SOUTH BAY
COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2024

SOUTH BAY COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
South Bay Community Development District
Hillsborough County, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of South Bay Community Development District, Hillsborough County, Florida ("District") as of and for the fiscal year ended September 30, 2024, 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 of the governmental activities and each major fund of the District as of September 30, 2024, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 7 and other notes to the basic financial statements, the District did not make certain debt service payments due to a lack of available funds thus meeting a financial emergency condition. The District did not receive sufficient assessments to fund certain scheduled debt service payments in prior, current, or subsequent fiscal years and, as a result, the payments were not made for the Series 2005A, 2015A-2 and 2015B-2 Bonds. The District's inability to make its scheduled debt service payments when they are due is considered events of default. The District remains in default under the Series 2005A, 2015A-2 and 2015B-2 trust indentures. Additionally, certain default related expenditures were paid from the trust accounts. In a prior fiscal year, certain property subject to delinquent assessments were transferred to a special purpose entity (SPE) and an agreement was reached with the District and the Bondholders whereby collection of debt service assessments on the property has been deferred.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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 GAAS 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 a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

Other Information Included in the Financial Report

Management is responsible for the other information included in the financial report. The other information comprises the information for compliance with FL Statute 218.39 (3) (c) but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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.

Brown & Associates

March 28, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of South Bay Community Development District, Hillsborough County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2024. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year resulting in a net position balance of $12,185,269.

- The change in the District's total net position in comparison with the prior fiscal year was ($465,911), a decrease. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.

- At September 30, 2024, the District's governmental funds reported combined ending fund balances of ($2,333,582), a decrease of ($109,101) in comparison with the prior fiscal year. The fund balance for the non-spendable for deposits, general fund is assigned for seawall reserves and other reserves, and the remainder is unassigned fund balance which is available for spending at the District's discretion. The debt service fund reports a deficit fund balance.

OVERVIEW OF FINANCIAL STATEMENTS

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

1) Government-Wide Financial Statements

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

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

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

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

2) Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has one fund category: governmental funds.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

2) Fund Financial Statements (Continued)

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

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

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

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

3) Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

NET POSITION
SEPTEMBER 30,

	2024	2023
Current and other assets	$ 2,834,138	$ 2,330,998
Capital assets, net of depreciation	36,317,355	37,063,586
Total assets	39,151,493	39,394,584
Current liabilities	5,586,224	4,983,404
Long-term liabilities	21,380,000	21,760,000
Total liabilities	26,966,224	26,743,404
Net position		
Net investment in capital assets	13,672,355	14,038,586
Unrestricted	(1,487,086)	(1,387,406)
Total net position	$ 12,185,269	$ 12,651,180

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

The District's net position decreased during the most recent fiscal year. The majority of the decrease represents the extent to which the cost of operations and depreciation expense exceeded ongoing program revenues.

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

CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,

	2024	2023
Revenues:		
Program revenues		
Charges for services	$ 2,359,673	$ 1,637,562
General revenues		
Investment earnings	70,727	25,768
Miscellaneous revenue	1,000	1,000
Total revenues	2,431,400	1,664,330
Expenses:		
General government	297,544	328,055
Maintenance and operations	1,547,564	1,303,232
Interest	1,052,203	1,024,552
Total expenses	2,897,311	2,655,839
Change in net position	(465,911)	(991,509)
Net position - beginning, as previously stated	12,651,180	14,517,129
Due to Bondholders correction	-	(874,440)
Fund balance/Net position, as restated	12,651,180	13,642,689
Net position - ending	$ 12,185,269	$ 12,651,180

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2024 was $2,897,311 The costs of the District's activities were primarily funded by program revenues. Program revenues are comprised primarily of assessments in both the current and prior fiscal year. The remainder of the current fiscal year revenue includes interest revenue, parking revenues, and miscellaneous income. In total, revenues increased from the prior year due primarily to an increase in operations and maintenance assessments. In total, expenses, including depreciation, increased from the prior fiscal year. The increase in expenses is primarily the result of an increase in professional fees, including security services and an increase in maintenance costs from the prior fiscal year.

GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2024.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2024, the District had $45,203,703 invested in capital assets for its governmental activities. In the government-wide financial statements accumulated depreciation of $8,886,348 has been taken, which resulted in a net book value of $36,317,355. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Capital Debt

At September 30, 2024, the District had $21,380,000 Bonds outstanding for its governmental activities. The District also reported $5,135,155 as Due to Bondholders for matured unpaid principal and interest on its defaulted Series 2005, Series 2015A-2 and 2015B-2 Bonds. More detailed information about the District's capital debt is presented in the notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

The District does not anticipate any major projects or significant changes to its infrastructure maintenance program for the subsequent fiscal year. In addition, it is anticipated that the general operations of the District will remain fairly constant.

As discussed in the notes to the basic financial statements, there are significant delinquent prior, current and subsequent fiscal year assessments that have not been collected. Consequently, the District did not have sufficient funds to make certain debt service payments. As a result, certain prior, current, and subsequent scheduled debt service payments were not made, resulting in events of default. The related property was conveyed to a SPE to manage and dispose of. The District is economically dependent on the SPE. No adjustment has been made to the financial statements for potential disposal as the specific impact on the District cannot be determined at this time.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, landowners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact South Bay Community Development District's Finance Department at 210 N. University Drive, Suite 702, Coral Springs, Florida 33071.

SOUTH BAY COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 1,291,691
Assessments receivable	9,379
Accounts receivable	100
Deposits	5,025
Restricted assets:	
Investments	1,527,943
Capital assets:	
Nondepreciable	16,812,056
Depreciable, net	19,505,299
Total assets	39,151,493
LIABILITIES	
Accounts payable and accrued liabilities	32,565
Accrued interest payable	418,504
Due to Bondholders:	
Interest	3,870,155
Principal	1,265,000
Non-current liabilities:	
Due within one year*	400,000
Due in more than one year	20,980,000
Total liabilities	26,966,224
NET POSITION	
Net investment in capital assets	13,672,355
Unrestricted	(1,487,086)
Total net position	$ 12,185,269

See notes to the financial statements

SOUTH BAY COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Primary government:				
Governmental activities:				
General government	$ 297,544	$ 297,544	$ -	$ -
Maintenance and operations	1,547,564	1,163,800	-	(383,764)
Interest on long-term debt	1,052,203	817,563	80,766	(153,874)
Total governmental activities	2,897,311	2,278,907	80,766	(537,638)
General revenues:				
Investment earnings				70,727
Miscellaneous revenue				1,000
Total general revenues				71,727
Change in net position				(465,911)
Net position - beginning				12,651,180
Net position - ending				$ 12,185,269

See notes to the financial statements

SOUTH BAY COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024

	Major Funds		Total
	General	Debt Service	Governmental Funds
ASSETS			
Cash and cash equivalents	$ 1,291,691	$ -	$ 1,291,691
Investments	-	1,527,943	1,527,943
Assessments receivable	3,727	5,652	9,379
Accounts receivable	100	-	100
Deposits	5,025	-	5,025
Due from other funds	-	22,644	22,644
Total assets	$ 1,300,543	$ 1,556,239	$ 2,856,782
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	$ 32,565	$ -	$ 32,565
Due to Bondholders	-	5,135,155	5,135,155
Due to other funds	22,644	-	22,644
Total liabilities	55,209	5,135,155	5,190,364
Fund balances:			
Nonspendable:			
Prepaids and deposits	5,025	-	5,025
Assigned to:			
Operating reserves	294,922	-	294,922
Reserves - seawall	176,040	-	176,040
Reserves - other	295,947	-	295,947
Unassigned	473,400	(3,578,916)	(3,105,516)
Total fund balances	1,245,334	(3,578,916)	(2,333,582)
Total liabilities and fund balances	$ 1,300,543	$ 1,556,239	$ 2,856,782

See notes to the financial statements

SOUTH BAY COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

Fund balance - governmental funds		$ (2,333,582)
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net position includes those capital assets, net of any accumulated depreciation, in the net position of the government as a whole.		
Cost of capital assets	45,203,703	
Accumulated depreciation	(8,886,348)	36,317,355
Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.		
Accrued interest payable	(418,504)	
Bonds payable *	(21,380,000)	(21,798,504)
Net position of governmental activities		$ 12,185,269

* Remaining amount is reported as Due to Bondholder.

See notes to the financial statements

SOUTH BAY COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

	Major Funds		Total Governmental Funds
	General	Debt Service	
REVENUES			
Assessments	$ 1,339,940	$ 817,563	$ 2,157,503
Interest	70,727	80,766	151,493
Miscellaneous revenue	122,404	-	122,404
Total revenues	1,533,071	898,329	2,431,400
EXPENDITURES			
Current:			
General government	202,205	95,339	297,544
Maintenance and operations	607,633	-	607,633
Debt Service:			
Principal	-	380,000	380,000
Interest	-	1,061,624	1,061,624
Capital outlay	193,700	-	193,700
Total expenditures	1,003,538	1,536,963	2,540,501
Excess (deficiency) of revenues over (under) expenditures	529,533	(638,634)	(109,101)
Fund balances - beginning	715,801	(1,294,994)	(579,193)
Fund balances - ending	$ 1,245,334	$ (3,578,916)	$ (2,333,582)

See notes to the financial statements

SOUTH BAY COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

Net change in fund balances - total governmental funds	$ (109,101)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is eliminated and capitalized in the statement of net position.	193,700
Depreciation on capital assets is not recognized in the governmental fund financial statements but is reported as an expense in the statement of activities.	(939,931)
Repayment of long-term liabilities are reported as expenditures in the governmental fund statements but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities. Since payments have not been made, amounts are reported as Due to Bondholders.	380,000
The change in accrued interest on long-term liabilities between the current and prior fiscal year is recorded in the statement of activities but not in the fund financial statements.	9,421
Change in net position of governmental activities	$ (465,911)

See notes to the financial statements

SOUTH BAY COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

The South Bay Community Development District ("District") was created on February 24, 2004 by Ordinance 04-17 of Hillsborough County, Florida, (the "City") pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. The Act provides among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

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

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected by owners of property within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements
The basic financial statements include both government-wide and fund financial statements.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Assessments

Assessments are non-ad valorem assessments on benefited lands within the District. Assessments are levied to pay for the operations and maintenance of the District. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. The District's annual assessments for operations and debt service are billed and collected by the County Tax Assessor/Collector. The amounts remitted to the District are net of applicable discounts or fees and include interest on monies held from the day of collection to the day of distribution.

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

The District reports the following major governmental funds:

General Fund

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

Debt Service Fund

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity

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

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

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

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

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

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

Prepaid Items
Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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

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

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

Asset	Years
Infrastructure	30

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

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

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

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

Deferred Outflows/Inflows of Resources
In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position 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.

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

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

Other Disclosures

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

NOTE 3 – BUDGETARY INFORMATION

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

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

a) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
b) Public hearings are conducted to obtain public comments.
c) Prior to October 1, the budget is legally adopted by the District Board.
d) All budget changes must be approved by the District Board.
e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
f) Unused appropriation for annually budgeted funds lapse at the end of the year.

NOTE 4 – DEPOSITS AND INVESTMENTS

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

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Investments

The District's investments were held as follows at September 30, 2024:

	Amortized Cost	Credit Risk	Maturities
US Bank - Money Market Account	$ 1,527,943	n/a	n/a
	$ 1,527,943		

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

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

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

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

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

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

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

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

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

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at September 30, 2024 were as follows:

Fund	Receivable	Payable
General	$ -	$ 22,644
Debt service	22,644	-
Total	$ 22,644	$ 22,644

The outstanding balances between funds result primarily from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. In the case of the District, the balances between the general fund and the debt service fund relate to assessments collected in the general fund that have not yet been transferred to the debt service fund.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2024 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	$ 16,812,056	$ -	$ -	$ 16,812,056
Total capital assets, not being depreciated	16,812,056	-	-	16,812,056
Capital assets, being depreciated				
Infrastructure	28,197,947	193,700	-	28,391,647
Total capital assets, being depreciated	28,197,947	193,700	-	28,391,647
Less accumulated depreciation for:				
Infrastructure	7,946,417	939,931	-	8,886,348
Total accumulated depreciation	7,946,417	939,931	-	8,886,348
Total capital assets, being depreciated, net	20,251,530	(746,231)	-	19,505,299
Total capital assets, net	$ 37,063,586	$ (746,231)	$ -	$ 36,317,355

Depreciation expense was charged to the maintenance and operations function/programs.

NOTE 7 – LONG-TERM LIABILITIES

On March 15, 2005, the District issued $57,445,000 of Capital Improvement Revenue Bonds, Series 2005 consisting of $22,755,000 Term Bonds Series 2005A due on May 1, 2036 with a fixed interest rate of 5.95%, $16,175,000 Term Bonds Series 2005B-1 due on November 1, 2009 with a fixed interest rate of 5.125%, and $18,515,000 Term Bonds Series 2005B-2 due on May 1, 2013 with a fixed interest rate of 5.375%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal on the 2005A Bonds is to be paid serially commencing May 1, 2007 through May 1, 2036. Principal on the 2005B-1 Bonds was due in the amount of $14,490,000 on November 1, 2009, which was not paid. Principal on the 2005B-2 Bonds was due in the amount of $18,515,000 on May 1, 2013, which was also not paid. The Series 2005A Bonds have also been in default since fiscal year 2009 due to nonpayment of scheduled debt services payments.

In March 2015, the District exchanged a portion of its Series 2005 A Bonds, Series 2005 B-1 Bonds, and Series 2005 B-2 Bonds for Capital Improvement Revenue Refunding Bonds, Series 2015 A-1, 2015 A-2, 2015 B-1, and 2015 B-2. The Series 2015 bonds were issued with various terms. The Series 2015 A-2 and 2015 B-2 bonds , as shown below, were exchanged for a deep discount which will accrete over a period of time to the principal amount of the bonds.

Series	Initial Principal Amount	Conversion Date Accreted Value	Interest Rate	Maturity Date	Principal Payments Commencing	Interest Payments Commencing
2015 A 1	$ 9,970,000	$ 9,970,000	5.95%	5/1/2036	5/1/2015	5/1/2015
2015 A 2	8,928,571	11,280,000	6.60%	5/1/2036	5/1/2019	5/1/2019
2015 B 1	9,070,000	9,070,000	5.13%	5/1/2023	5/1/2023	5/1/2015
2015 B 2	3,304,680	4,175,000	6.60%	5/1/2025	5/1/2025	5/1/2019
	$ 31,273,251	$ 34,495,000				

The “conversion date accreted value” represents the initial principal amount of the bonds plus accrued interest between the date of issuance and the date interest payments commence on each separate issue.

NOTE 7 – LONG-TERM LIABILITIES (Continued)

In conjunction with the restructure, a remaining amount totaling $6,755,000 of the Series 2005A Bonds was not exchanged. The unexchanged bonds are subordinate in all respects to the payment of the principal and interest on the Series 2015 Bonds, and the rights of the owners of the unexchanged 2005 bonds are subordinate to the rights of the holders of the Series 2015 Bonds in every respect.

The Restructuring Agreement also provides that the District shall not certify any portion of the unreleased 2005 Assessments for collection until the earlier of: (i) the occurrence of an Event of Default under the Restructuring Agreement, (ii) principal and interest of the Un-Exchanged 2005 Bonds being forgiven pursuant to the Restructuring Agreement or (iii) March 27, 2017. The District has not certified any portion of the unreleased 2005 assessments for collection as of the date of this report. Therefore, it is expected that the monies available to pay debt service on the unexchanged 2005 Bonds, at least during this period of forbearance with respect to the unreleased 2005 Assessments, will be limited to the unexchanged bond revenues, if any, resulting from a sale or sales by the SPE of the Transferred Lands.

In December 2021, the District executed a sale agreement with Hillsborough County for a parcel of land ("Riverton parcel"). Per the terms of the agreement, the County required removal of the purchased property from District boundaries. Upon closing of the parcel, the County also required release of all liens and encumbrances upon the lands. As a result, the District received approximately $3.4 million in proceeds from the County in fiscal year 2022, and recognized a $5,345,000 gain on cancellation of debt. Prior to the sale of the Riverton parcel, the District had not made its semi-annual debt service payments on the Series 2015 A-2 and Series 2015 Series B-2 bonds in fiscal year 2022. As a result of the sale, in fiscal year 2022, the District paid approximately $2.2 million towards its existing debt service obligation and $1 million in principal on the Series 2015 A-2 bonds upon closing. The Series 2015A-2 has not yet been resized by the Trustee and thus annual periodic principal payments have not been included in the amortization schedule below.

During the current fiscal year, the District did not make any scheduled payments on its Series 2005A, Series 2015A-2 or Series 2015B-2 Bonds. The unpaid principal and interest is reported as Due to bondholders on the Statement of Net Position and Fund-level Balance Sheet. .At September 30, 2023, a debt service obligation for all accrued and unpaid interest on the unexchanged Series 2005A bonds totaled $1,271,776. At September 30, 2023, a debt service obligation for all accrued and unpaid principal and interest on the Series 2015A-2 and 2015B-2 Bonds totaled $1,265,000 for principal and $2,598,379 for interest.

The Bond Indenture requires that the District maintain adequate amounts in a reserve account to meet the debt service reserve requirement as defined in the Indenture. In addition, the Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds 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. As described above, the District is not in compliance with the requirements of the Series 2005A, 2015A-2 and Series 2015B-2 Bond Indentures. This District is in compliance with all other series.

Changes in long-term liability activity for the fiscal year ended September 30, 2024 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year*
Governmental activities					
Bonds payable:					
Series 2005A	$ 6,755,000	$ -	$ -	$ 6,755,000	$ -
Series 2015 A-1	7,200,000	-	380,000	6,820,000	400,000
Series 2015 A-2	3,630,000	-	-	3,630,000	-
Series 2015 B-2	4,175,000	-	-	4,175,000	-
Total	$ 21,760,000	$ -	$ 380,000	$ 21,380,000	$ 400,000

NOTE 7 – LONG-TERM LIABILITIES (Continued)

At September 30, 2024, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2025	$ 4,575,000	$ 1,039,163	$ 5,614,163
2026	425,000	739,813	1,164,813
2027	450,000	714,526	1,164,526
2028	480,000	687,751	1,167,751
2029	510,000	659,191	1,169,191
2030-2034	3,055,000	1,370,811	4,425,811
2035-2036	11,885,000	1,043,988	12,928,988
Total	$ 21,380,000	$ 6,255,243	$ 27,635,243

NOTE 8 – SPECIAL PURPOSE ENTITY

In October 2012, a Special Purpose Entity (SPE), South Bay CDD Holdings, Inc., was formed for the purpose of taking ownership of certain foreclosed property for the benefit of the bondholders. The Special Purpose Entity (SPE) owns, manages, maintains, and will sell and dispose of property for the benefit of the Bondholders. The SPE is wholly-owned and managed by the Bond Trustee. The District does not have control or ownership of the SPE. The District remains liable with respect to the provisions of the trust indenture regarding principal and interest on the Bonds.

As discussed in Note 7, as a result of non-collection of assessments from the Developer in prior fiscal years, the District did not make certain debt service payments when due, which constitutes events of default under the applicable trust indentures. In November 2009, and event of default was declared in relation to the Series 2005 Bonds. In March 2015, in conjunction with the issuance of the Series 2015 Bonds, as discussed in Note 7, the Trustee, on behalf of the Bondholder, and the SPE entered into a Restructuring Agreement.

The Restructuring Agreement also provides that the District shall not certify any portion of the unreleased 2005 Assessments for collection until the earlier of: (i) the occurrence of an Event of Default under the Restructuring Agreement, (ii) principal and interest of the Un-Exchanged 2005 Bonds being forgiven pursuant to the Restructuring Agreement or (iii) March 27, 2017. The District has not certified any portion of the unreleased 2005 assessments for collection as of the date of this report. Therefore, it is expected that the monies available to pay debt service on the unexchanged 2005 Bonds, at least during this period of forbearance with respect to the unreleased 2005 Assessments, will be limited to the unexchanged bond revenues, if any, resulting from a sale or sales by the SPE of the Transferred Lands. Upon the sale of the property, proceeds are to be applied first to SPE operating cost, including property taxes and special assessment on the property owned by the SPE, second to trustee compensation, third to any owner that has provided money to pay ant trustee or SPE costs, fourth to unpaid interest due or in arrears on the unexchanged Bonds, fifth to redeem outstanding principal on the unexchanged Binds, and sixth to prepay Series 2015 Bonds.

Pursuant to the Bond Indenture, the Trustee, on behalf of the Bondholders, has access to the funds held on deposit in the trust accounts. As a result, in prior fiscal years, certain expenditures (related to default remediation were paid from the trust accounts, resulting in a deficit in the reserve account.

NOTE 9 – EVENT OF DEFAULT

Series 2015A-2 and Series 2015B-2 Bonds
In May 2019, a notice of events of default on the Series 2015A-2 and B-2 Bonds was given to Bondholders. Additional events of default occurred and continues to exist under the Indenture due to the District's failure to make schedule debt service payments in prior and current fiscal years– see Note 7. As of the report date, no defaults or events of default are waived or accepted under any of the Bond documents, and no assurance can be given as to the amount or timing of payments, if any, to Bondholders.

The occurrence of an event of default creates certain remedial rights and remedies in favor of the Trustee. Pursuant to the Indenture, the owners of a majority in aggregate principal amount of the Bonds then outstanding may direct the Trustee with regard to such rights and remedies following an event of default and upon provision of indemnity satisfactory to the Trustee and in accordance with provisions of the Indenture. As a result, during prior fiscal years, the current fiscal year, and the subsequent fiscal year, certain of expenditures were incurred in the debt service fund for services performed related to the events of default, legal services, and related matters.

NOTE 10 – DEFICIT FUND EQUITY

The debt service fund had a deficit fund balance of ($3,578,916) at September 30, 2024. It is unclear how the deficit will be covered as the District has not collected the majority of its fiscal year 2025 assessments to date.

NOTE 11 – RELATED PARTY INFORMATION AND CONCENTRATIONS

In fiscal year 2008, the former developer abandoned the project. The former developer was succeeded in interest by the mortgage holders on each of the five respective development parcels. Subsequent to the developer abandoning the project, the District entered into forbearance and settlement agreements with four of the mortgage holders and received a summary judgment against one of the mortgage holders, which has been assigned to the SPE.

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

During the current fiscal year, the District directly assessed Lennar Homes, LLC, the subsequent developer of the District, $56,989 and $113,702 for operations and maintenance and debt service assessments, respectively. In addition Len-Little Harbor, LLC, a subsidiary of the subsequent developer, was assessed $113,613.92 for operations and maintenance and debt service through the local tax collector. The District also directly assessed Harborside Suits LLC, and Len-Little Harbor, LLC $425,912 and $244,221, respectively, for operations and maintenance.

The District directly assessed South Bay CDD Holdings Inc (the SPE) $148,600. for operations and maintenance assessments during the current fiscal year. In addition, the SPE did not make assessment payments on the Series 2015 A-2 and B-2 bonds totaling $1,344,890. These bonds were set up for the property owned by the SPE. The SPE did not make the scheduled payments during the year pursuant to an agreement between the bondholders and the SPE, related Series 2015 A-2 and 2015 B-2 bonds are in default.

A significant portion of the District's activity is dependent upon the continued involvement of the SPE and significant landowners. The loss of significant involvement could have a material adverse effect on the District's operations.

NOTE 12 – MANAGEMENT COMPANY

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

NOTE 13 - LITIGATION

In 2019, the District filed a lawsuit against Little Harbor Development LP ("Little Harbor") and Peninsula Property Holdings VIII, LLC ("Peninsula") related to certain rights of ingress/egress and use of property within the District. Little Harbor's and Peninsula's property was subject to the rights of the District. Little Harbor and Peninsula had failed to honor those rights. The case was settled between all parties on May 12, 2020. In the settlement, the District was granted certain rights of ingress/egress over Little Harbor's and Peninsula's property within the District.

In October 2020, Little Harbor and Peninsula filed a complaint against the District based primarily on objections to the data and methodology employed by the District in levying special assessments for operating and maintenance for fiscal years 2020 and 2021. In April 2021, the District filed its answer arguing that the procedures employed by the District in its methodology upon which the assessments were based meet the appropriate standards under Florida law. The case has been dormant since the District filed its answer and the Little Harbor and Peninsula properties have recently been sold. The new owners have moved to be substituted as counsel for the plaintiffs, which has been accepted. On October 18, 2024, the Plaintiff filed a Notice of Voluntary Dismissal Without Prejudice and a Final Disposition form. Based on this filing, it is the District's opinion that the case is over since the statute of limitations should have expired.

NOTE 14 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. There were no settled claims during the past three years.

NOTE 15 – SUBSEQUENT EVENTS

Events of Default Continues

Subsequent to fiscal year end, certain scheduled debt service payments were due on the Series 2005A, Series 2015A-2 and Series 2015B-2 Bonds. However, shortfalls in the collection of special assessments caused there to be insufficient amounts available to fund the scheduled debt service payments. As a result, the scheduled debt service payments were not made. The failure by the District to pay its debt service is considered an event of default.

SOUTH BAY COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts Original & Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Assessments	$ 1,338,662	$ 1,339,940	$ 1,278
Interest	3,000	70,727	67,727
Miscellaneous	127,000	122,404	(4,596)
Total revenues	1,468,662	1,533,071	64,409
EXPENDITURES			
Current:			
General government	288,056	202,205	85,851
Maintenance and operations	1,180,606	607,633	572,973
Capital outlay	-	193,700	(193,700)
Total expenses	1,468,662	1,003,538	465,124
Excess (deficiency) of revenues over (under) expenditures	$ -	529,533	$ 529,533
Fund balance - beginning		715,801	
Fund balance - ending		$ 1,245,334	

See notes to required supplementary information

SOUTH BAY COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2024.

SOUTH BAY COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
OTHER INFORMATION – DATA ELEMENTS
REQUIRED BY FL STATUTE 218.39(3)(C)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024
UNAUDITED

Element	Comments
Number of District employees compensated in the last pay period of the District's fiscal year being reported.	0
Number of independent contractors compensated to whom nonemployee compensation was paid in the last month of the District's fiscal year being reported.	4
Employee compensation	Not applicable
Independent contractor compensation	$114,821.30
Construction projects to begin on or after October 1; (>$65K)	Not applicable
Budget variance report	See the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund
Ad Valorem taxes;	Not applicable
Non ad valorem special assessments;	
Special assessment rate	Operations and maintenance - $ 245.09- $2,115.49 Debt service - Series 2015 A1: $488.98 - $2,573.60;
Special assessments collected	$2,157,503.00
Outstanding Bonds:	see Note 7 for details

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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
South Bay Community Development District
Hillsborough County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of South Bay Community Development District, Hillsborough County, Florida ("District") as of and for the fiscal year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated March 28, 2025, which includes an emphasis of matter paragraph.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. However, material weaknesses or significant deficiencies may exist that were not identified. However, material weaknesses or significant deficiencies may exist that were not 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 agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown & Associates

March 28, 2025

Grau & Associates
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Supervisors
South Bay Community Development District
Hillsborough County, Florida

We have examined South Bay Community Development District, Hillsborough County, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2024. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced in Section 218.415, Florida Statutes. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2024.

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

Grau & Associates

March 28, 2025

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

To the Board of Supervisors
South Bay Community Development District
Hillsborough County, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of South Bay Community Development District, Hillsborough County, Florida ("District") as of and for the fiscal year ended September 30, 2024, and have issued our report thereon dated March 28, 2025, which includes an emphasis of matter paragraph.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards;* and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 28, 2025, should be considered in conjunction with this management letter.

Purpose of this Letter

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

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

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

We wish to thank South Bay Community Development District, Hillsborough County, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

Grau & Associates

March 28, 2025

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

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

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

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

   There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2023.

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

   There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2024.

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

   There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2024.

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

5. In connection with our audit, we determined that the District has met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes. The District failed to make certain scheduled debt service payments due on the Series 2005A, Series 2015A-2 and Series 2015B-2 Bonds in the current and prior fiscal years, as a result of a lack of funds. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and determined that a deteriorating financial condition was noted. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

6. Management has provided the specific information required by Section 218.39(3)(c) in the Other Information section of the financial statements on page 27.