-	40,025,969
Unassigned	(18,367)	-	-	-	(18,367)
<b>Total fund balance (deficit)</b>	<b>(448)</b>	<b>11,710,839</b>	<b>44,051,701</b>	<b>(113,920)</b>	<b>55,648,172</b>
<b>Total liabilities, deferred inflows of resources and fund balance (deficit)</b>	<b>\$ 2,208,379</b>	<b>\$ 12,295,179</b>	<b>\$ 52,096,670</b>	<b>\$ (77,690)</b>	<b>\$ 66,522,538</b>

*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**

<i>September 30,</i>	<b>2023</b>
Total fund balances, governmental funds	\$ 55,648,172
Capital assets, subscription assets, and deposits on capital improvements used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.	150,232,602
Lease receivables in governmental activities are not current financial resources and therefore are not reported in the fund financial statements.	2,383,544
Liabilities not due and payable from current resources, including accrued interest, are not reported in the fund level statements.	(168,009,554)
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.	844,737
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.	(3,000,533)
Total net position - governmental activities	\$ 38,098,968

*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,

**2023**

	General	Debt Service	Capital Projects	Nonmajor	Total Governmental Funds
<b>Revenue</b>					
Assessments	\$ 2,111,737	\$ 7,102,778	\$ -	\$ -	\$ 9,214,515
Developer contributions	3,420,439	-	3,759,016	-	7,179,455
Cost sharing and other revenue	1,243,626	-	-	322,653	1,566,279
Interest	-	380,518	2,565,459	-	2,945,977
Prepayment revenue	-	17,534	116,385	-	133,919
<b>Total revenue</b>	<b>6,775,802</b>	<b>7,500,830</b>	<b>6,440,860</b>	<b>322,653</b>	<b>21,040,145</b>
<b>Expenditures</b>					
Current:					
General government	2,025,104	-	-	89,177	2,114,281
Maintenance and operations	4,614,138	-	-	442,182	5,056,320
Capital outlay	-	-	41,579,285	-	41,579,285
Debt service:					
Bond issue costs	28,750	5,925	-	-	34,675
Developer repayment	-	-	1,342,507	-	1,342,507
Principal	54,231	1,555,000	702,955	-	2,312,186
Interest	7,991	7,239,994	-	-	7,247,985
<b>Total expenditures</b>	<b>6,730,214</b>	<b>8,800,919</b>	<b>43,624,747</b>	<b>531,359</b>	<b>59,687,239</b>
Excess (deficit) of revenue over expenditures	45,588	(1,300,089)	(37,183,887)	(208,706)	(38,647,094)
<b>Other Financing Sources (Uses)</b>					
Debt proceeds	48,750	-	8,312,590	-	8,361,340
Interfund transfers-in	-	-	-	94,786	94,786
Interfund transfers-out	(94,786)	-	-	-	(94,786)
<b>Total other financing sources (uses)</b>	<b>(46,036)</b>	<b>-</b>	<b>8,312,590</b>	<b>94,786</b>	<b>8,361,340</b>
Net change in fund balances	(448)	(1,300,089)	(28,871,297)	(113,920)	(30,285,754)
Fund balance, beginning of year	-	13,010,928	72,922,998	-	85,933,926
Fund balance (deficit), end of year	\$ (448)	\$ 11,710,839	\$ 44,051,701	\$ (113,920)	\$ 55,648,172

*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>	<b>2023</b>
Net change in fund balances - governmental funds	\$ (30,285,754)
Capital outlay, reported as expenditures in the governmental funds, is shown as capital assets on the Statement of Net Position.	41,579,285
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.	2,312,186
Amortization of original issue discounts and premiums and subscription asset are not recognized in the governmental fund statements but are reported as an expense in the Statement of Activities.	(110,061)
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.	61,624
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.	(8,361,340)
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.	9
Change in net position of governmental activities	\$ 5,195,949

*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>	<b>2023</b>		
	<b>Enterprise Funds</b>		
	<b>Utilities</b>	<b>Solid Waste</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,340,891	\$ 81,653	\$ 2,422,544
Accounts receivable	953,512	37,284	990,796
Due from governmental funds	17,896	-	17,896
Prepaid expenditures	186,499	-	186,499
<b>Total assets</b>	<b>3,498,798</b>	<b>118,937</b>	<b>3,617,735</b>
<b>Liabilities</b>			
Liabilities			
Accounts payable	200,210	1,089	201,299
Accrued lease expenses	20,367,395	1,329,790	21,697,185
Deposits payable	272,279	-	272,279
Due to governmental funds	-	5,248	5,248
<b>Total liabilities</b>	<b>20,839,884</b>	<b>1,336,127</b>	<b>22,176,011</b>
Deferred inflows of resources			
Deferred revenue	85,845	-	85,845
<b>Total deferred inflows of resources</b>	<b>85,845</b>	<b>-</b>	<b>85,845</b>
<b>Net Position (Deficit)</b>			
Unrestricted	(17,426,931)	(1,217,190)	(18,644,121)
<b>Total net position (deficit)</b>	<b>(17,426,931)</b>	<b>(1,217,190)</b>	<b>(18,644,121)</b>
<b>Total liabilities and fund balance</b>	<b>\$ 3,498,798</b>	<b>\$ 118,937</b>	<b>\$ 3,617,735</b>

*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**

	2023		
	Enterprise Funds		
	Utilities	Solid Waste	Total
<b>Revenue</b>			
Charges for services:			
Water, sewer and irrigation utilities	\$ 5,043,803	\$ -	\$ 5,043,803
Water, sewer and irrigation connection fees	8,272,772	-	8,272,772
Solid waste	-	844,877	844,877
<b>Total revenue</b>	<b>13,316,575</b>	<b>844,877</b>	<b>14,161,452</b>
<b>Operating expenses</b>			
Administrative and other	245,823	28,654	274,477
Water, sewer and irrigation utilities	19,004,262	-	19,004,262
Solid waste	-	1,016,456	1,016,456
<b>Total operating expenses</b>	<b>19,250,085</b>	<b>1,045,110</b>	<b>20,295,195</b>
Operating income (loss)	(5,933,510)	(200,233)	(6,133,743)
Net position (deficit), beginning of year	(11,493,421)	(1,016,957)	(12,510,378)
Net position (deficit), end of year	\$ (17,426,931)	\$ (1,217,190)	\$ (18,644,121)

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

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

	<b>2023</b>		
	<b>Enterprise Fund</b>		
	<b>Utilities</b>	<b>Solid Waste</b>	<b>Total</b>
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 13,091,114	\$ 854,343	\$ 13,945,457
Receipts from internal services provided	130,113	-	130,113
Payments to suppliers	(11,818,539)	(794,561)	(12,613,100)
<b>Net cash provided by operating activities</b>	<b>1,402,688</b>	<b>59,782</b>	<b>1,462,470</b>
<b>Cash flows from non-capital financing activities</b>			
Net transfers from governmental funds	(525)	-	(525)
<b>Net cash provided (used) by non-capital financing activities</b>	<b>(525)</b>	<b>-</b>	<b>(525)</b>
Net increase in cash and cash equivalents	1,402,163	59,782	1,461,945
Cash and cash equivalents, beginning of year	938,728	21,871	960,599
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,340,891</b>	<b>\$ 81,653</b>	<b>\$ 2,422,544</b>

(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)**

<i>For the year ended September 30,</i>	<b>2023</b>		
	<b>Enterprise Fund</b>		
	<b>Utilities</b>	<b>Solid Waste</b>	<b>Total</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ (5,933,510)	\$ (200,233)	\$ (6,133,743)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Change in operating assets and liabilities:			
Accounts receivable	(121,404)	(4,757)	(126,161)
Due from other enterprise funds	-	703	703
Due from governmental funds	30,588	-	30,588
Prepaid expenses	(59,343)	21,656	(37,687)
Accounts payable	158,337	208	158,545
Accrued lease expenses	7,302,667	237,680	7,540,347
Deposits payable	(2,707)	-	(2,707)
Due to other enterprise funds	(703)	-	(703)
Due to governmental funds	-	4,525	4,525
Deferred revenue	28,763	-	28,763
<b>Net cash provided by operating activities</b>	<b>\$ 1,402,688</b>	<b>\$ 59,782</b>	<b>\$ 1,462,470</b>

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



## **Babcock Ranch Community Independent Special District Notes to Financial Statements**

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Nature of the 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.

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 1: 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 1: 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 1: 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, 2023, 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 subscription assets, 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. Buildings are currently the only depreciable assets as the majority of infrastructure improvements are in construction in progress. Buildings are depreciated over a 30-year period.

## **Babcock Ranch Community Independent Special District Notes to Financial Statements**

### **NOTE 1: 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.

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, 2023.

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, 2023, the District has reported deferred revenue as a deferred inflow of resources. Deferred revenue in the governmental funds represents amounts to fund fiscal year 2023 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 1: 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, 2023, 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 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 1: 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, 2024, and determined there was one event that occurred requiring disclosure. See Note 14 for relevant disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

#### ***Recently Issued and Implemented Accounting Pronouncements***

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. There were no significant impacts of implementing this Statement.

In May 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objectives of this Statement are to address financial reporting issues that result from the replacement of an Interbank Offered Rate (IBOR) by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment and clarification of the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; replacing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of an interest rate swap with a Secured Overnight Financing Rate or the Effective Federal Funds Rate; and providing exceptions to the lease modifications guidance in Statement 87 for lease contracts that are amended solely to replace an IBOR used to determine variable payments. As of July 1, 2023, derivative instruments that hedge the interest rate risk of taxable debt and use an IBOR as a reference rate are no longer eligible for hedge accounting. There were no significant impacts of implementing this Statement.

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



## Babcock Ranch Community Independent Special District Notes to Financial Statements

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. The District entered into a subscription based agreement during the year ended September 30, 2023 therefore the District has implemented the accounting standard. Additional information about the changes to the financial statements related to the implementation of this Statement can be found in Note 2.

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

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.

GASB Statement No. 101, *Compensated Absences*, The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

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



## Babcock Ranch Community Independent Special District Notes to Financial Statements

### NOTE 2: CHANGE IN ACCOUNTING PRINCIPLE

*Governmental Accounting Standards Board Statement No. 96:* In fiscal year 2023, the District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. In accordance with generally accepted accounting principles, the implementation of this Statement for the District requires the restatement of the September 30, 2022 net position to record the cumulative effect of recording right-to-use subscription assets less accumulated amortization, net of the respective subscription liabilities as of September 30, 2022.

	Governmental Activities	Business-type Activities/ Enterprise Fund	Total
Net position (deficit), September 30, 2022 as previously reported	\$ 32,645,616	\$ (12,510,378)	\$ 20,135,238
Right-to-use subscription assets	433,991	-	433,991
Subscription liabilities	(176,588)	-	(176,588)
Net position (deficit), September 30, 2022 as restated	\$ 32,903,019	\$ (12,510,378)	\$ 20,392,641

### NOTE 3: INVESTMENTS

All investments held at September 30, 2023 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>	<b>2023</b>	<b>Credit Risk</b>	<b>Weighted Average Maturities</b>
Short-term Money Market Funds	\$ 53,027,016	S&P AAAM	47 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, 2023, 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.

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

## Babcock Ranch Community Independent Special District Notes to Financial Statements

### NOTE 3: INVESTMENTS (Continued)

*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, 2023 (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.

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:

**Babcock Ranch Community Independent Special District  
Notes to Financial Statements**

**NOTE 4: RECEIVABLES (Continued)**

*September 30, 2023*

Principal	\$	9,680
Interest		5,520
<b>Total</b>	<b>\$</b>	<b>15,200</b>

Future principal and interest lease income payments (excluding variable maintenance fees) as of September 30, 2023 are as follows:

<i>Fiscal year ending September 30,</i>	Principal	Interest	Total
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	39,247	61,445	100,692
2029-2033	245,970	288,517	534,487
2034-2038	341,914	248,202	590,116
2039-2043	458,559	193,309	651,868
2044-2048	598,559	120,789	719,348
2049-2052	571,279	30,418	601,697
<b>Total</b>	<b>\$ 2,383,544</b>	<b>\$ 1,198,073</b>	<b>\$ 3,581,617</b>

## Babcock Ranch Community Independent Special District Notes to Financial Statements

### NOTE 5: CAPITAL ASSETS

The following is a summary of changes in the capital assets for the year ended September 30, 2023:

	Beginning Balance *	Increases	Transfers	Ending Balance
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated</i>				
Construction in progress	\$ 108,327,818	\$ 41,579,285	\$ (16,066,479)	\$ 133,840,624
Total capital assets, not being depreciated	108,327,818	41,579,285	(16,066,479)	133,840,624
<i>Capital assets being depreciated</i>				
Buildings	-	-	16,066,479	16,066,479
Total capital assets, being depreciated	-	-	16,066,479	16,066,479
<i>Less accumulated depreciation</i>				
Buildings **	-	-	-	-
Total accumulated depreciation	-	-	-	-
Total capital assets, being depreciation, net	-	-	16,066,479	16,066,479
<i>Right-to-use subscription assets being amortized</i>				
Subscription-based information technology	542,483	-	-	542,483
Total right-to-use subscription assets being amortized	542,483	-	-	542,483
<i>Less accumulated amortization</i>				
Subscription-based information technology	(108,492)	(108,492)	-	(216,984)
Total accumulated amortization	(108,492)	(108,492)	-	(216,984)
Total right-to-use subscription based assets being amortized, being depreciated, net	433,991	(108,492)	-	325,499
Governmental activities capital assets, net	\$ 108,761,809	\$ 41,470,793	\$ -	\$ 150,232,602

\* September 30, 2022 balance is restated with the implementation of GASB 96

\*\* Building asset moved to capital assets being depreciated effective September 30, 2023.

## 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, 2023.

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, 2023.

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, 2023, the District has accrued lease expense balance due of \$21,697,185 for current year and prior year operations.

During the fiscal year ended September 30, 2023, the District incurred related variable lease expenses totaling approximately \$19 million and \$1 million, 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, 2023, the District owed approximately \$21.7 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, 2023.

#### ***Loans 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, 2023, the loan payable balance is \$5,012,594, 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 \$116,385 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, 2023, the District has approximately \$4.0 million in prepaid assets to reflect prepayments held with FDOT.

The District obtained Note Series 2023A and 2023B with a Bank for \$3,190,000 and \$310,000, respectively, to finance certain capital improvements such as lakeshore remediation, FEMA reimbursable projects, District infrastructure, and pay costs of issuance. The District began drawing on during the fiscal year ended September 30, 2023. The 5-year notes require semi-annual payments of interest on May 1 and November 1 each year through August 2028. Principal is due on maturity. Note Series 2023A and 2023B have fixed interest rates of 5.13% and 7.25%, respectively, and the notes are collateralized by O&M assessments levied against the benefited properties and reimbursements



**Babcock Ranch Community Independent Special District  
Notes to Financial Statements**

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

from FEMA. The Notes contain various loan covenants that the District must maintain. The District is in material compliance with the required loan covenants.

Long-term liability activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities</i>					
Bonds and Notes Payable:					
Series 2015	\$ 18,095,000	\$ -	\$ (410,000)	\$ 17,685,000	\$ 400,000
Series 2018	1,970,000	-	(35,000)	1,935,000	40,000
Series 2018 2B	3,615,000	-	(65,000)	3,550,000	70,000
Series 2018 3A	12,025,000	-	(190,000)	11,835,000	195,000
Series 2018 4	3,095,000	-	(80,000)	3,015,000	55,000
Series 2020 2C	5,045,000	-	(100,000)	4,945,000	105,000
Series 2020 3A	8,235,000	-	(175,000)	8,060,000	180,000
Series 2020 3B	2,495,000	-	(50,000)	2,445,000	50,000
Series 2021	21,870,000	-	(450,000)	21,420,000	460,000
Series 2022	80,515,000	-	-	80,515,000	1,260,000
SIB Loan payable	854,209	4,861,340	(702,955)	5,012,594	-
Note Series 2203A and B	-	3,500,000	-	3,500,000	-
	\$ 157,814,209	\$ 8,361,340	\$ (2,257,955)	\$ 163,917,594	\$ 2,815,000

The balance of the long-term bonds at September 30, 2023 is summarized as follows:

<i>September 30,</i>	<b>2023</b>
Bond principal balance	\$ 155,405,000
Loan principal balance	8,512,594
Less unamortized bond discounts	(769,438)
Add unamortized bond premiums	767,957
<b>Net debt balance</b>	<b>\$ 163,916,113</b>

**Babcock Ranch Community Independent Special District  
Notes to Financial Statements**

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

At September 30, 2023, the scheduled debt service requirements on long-term debt were as follows:

<i>For the Year Ending September 30,</i>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2024	\$ 2,815,000	\$ 7,480,111	\$ 10,295,111
2025	2,959,304	7,430,516	10,389,820
2026	3,274,474	7,315,000	10,589,474
2027	3,387,985	7,188,790	10,576,775
2028	3,531,806	7,054,550	10,586,356
2029-2033	23,462,957	32,111,821	55,574,778
2034-2038	24,936,764	27,170,197	52,106,961
2039-2043	30,509,304	20,807,155	51,316,459
2044-2048	35,870,000	12,937,635	48,807,635
2049-2053	33,170,000	4,485,228	37,655,228
	<b>\$ 163,917,594</b>	<b>\$ 133,981,003</b>	<b>\$ 297,898,597</b>

***Subscription-Based Information Technology Arrangements***

The District has a software arrangement that require recognition under GASB Statement 96, *Subscription-Based Information Technology Arrangements* (SBITAs). The District now recognizes a subscription liability and an intangible right-to-use subscription asset for the planning software.

The District entered into the five-year planning software arrangement in fiscal year 2021 with an annual payment of \$44,625 for year one, and payments ranging from \$60,410 - \$66,011 for years 2 through 5. The District may terminate the agreement with 60 day notice without further penalty however the District anticipates utilizing the software for the 5 year period. The subscription may be renewed annually. The District has used a 4.45% discount rate for this arrangement based on its incremental borrowing rate during the same fiscal year to determine the present value of the intangible right-to-use asset and subscription liability. There is no option to purchase the software. There are no residual value guarantees in the agreement. In addition to the lease payments, the District incurred initial capitalizable setup costs of approximately \$257,000.

The following is a schedule of minimum future payments from SBITAs as of December 31:

<i>Fiscal year ending September 30,</i>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 59,214	\$ 5,528	\$ 64,742
2025	63,143	2,868	66,011
<b>Total</b>	<b>\$ 122,357</b>	<b>\$ 8,396</b>	<b>\$ 130,753</b>

## **Babcock Ranch Community Independent Special District Notes to Financial Statements**

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

The District is reimbursed a portion of related cost for the subscription based planning software and other related costs. The District covers approximately 25% of the costs and obtains reimbursement from the residential association, MSKP, Ecologic, and Kitson share for their portion of the total expense by 12.5%, 45%, 5%, and 12.5%, respectively.

### **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, 2023, 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 three homebuilders, the loss of which could have a materially adverse effect on the District's operations. The District assessed these three homebuilders a total of \$961,154, 958,873, and \$1,610,574 for operations and maintenance and debt service for the year ended September 30, 2023, respectively.

## **Babcock Ranch Community Independent Special District Notes to Financial Statements**

### **NOTE 11: RELATED PARTY TRANSACTIONS**

For the year ended September 30, 2023, the District recognized developer contributions totaling \$3,420,439 and \$3,759,016 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 \$497,928 and \$721,455 for operations and maintenance and debt service, respectively. As of September 30, 2023, 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, 2023, 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, 2023, 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.

During the year ended September 30, 2023, the District made payments of approximately \$12.5 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 \$21.7 million as of September 30, 2023.

### **NOTE 12: COST SHARING AGREEMENTS**

In December 2022, the District amended a cost sharing agreement with the Developer controlled, Babcock Ranch Residential Association, Inc. (“Residential Association”) for safety patrol services. For fiscal year 2023, the District paid \$362,018 to the Residential Association representing 30% 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 \$255,442 for cost sharing revenues and \$254,208 for related software costs for the year ended September 30, 2023.

## **Babcock Ranch Community Independent Special District Notes to Financial Statements**

### **NOTE 13: COMMITMENTS**

As of September 30, 2023, the District had approximately \$25.6 million outstanding on various construction contracts.

### **NOTE 14: SUBSEQUENT EVENT**

Subsequent to year end, the District entered into a contract for approximately \$75 million for roadway construction. The project is expected to commence during fiscal year 2024.

**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,*

**2023**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Revenue</b>				
Assessments	\$ 2,035,952	\$ 2,039,637	\$ 2,111,737	\$ 72,100
Developer contributions	2,317,781	3,836,352	3,420,439	(415,913)
Cost sharing and other revenues	556,891	1,413,181	1,243,626	(169,555)
<b>Total revenue</b>	<b>4,910,624</b>	<b>7,289,170</b>	<b>6,775,802</b>	<b>(513,368)</b>
<b>Expenditures</b>				
General government	991,808	2,220,080	2,025,104	194,976
Maintenance and operations	3,752,064	4,994,304	4,614,138	380,166
Debt service:				
Bond issue costs	-	-	28,750	(28,750)
Principal	-	-	54,231	(54,231)
Interest	-	-	7,991	(7,991)
<b>Total expenditures</b>	<b>4,743,872</b>	<b>7,214,384</b>	<b>6,730,214</b>	<b>575,142</b>
<b>Excess of revenue over expenditures</b>	<b>\$ 166,752</b>	<b>\$ 74,786</b>	<b>\$ 45,588</b>	<b>\$ 61,774</b>

Note: The District budgeted for excess revenues over expenditures for the original and amended budgets.

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

*For the year ended September 30, 2023*

<b>Grantor/Program Title</b>	<b>CSFA Number</b>	<b>Grant Contract Number</b>	<b>Expenditures</b>	<b>Amount Provided To Subrecipients</b>
<b>STATE FINANCIAL ASSISTANCE:</b>				
<b>Florida Department of Transportation</b>				
State Infrastructure Bank	55.020	N/A	\$ 4,092,527	\$ -
<b>Total Florida Department of Transportation</b>			4,092,527	
<b>Total Expenditures of State Financial Assistance</b>			\$ 4,092,527	\$ -



## **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, 2022 through September 30, 2023 on the accrual basis. As of September 30, 2023, the balance due on the SIB loan \$5,012,594 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 AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Supervisors  
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, 2023, 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, 2024.

**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, 2024

**INDEPENDENT AUDITOR’S 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, 2023. The District’s major State projects are identified in the summary of auditor’s 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.

***Auditor’s 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, 2023.

### **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, 2024

**Babcock Ranch Community Independent Special District  
Schedule of Findings and Questioned Costs  
September 30, 2023**

**SUMMARY OF AUDITOR’S RESULTS**

*Financial Statements*

Type of auditor’s 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 auditor’s 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
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



**Carr, Riggs & Ingram, LLC**  
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## **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, 2023, and have issued our report thereon dated June 28, 2024.

### **Auditor's Responsibility**

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

### **Other Reports and Schedule**

We have issued our Independent Auditor's 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, 2024, 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 8.
- 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 \$17,297,165.
- 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:
  - See Note 14 in the note disclosures.
- 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 \$1,986,342.



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 \$55 to \$456 for operations and maintenance and \$439 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 \$9,214,515.
- c. The total amount of outstanding bonds issued by the District as \$155,405,000.

#### **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, 2024



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Certified Public Accountants  
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## INDEPENDENT ACCOUNTANT’S 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, 2023. 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 perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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, 2023.

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.

A handwritten signature in black ink that reads "Carr, Riggs &amp; Ingram, L.L.C." in a cursive script.

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida  
June 28, 2024