

**Babcock Ranch
Community
Independent Special
District**

FINANCIAL STATEMENTS

September 30, 2020



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INGRAM

CPAs and Advisors

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Babcock Ranch Community Independent Special District
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September 30, 2020

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INDEPENDENT AUDITORS' REPORT

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

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Report on the Financial Statements

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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of September 30, 2020, 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.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
March 11, 2021



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, 2020. Please read it in conjunction with the District’s financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- At September 30, 2020, the assets of the District exceeded its liabilities by approximately \$13.1 million within the governmental activities.
- During the fiscal year ended September 30, 2020, the District issued Special Assessment Revenue Bonds, Series 2020 totaling \$16,235,000, to finance assessment areas 2C, 3A, and 3B of the construction project.
- During the fiscal year ended September 30, 2020, the District incurred approximately \$2 million and \$489,000 of interest and cost of issuance expenditures, respectively, repaid \$415,000 of outstanding long-term principal and incurred approximately \$11.8 million of capital outlay expenditures related to work in progress on the infrastructure project.
- At September 30, 2020, the liabilities and deferred inflows of resources of the District exceed its assets by approximately \$5.5 million (deficit) within the business-type activities.

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 9 – 10 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 11. 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 5. One of the most important questions asked about the District’s finances is, “Is the District as a whole better off or worse off as a result of the year’s activities?” The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

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

Reporting the District's Most Significant Funds

Our analysis of the District's major funds begins on page 6. The fund financial statements begin on page 11 and provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. All of the District's funds are governmental fund-types.

- ***Governmental funds*** – 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	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$23,281	\$20,647	\$ 1,112	\$ 961	\$24,393	\$21,608
Construction in progress	49,962	38,046	-	-	49,962	38,046
Total assets	\$73,243	\$58,693	\$ 1,112	\$ 961	\$74,355	\$59,654
Liabilities						
Current liabilities	\$ 3,061	\$ 8,927	\$ 6,162	\$ 4,289	\$ 9,223	\$13,216
Other liabilities	57,126	41,184	-	-	57,126	41,184
Total liabilities	60,187	50,111	6,162	4,289	66,349	54,400
Deferred inflows of resources						
Deferred inflows of resources	-	-	454	291	454	291
Net position						
Net investment in capital assets	13,610	7,991	-	-	13,610	7,991
Restricted for:						
Debt service	774	100	-	-	774	100
Capital projects	-	142	-	-	-	142
Mitigation plan	-	106	-	-	-	106
Unrestricted	(1,328)	243	(5,504)	(3,619)	(6,832)	(3,376)
Total net position (deficit)	13,056	8,582	(5,504)	(3,619)	7,552	4,963
Total liabilities, deferred inflows of resources and net position	\$73,243	\$58,693	\$ 1,112	\$ 961	\$74,355	\$59,654

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

During the fiscal year ended September 30, 2020, total assets and liabilities increased by approximately \$14.7 million and \$11.9 million, respectively, over the prior fiscal year. The increase in assets and liabilities is due to the issuance of the Series 2020 Bonds and the continued infrastructure construction during the fiscal year.

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

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

<i>For the year ended September 30,</i>	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenue:						
Program revenue:						
Charges for services	\$ 3,354	\$ 1,968	\$ 5,553	\$ 3,055	\$ 8,907	\$ 5,023
Grants and contributions	6,016	8,321	-	1	6,016	8,322
General revenue:						
Cost sharing and other revenues	362	400	-	-	362	400
Total revenue	9,732	10,689	5,553	3,056	15,285	13,745
Expenses:						
General government	981	783	-	-	981	783
Maintenance and operations	2,010	1,718	-	-	2,010	1,718
Utilities	-	-	7,066	4,901	7,066	4,901
Solid waste	-	-	372	295	372	295
Bond issue costs	489	562	-	-	489	562
Interest	1,778	1,826	-	-	1,778	1,826
Total expenses	5,258	4,889	7,438	5,196	12,696	10,085
Change in net position	4,474	5,800	(1,885)	(2,140)	2,589	3,660
Net position (deficit), beginning	8,582	2,782	(3,619)	(1,479)	4,963	1,303
Net position (deficit), ending	\$13,056	\$ 8,582	\$(5,504)	\$(3,619)	\$ 7,552	\$ 4,963

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

Revenue and expenses increased by approximately \$1.5 million and \$2.6 million, respectively. The increase in revenue and expenses is primarily due to the increased business-type operations of the District. The overall result was an approximately \$2.6 million increase in net position for fiscal year 2020.

THE DISTRICT'S FUNDS

Governmental Funds

As the District completed the year, its governmental funds (as presented in the balance sheet on page 11) reported a combined fund balance of approximately \$20.2 million, which is an increase over last year's balance of approximately \$10.9 million. Significant transactions are discussed below.

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

- During the fiscal year ended September 30, 2020, the District issued Special Assessment Revenue Bonds, Series 2020 totaling \$16,235,000, to finance assessment areas 2C, 3A, and 3B of the construction project.
- During the fiscal year ended September 30, 2020, the District incurred approximately \$2 million and \$489,000 of interest and cost of issuance expenditures, respectively, repaid \$415,000 of outstanding long-term principal and incurred approximately \$11.8 million of capital outlay expenditures related to work in progress on the infrastructure project.

The overall increase in fund balance for the year ended September 30, 2020 totaled \$9,256,478.

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, 2020, the District incurred approximately \$7.1 million and \$372,000 of water, sewer and irrigation utilities and solid waste expenditures, respectively.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2020, the District had approximately \$50 million invested in capital assets not being depreciated. This amount represents a net increase of approximately \$11.8 million over the fiscal year 2019 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	
	2020	2019	2020	2019	2020	2019
Capital assets not being depreciated	\$49,962	\$38,046	\$ -	\$ -	\$49,962	\$38,046
Net capital assets	\$49,962	\$38,046	\$ -	\$ -	\$49,962	\$38,046

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

Debt

At September 30, 2020, the District had approximately \$56.1 million bonds outstanding. This amount represents a net increase of approximately \$15.8 million over the fiscal year 2019 total.

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

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	
	2020	2019	2020	2019	2020	2019
Series 2015	\$ 18,885	\$ 19,265	\$ -	\$ -	\$ 18,885	\$ 19,265
Series 2018	2,040	2,075	-	-	2,040	2,075
Series 2018 Assessment Area 2B	3,740	3,740	-	-	3,740	3,740
Series 2018 Assessment Area 3A	12,025	12,025	-	-	12,025	12,025
Series 2018 Assessment Area 4	3,220	3,220	-	-	3,220	3,220
Series 2020 Assessment Area 2C	5,145	-	-	-	5,145	-
Series 2020 Assessment Area 3A	8,545	-	-	-	8,545	-
Series 2020 Assessment Area 3B	2,545	-	-	-	2,545	-
	\$ 56,145	\$ 40,325	\$ -	\$ -	\$ 56,145	\$ 40,325

More information about the District's long-term debt is presented in Note 5 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 32.

The District experienced an unfavorable variance of \$597,393 in revenue and a favorable variance of \$597,193 in expenditures as compared to the budget. The variance in revenue resulted primarily from the District receiving less Developer contributions to fund fiscal year 2020 expenditures than anticipated, because expenditures were under budget. The variance in expenditures is primarily due to anticipated maintenance expenditures that were not incurred during fiscal year 2020.

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 2021 were established to provide for the operations of the District as well as the necessary debt service requirements.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. If you have questions about this report or need additional financial information, contact the 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 Net Position**

September 30,

2020

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,196,821	\$ 536,922	\$ 2,733,743
Investments	19,927,149	-	19,927,149
Accounts receivable	65,661	574,925	640,586
Due from Developer	1,079,805	-	1,079,805
Prepaid expenses	5,750	-	5,750
Deposits	990	-	990
Deposit on capital improvements	4,450	-	4,450
Capital assets:			
Not being depreciated	49,962,237	-	49,962,237
Total assets	73,242,863	1,111,847	74,354,710
Liabilities			
Accounts payable	252,687	3,477	256,164
Accrued interest payable	585,758	-	585,758
Accrued contracts payable	1,449,926	-	1,449,926
Lease payable	-	5,949,357	5,949,357
Retainage payable	735,981	-	735,981
Deposits payable	-	208,808	208,808
Due to other government	36,907	-	36,907
Non-current liabilities:			
Developer advances	1,200,000	-	1,200,000
Bonds payable - due within one year	640,000	-	640,000
Bonds payable - due in more than one year	55,285,557	-	55,285,557
Total liabilities	60,186,816	6,161,642	66,348,458
Deferred inflow of resources			
Deferred revenue	-	454,509	454,509
Total deferred inflow of resources	-	454,509	454,509
Net position			
Net investment in capital assets	13,609,472	-	13,609,472
Restricted for:			
Debt service	774,300	-	774,300
Mitigation plan	200	-	200
Unrestricted	(1,327,925)	(5,504,304)	(6,832,229)
Total net position (deficit)	\$ 13,056,047	\$ (5,504,304)	\$ 7,551,743

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

**Babcock Ranch Community Independent Special District
Statement Net Position**

Year ended September 30,

2020

Functions/Programs	Expenses	Charges for Services	Program Revenue		Net (Expense) Revenue and Changes in Net Position		
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ (980,626)	\$ 381,427	\$ 399,017	\$ -	\$ (200,182)	\$ -	\$ (200,182)
Maintenance and operations	(2,010,182)	781,886	817,945	4,639,051	4,228,700	-	4,228,700
Cost of issuance	(488,668)	-	-	-	(488,668)	-	(488,668)
Interest	(1,777,529)	2,190,644	88,696	70,826	572,637	-	572,637
Total governmental activities	(5,257,005)	3,353,957	1,305,658	4,709,877	4,112,487	-	4,112,487
Business-type activities:							
Utilities	(7,065,977)	5,362,745	-	-	-	(1,703,232)	(1,703,232)
Solid waste	(372,294)	190,340	-	-	-	(181,954)	(181,954)
Total business-type activities	(7,438,271)	5,553,085	-	-	-	(1,885,186)	(1,885,186)
Total primary government	\$ (12,695,276)	\$ 8,907,042	\$ 1,305,658	\$ 4,709,877	4,112,487	(1,885,186)	2,227,301
General revenues							
Cost sharing and other revenues					361,893	-	361,893
Total general revenues					361,893	-	361,893
Change in net position					4,474,380	(1,885,186)	2,589,194
Net position (deficit) - beginning of year					8,581,667	(3,619,118)	4,962,549
Net position (deficit) - end of year					\$ 13,056,047	\$ (5,504,304)	\$ 7,551,743

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

Babcock Ranch Community Independent Special District Balance Sheet – Governmental Funds

September 30,

2020

	General	Debt Service	Capital Projects	Nonmajor	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 32,828	\$ 2,154,953	\$ -	\$ 9,040	\$ 2,196,821
Investments	-	3,649,622	16,277,527	-	19,927,149
Accounts receivable	28,536	17,125	-	-	45,661
Due from Developer	434,706	206,639	438,222	238	1,079,805
Due from other entity	-	20,000	-	-	20,000
Deposits	990	-	-	-	990
Prepaid expenditures	5,750	-	-	-	5,750
Due from other funds	1,913	-	-	(200)	1,713
Total assets	\$ 504,723	\$ 6,048,339	\$ 16,715,749	\$ 9,078	\$ 23,277,889
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 243,609	\$ -	\$ -	\$ 9,078	\$ 252,687
Retainage payable	-	-	735,981	-	735,981
Contracts payable	-	-	1,449,926	-	1,449,926
Developer advance	200,000	-	-	-	200,000
Due to other governments	36,907	-	-	-	36,907
Due to other funds - governmental	-	-	1,713	-	1,713
Total liabilities	480,516	-	2,187,620	9,078	2,677,214
Deferred inflows of resources					
Deferred revenue	24,207	227,739	171,768	-	423,714
Total deferred inflows of resources	24,207	227,739	171,768	-	423,714
Fund balance					
Nonspendable	6,740	-	-	-	6,740
Restricted for debt service	-	5,820,600	-	-	5,820,600
Restricted for capital projects	-	-	14,356,361	-	14,356,361
Restricted for mitigation plan	-	-	-	-	-
Unassigned	(6,740)	-	-	-	(6,740)
Total fund balance (deficit)	-	5,820,600	14,356,361	-	20,176,961
Total liabilities, deferred inflows of resources and fund balance	\$ 504,723	\$ 6,048,339	\$ 16,715,749	\$ 9,078	\$ 23,277,889

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>	2020
Total fund balances, governmental funds	\$ 20,176,961
Capital assets and deposits on capital improvements used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.	49,966,687
Liabilities not due and payable from current resources, including accrued interest, are not reported in the fund level statements.	(57,511,315)
Revenue reported in the Statement of Activities that was not collected within 60 days of the current year-end was deferred in the fund financial statements.	423,714
Total net position - governmental activities	\$ 13,056,047

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,

2020

	General	Debt Service	Capital Projects	Nonmajor	Total Governmental Funds
Revenue					
Assessments	\$ 1,190,813	\$ 1,982,905	\$ -	\$ -	\$ 3,173,718
Developer contributions	1,317,055	-	5,386,050	14,689	6,717,794
Cost sharing and other revenues	361,893	-	-	-	361,893
Interest	-	23,498	70,826	-	94,324
Prepayment revenue	-	65,198	-	-	65,198
Total revenue	2,869,761	2,071,601	5,456,876	14,689	10,412,927
Expenditures					
Current:					
General government	859,779	-	-	120,847	980,626
Maintenance and operations	2,010,182	-	-	-	2,010,182
Debt service:					
Bond issue costs	-	488,668	-	-	488,668
Principal	-	415,000	-	-	415,000
Interest	-	2,016,376	-	-	2,016,376
Capital outlay	-	-	11,783,441	-	11,783,441
Total expenditures	2,869,961	2,920,044	11,783,441	120,847	17,694,293
Excess (deficit) of revenue over expenditures	(200)	(848,443)	(6,326,565)	(106,158)	(7,281,366)
Other Financing Sources (Uses)					
Debt proceeds	-	989,664	15,245,336	-	16,235,000
Original issue discount	-	302,844	-	-	302,844
Interfund transfers-in	200	-	17,366	-	17,566
Interfund transfers-out	-	(17,366)	-	(200)	(17,566)
Total other financing sources (uses)	200	1,275,142	15,262,702	(200)	16,537,844
Net change in fund balances	-	426,699	8,936,137	(106,358)	9,256,478
Fund balance (deficit), beginning of year	-	5,393,901	5,420,224	106,358	10,920,483
Fund balance, end of year	\$ -	\$ 5,820,600	\$ 14,356,361	\$ -	\$ 20,176,961

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**

<i>For the year ended September 30,</i>	2020
Net change in fund balances - governmental funds	\$ 9,256,478
Capital outlay, reported as expenditures in the governmental funds, is shown as capital assets on the Statement of Net Position.	11,783,441
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.	415,000
Amortization of original issue discounts is not recognized in the governmental fund statements but is reported as an expense in the Statement of Activities.	(18,711)
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.	257,558
Bond proceeds and original issue discount which are reported as other financing sources (uses) in the governmental funds are recognized as long-term liabilities in the Statement of Net Assets.	(16,537,844)
Certain revenues recognized in the prior year government wide financial statements that were received during the current year and recognized as revenue in the current year governmental fund financial statements.	(1,105,256)
Certain revenues that do not represent current financial resources are deferred on the fund level financial statements but are recognized as revenue in the <u>government-wide Statement of Activities.</u>	423,714
Change in net position of governmental activities	\$ 4,474,380

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>	2020		
	Enterprise Funds		
	Utilities	Solid Waste	Total
Assets			
Cash and cash equivalents	\$ 524,391	\$ 12,531	\$ 536,922
Accounts receivable	567,278	7,647	574,925
Due from other enterprise funds	-	5,850	5,850
Total assets	1,091,669	26,028	1,117,697
Liabilities			
Liabilities			
Accounts payable	3,467	10	3,477
Lease payable	5,388,560	560,797	5,949,357
Deposits payable	208,808	-	208,808
Due to other enterprise funds	5,850	-	5,850
Total liabilities	5,606,685	560,807	6,167,492
Deferred inflows of resources			
Deferred revenue	454,509	-	454,509
Total deferred inflows of resources	454,509	-	454,509
Net Position			
Unrestricted	(4,969,525)	(534,779)	(5,504,304)
Total net position (deficit)	\$ (4,969,525)	\$ (534,779)	\$ (5,504,304)

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

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

For the year ended September 30,

	2020		
	Enterprise Funds		
	Utilities	Solid Waste	Total
Revenue			
Charges for services:			
Water, sewer and irrigation utilities	\$ 5,362,745	\$ -	\$ 5,362,745
Solid waste	-	190,340	190,340
Total revenue	5,362,745	190,340	5,553,085
Operating expenses			
Administrative and other	142,168	20,797	162,965
Water, sewer and irrigation utilities	6,923,809	-	6,923,809
Solid waste	-	351,497	351,497
Total operating expenses	7,065,977	372,294	7,438,271
Operating income (loss)	(1,703,232)	(181,954)	(1,885,186)
Net position (deficit), beginning of year	(3,266,293)	(352,825)	(3,619,118)
Net position (deficit), end of year	\$ (4,969,525)	\$ (534,779)	\$ (5,504,304)

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

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

<i>For the year ended September 30,</i>	2020		
	Enterprise Fund		
	Utilities	Solid Waste	Total
Cash flows from operating activities			
Receipts from customers	\$ 5,204,347	\$ 210,644	\$ 5,414,991
Receipts from internal services provided	149,605	-	149,605
Receipts from Developer	-	-	-
Payments to suppliers	(5,439,658)	(203,896)	(5,643,554)
Net cash provided (used) by operating activities	(85,706)	6,748	(78,958)
Net increase in cash and cash equivalents	(85,706)	6,748	(78,958)
Cash and cash equivalents, beginning of year	610,097	5,783	615,880
Cash and cash equivalents, end of year	\$ 524,391	\$ 12,531	\$ 536,922

(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>	2020		
	Enterprise Fund		
	Utilities	Solid Waste	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (1,703,232)	\$ (181,954)	\$ (1,885,186)
Change in operating assets and liabilities:			
Accounts receivable	(295,946)	(1,483)	(297,429)
Due from other enterprise funds	-	8,267	8,267
Due from governmental funds	67,473	-	67,473
Prepaid expenses	-	-	-
Accounts payable	366	(1,683)	(1,317)
Lease payable	1,566,747	183,601	1,750,348
Deposits payable	123,971	-	123,971
Due to developer	-	-	-
Due to other enterprise funds	(8,267)	-	(8,267)
Due to governmental funds	-	-	-
Deferred revenue	163,182	-	163,182
Net cash provided (used) by operating activities	\$ (85,706)	\$ 6,748	\$ (78,958)

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

Babcock Ranch Community Independent Special District Notes to Financial Statements

NOTE 1: NATURE OF ORGANIZATION

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

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

The District is governed by a Board of Supervisors (“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 Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 189, Florida Statutes.

The Board has the final responsibility for:

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by assessments, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Babcock Ranch Community Independent Special District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Measurement Focus, Basis of Accounting and Basis of Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Assessments, including debt service assessments along with operation and maintenance assessments, are non-ad valorem special assessments imposed on all lands located within the District and benefited by the District's activities, operation and maintenance. Assessments are levied and certified for collection by the District prior to the start of the fiscal year which begins October 1st and ends on September 30th. Operation and maintenance special assessments are imposed upon all benefited lands located in the District. Debt service special assessments are imposed upon certain lots and lands as described in each resolution imposing the special assessment for each series of bonds issued by the District.

Assessments, Developer contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Babcock Ranch Community Independent Special District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District reports the following major governmental funds:

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

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

Capital Projects Fund – The Capital Projects Fund accounts for the financial resources to be used in the acquisition or construction of major infrastructure within the District financed with the bonds previously issued or other means.

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

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

Proprietary funds include the following enterprise fund type:

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use in the governmental fund financial statements, it is the government's policy to use committed resources first, followed by assigned resources, then unassigned resources as needed.

Estimates

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

Babcock Ranch Community Independent Special District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Deposits and Investments

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

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

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

Receivables

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, 2020, no allowance has been established at this time.

Capital Assets

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

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. Estimated useful lives for financial reporting purposes are as follows: infrastructure: 30 years.

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

Babcock Ranch Community Independent Special District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized 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, 2020.

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, 2020, the District has reported deferred revenue as a deferred inflow of resources. Deferred revenue in the governmental funds represents amounts to fund fiscal year 2020 expenditures, but not collected within 90 days of year-end. Deferred revenue in the business-type activities represents prepaid tap fees.

Fund Equity

Net position in the government-wide financial statements represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net assets related to infrastructure and property, plant and equipment net of any related debt. Restricted net position represents the net position restricted by the District's bond covenants.

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

NOTE 3: INVESTMENTS

All investments held at September 30, 2020 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>	2020	Credit Risk	Weighted Average Maturities
<u>Short-term Money Market Funds</u>	<u>\$ 19,927,149</u>	S&P AAAM	45 days

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)

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, 2020, 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.

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.

NOTE 4: CAPITAL ASSETS

The following is a summary of changes in the capital assets for the year ended September 30, 2020:

	Beginning Balance	Additions	Transfers and Conveyances	Ending Balance
Governmental Activities:				
<i>Capital assets not being depreciated</i>				
Infrastructure in progress	\$ 38,045,710	\$ 11,916,527	\$ -	\$ 49,962,237
Total capital assets, not being depreciated	38,045,710	11,916,527	-	49,962,237
Governmental activities capital assets, net	\$ 38,045,710	\$ 11,916,527	\$ -	\$ 49,962,237

The total projected cost of the infrastructure has been estimated at approximately \$53.7 million, of which approximately \$16.8 million was financed from the Series 2015 Bonds. During the fiscal year ended September 30, 2018, the District issued the Series 2018 Bonds totaling \$2,075,000 to finance assessment area 2A of the construction project. In December 2018, the District issued additional Series 2018 Bonds totaling \$18,985,000 to finance assessment areas 2B, 3A and 4 of the construction project. In September 2020, the District issued Series 2020 Bonds totaling \$16,235,000 to finance assessment areas 2C, 3A, and 3B of the construction project (see Note 5).

NOTE 5: 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.

Babcock Ranch Community Independent Special District Notes to Financial Statements

NOTE 5: BONDS PAYABLE (Continued)

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.

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.

Babcock Ranch Community Independent Special District Notes to Financial Statements

NOTE 5: BONDS PAYABLE (Continued)

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 November 1, commencing May 1, 2022. The Series 2020 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, 2020.

Long-term liability activity for the year ended September 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities</i>					
Bonds Payable:					
Series 2015	\$ 19,265,000	\$ -	\$ (380,000)	\$ 18,885,000	\$ 355,000
Series 2018	2,075,000	-	(35,000)	2,040,000	35,000
Series 2018 2B	3,740,000	-	-	3,740,000	60,000
Series 2018 3A	12,025,000	-	-	12,025,000	-
Series 2018 4	3,220,000	-	-	3,220,000	50,000
Series 2020 2C	-	5,145,000	-	5,145,000	-
Series 2020 3A	-	8,545,000	-	8,545,000	140,000
Series 2020 3B	-	2,545,000	-	2,545,000	-
	\$ 40,325,000	\$ 16,235,000	\$ (415,000)	\$ 56,145,000	\$ 640,000

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

NOTE 5: BONDS PAYABLE (Continued)

The balance of the long-term bonds at September 30, 2020 is summarized as follows:

<i>September 30,</i>	2020
Bond principal balance	\$ 56,145,000
Less unamortized bond discounts	(522,287)
Add unamortized bond premiums	302,844
Net balance, Series 2015, 2018, and 2020	\$ 55,925,557

At September 30, 2020, the scheduled debt service requirements on long-term debt were as follows:

<i>For the Year Ending September 30,</i>	Principal	Interest	Total Debt Service
2021	\$ 640,000	\$ 2,351,667	\$ 2,991,667
2022	840,000	2,578,801	3,418,801
2023	1,050,000	2,543,845	3,593,845
2024	1,100,000	2,502,807	3,602,807
2025	1,135,000	2,460,076	3,595,076
2026-2030	6,430,000	11,548,094	17,978,094
2031-2035	8,010,000	9,942,620	17,952,620
2036-2040	10,145,000	7,778,451	17,923,451
2041-2045	12,865,000	5,014,225	17,879,225
2046-2050	12,045,000	1,810,323	13,855,323
2051-2052	1,885,000	111,044	1,996,044
	\$ 56,145,000	\$ 48,641,953	\$ 104,786,953

NOTE 6: RISK MANAGEMENT

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

NOTE 7: 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.

Babcock Ranch Community Independent Special District Notes to Financial Statements

NOTE 8: 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, 2020, the Developer owned a majority of the assessable property located within the District boundaries.

NOTE 9: RELATED PARTY TRANSACTIONS

For the year ended September 30, 2020, the Developer contributed \$1,202,273, \$14,689 and \$4,639,051 to the General Fund and Capital Projects Fund, respectively, of which approximately \$196,000 was included in Deferred revenue because it wasn't received within 90 days of year-end. The District directly assessed the Developer \$725,038 and \$562,603 for operations and maintenance and debt service, respectively. In addition, the District recognized revenue from the Developer in the General Fund totaling \$75,000 related to the security cost sharing agreement (see Note 11). As of September 30, 2020, the Developer owed the District approximately \$1.1 million, which is reported as Due from Developer on the accompanying Statements of Net Position.

At September 30, 2020, 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, 2020, of this \$1,000,000 construction deposit paid in fiscal year 2011, \$995,550 is included in Capital assets, not being depreciated, and \$4,450 remains in Deposit on capital improvements on the accompanying Statement of Net Position.

Related to the District's business-type activities, during the year ended September 30, 2020, the District made payments of approximately \$5.5 million to the Developer related to the Utilities and Solid Waste leases (see Note 10).

NOTE 10: UTILITIES AND SOLID WASTE LEASES

In January 2017, the District entered into a 30-year lease 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 revenues and expenses during the fiscal year ended September 30, 2020.

In accordance with the agreement, the District must pay annual base rent (in monthly installments), calculated as the Lessors' actual cost of the leased property times a return on equity of 11.16%, plus additional rent for replacement or expansion expenditures incurred by the Lessors and interest. The agreement includes a purchase option and a put option enabling the District and the Lessors, respectively to have the right to enact the District to purchase the leased property. The District can exercise the purchase option any time after October 1, 2040, but before the termination or expiration of

Babcock Ranch Community Independent Special District Notes to Financial Statements

NOTE 10: UTILITIES AND SOLID WASTE LEASES (Continued)

the lease. The Lessors' can exercise the put option any time before the termination or expiration of the lease. This event would cause the District to begin the validation process on revenue bonds totaling \$287,420,000, to cover the estimated cost of the leased property.

In June 2018, the District entered into a 30-year lease 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, 2020.

In accordance with the agreement, the District must pay annual base rent (in monthly installments), calculated as the Lessors' actual cost of the leased property times a return on equity of 8.6%, plus additional rent for replacement or expansion expenditures incurred by the Lessors and interest. The agreement includes a purchase option and a put option enabling the District and the Lessors, respectively to have the right to enact the District to purchase the leased property. The District can exercise the purchase option any time after October 1, 2040, but before the termination or expiration of the lease. The Lessors' can exercise the put option any time before the termination or expiration of the lease. This event would cause the District to begin the validation process on revenue bonds totaling \$23,162,000, to cover the estimated cost of the leased property.

The utilities lease agreements state that interest should be accrued on the lease payable balances. The Developer started billing for the accrued interest on a go-forward basis beginning October 1, 2018.

During the fiscal year ended September 30, 2020, the District incurred related lease expenses totaling approximately \$6.9 million and \$351,000, which are reported as Water, sewer and irrigation utilities and Solid waste, respectively, on the accompanying Statement of Activities and Statement of Revenue, Expenses and Changes in Net Position – Proprietary Funds. At September 30, 2020, the District owed approximately \$5.9 million in lease payments, which is reported as Lease payable on the accompanying Statement of Net Position.

NOTE 11: COST SHARING AGREEMENTS

In February 2017, the District entered into a cost sharing agreement with the Developer, Babcock Ranch Residential Association, Inc. ("Residential Association"), and Babcock Ranch Commercial Association, Inc. ("Commercial Association") for security services. Related to this agreement, security services incurred for fiscal year 2020 totaled approximately \$263,000, 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. The other parties to the agreement were billed \$113,044 by the District, which is included in Cost sharing and other revenue on the accompanying Statement of Activities and Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds.

Babcock Ranch Community Independent Special District Notes to Financial Statements

NOTE 12: FUTURE ROADWAY IMPROVEMENTS

The District is pursuing a State Infrastructure Bank (“SIB”) loan to fund certain offsite roadway improvements totaling approximately \$62.7 million. The Developer has committed to providing collected transportation fees to the District that will be used to pay back the SIB loan, and the District has committed to levying special assessments to cover any projected shortfall of transportation fees to cover the SIB loan payments. At this time, the SIB loan has not been obtained by the District; however, the District plans on submitting a modified SIB loan application for this State Road 31 expansion in fiscal year 2021.

NOTE 13: CONTINGENCY

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the District. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

NOTE 14: SUBSEQUENT EVENT

In December 2020, the District approved in substantial form a state-funded grant agreement with the state of Florida, Division of Emergency Management, in accordance with Florida Statute Section 215.971. This is a cost-reimbursement agreement, subject to the availability of funds, for Southwest Florida Regional Emergency Shelter Construction. The maximum reimbursement amount for the entirety of this agreement is \$8 million. The District expects to begin this project in fiscal year 2021.



**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,

2020

	Original and Final Budget	Actual Amounts	Variance with Final Budget
Revenue			
Assessments	\$ 1,061,416	\$ 1,190,813	\$ 129,397
Developer contributions	2,105,876	1,317,055	(788,821)
Cost sharing and	299,862	361,893	62,031
Total revenue	3,467,154	2,869,761	(597,393)
Expenditures			
General government	521,200	859,779	(338,579)
Maintenance and operations	2,945,954	2,010,182	935,772
Total expenditures	3,467,154	2,869,961	597,193
Excess of revenue over expenditures	\$ -	\$ (200)	\$ (200)

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Babcock Ranch Community Independent Special District (hereinafter referred to as the "District"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report dated March 11, 2021.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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

March 11, 2021



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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, 2020, and have issued our report thereon dated March 11, 2021.

Auditors' Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant'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 11, 2021, 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.

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
March 11, 2021



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INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined Babcock Ranch Community Independent Special District's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2020. Management of the District is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and performed the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2020.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
March 11, 2021