



**South Bay Community Development District**

**Financial Statements**

**September 30, 2020**



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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of South Bay Community Development 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 and each major fund of the District as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 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  
May 26, 2021

## **Management's Discussion And Analysis**

## **South Bay Community Development District Management's Discussion and Analysis**

Our discussion and analysis of the South Bay Community Development 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 8.

### **FINANCIAL HIGHLIGHTS**

- At September 30, 2020, the assets of the District exceeded its liabilities by approximately \$2.4 million.
- During the fiscal year ended September 30, 2020, the District incurred approximately \$1.7 million of interest expenditures and made principal payments totaling \$3,030,000.
- The required bond principal and interest payments of \$360,000 and \$744,480, respectively, on the Series 2015 A-2 Bonds were not made as of September 30, 2020. These amounts were added to the District's debt service obligation.

### **USING THE ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities on pages 8 – 9 provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 10. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

#### ***Reporting the District as a Whole***

Our analysis of the District as a whole begins on page 4. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

## South Bay Community Development District Management's Discussion and Analysis

### ***Reporting the District's Most Significant Funds***

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

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

### **THE DISTRICT AS A WHOLE**

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

<i>September 30,</i>	<b>2020</b>	<b>2019</b>	<b>Change</b>
<b>Assets</b>			
Current and other assets	\$ 3,069,764	\$ 3,166,895	\$ (97,131)
Capital assets, net	39,883,380	40,823,311	(939,931)
<b>Total assets</b>	<b>\$ 42,953,144</b>	<b>\$ 43,990,206</b>	<b>\$ (1,037,062)</b>
<b>Liabilities</b>			
Current liabilities	\$ 3,948,260	\$ 2,515,215	\$ 1,433,045
Other liabilities	36,645,000	40,101,600	(3,456,600)
<b>Total liabilities</b>	<b>40,593,260</b>	<b>42,616,815</b>	<b>(2,023,555)</b>
<b>Net position</b>			
Net investment in capital assets	4,520,735	2,714,066	1,806,669
Unrestricted	(2,160,851)	(1,340,675)	(820,176)
<b>Total net position</b>	<b>2,359,884</b>	<b>1,373,391</b>	<b>986,493</b>
<b>Total liabilities and net position</b>	<b>\$ 42,953,144</b>	<b>\$ 43,990,206</b>	<b>\$ (1,037,062)</b>

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

During the fiscal year ended September 30, 2020, total assets decreased by approximately \$1 million from the prior year and total liabilities decreased by approximately \$2 million. The decrease in assets is primarily due to the depreciation on capital assets. The decrease in liabilities is due to the District's debt service principal payments on the Series 2015 A-1 Bonds and the Series 2015B-1 Bonds.

## South Bay Community Development District Management's Discussion and Analysis

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

<i>For the year ended September 30,</i>	<b>2020</b>	<b>2019</b>	<b>Change</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 4,129,779	\$ 1,805,925	\$ 2,323,854
Grants and contributions	23,569	48,470	(24,901)
General revenues:			
Developer contribution	-	50,000	(50,000)
Other revenues	27,824	739	27,085
<b>Total revenues</b>	<b>4,181,172</b>	<b>1,905,134</b>	<b>2,276,038</b>
<b>Expenses:</b>			
General government	347,055	195,381	151,674
Maintenance and operations	1,189,149	1,122,652	66,497
Interest	1,658,475	1,877,445	(218,970)
<b>Total expenses</b>	<b>3,194,679</b>	<b>3,195,478</b>	<b>(799)</b>
Change in net position	986,493	(1,290,344)	2,276,837
Net position, beginning of year	1,373,391	2,663,735	(1,290,344)
<b>Net position, ending of year</b>	<b>\$ 2,359,884</b>	<b>\$ 1,373,391</b>	<b>\$ 986,493</b>

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

Revenues increased by approximately \$2.3 million over the prior year. The increase in revenues is primarily due to the special debt service assessments. The overall result was a \$986,493 increase in net position for fiscal year 2020.

### THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 10) reported a combined fund deficit of approximately \$91,000, which is a decrease from last year's balance that totaled approximately \$1.1 million. Significant transactions are discussed on the following page.

- During the fiscal year ended September 30, 2020, the District incurred approximately \$1.7 million of interest expenditures and made principal payments totaling \$3,030,000.
- The required bond principal and interest payments of \$360,000 and \$744,480, respectively, on the Series 2015 A-2 Bonds were not made as of September 30, 2020.



## South Bay Community Development District Management's Discussion and Analysis

The overall decrease in fund balance for the year ended September 30, 2020 totaled approximately \$1.2 million.

### GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

An Operating budget was established by the governing board for the District pursuant to the requirements of Florida Statutes. The budget to actual comparison for the general fund, including the original budget and final adopted budget, is shown at page 26.

The District experienced favorable variances in revenues and expenditures as compared to the final budget in the amount of \$6,399 and \$17,030, respectively. The variance in revenues occurred primarily due to the increase in the operating and maintenance assessments. The variance in expenditures occurred primarily due to the District budgeting for major repairs and replacements that were not incurred during the year.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### ***Capital Assets***

At September 30, 2020, the District had approximately \$39.9 million invested in capital assets (net of accumulated depreciation). This amount represents a net decrease of approximately \$940,000 from the fiscal year 2019 total.

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

<u>September 30,</u>	<u>2020</u>	<u>2019</u>	<u>Change</u>
Capital assets not being depreciated	\$ 16,812,056	\$ 16,812,056	\$ -
Capital assets being depreciated	28,197,947	28,197,947	-
Total, prior to depreciation	45,010,003	45,010,003	-
Accumulated depreciation	(5,126,623)	(4,186,692)	(939,931)
<b>Net capital assets</b>	<b>\$ 39,883,380</b>	<b>\$ 40,823,311</b>	<b>\$ (939,931)</b>

More information about the District's capital assets is presented in Note 3 to the financial statements.

#### ***Debt***

At September 30, 2020, the District had approximately \$37.4 million of outstanding debt. This amount represents a net decrease of \$2,746,000 from the fiscal year 2019 total.

## South Bay Community Development District Management's Discussion and Analysis

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

<i>September 30,</i>	<b>2020</b>	<b>2019</b>	<b>Change</b>
Capital Improvement Revenue Bonds:			
Series 2005 A	\$ 6,755,000	\$ 6,755,000	\$ -
Capital Improvement Revenue Refunding Bonds:			
Series 2015 A-1	8,435,000	8,745,000	(310,000)
Series 2015 A-2	11,280,000	11,280,000	-
Series 2015 B-1	6,710,000	9,070,000	(2,360,000)
Series 2015 B-2	4,175,000	4,175,000	-
Due to Developer	-	76,600	(76,600)
	<b>\$ 37,355,000</b>	<b>\$ 40,101,600</b>	<b>\$ (2,746,600)</b>

More information about the District's long-term debt is presented in Note 4 to the financial statements.

### FUTURE FINANCIAL FACTORS

South Bay Community Development District is an independent special district that operates under the provisions of Chapter 190, Florida Statutes. The District operates under an elected Board of Supervisors, which establishes 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 South Bay Community Development District's management company at 2501A Burns Road, Palm Beach Gardens, Florida, 33410.

## **Basic Financial Statements**

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

<i>September 30,</i>	<b>2020</b>
	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 3,058,141
Accounts receivable, net	11,623
Capital assets:	
Not being depreciated	16,812,056
Depreciable, net	23,071,324
Total assets	42,953,144
<b>Liabilities</b>	
Accounts payable	94,787
Accrued interest payable	3,143,473
Non-current liabilities:	
Due within one year	710,000
Due in more than one year	36,645,000
Total liabilities	40,593,260
<b>Net position</b>	
Net investment in capital assets	4,520,735
Unrestricted	(2,160,851)
Total net position	\$ 2,359,884

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

## South Bay Community Development District Statement of Activities

For the year ended September 30,

2020

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary government:				
Governmental activities:				
General government	\$ (347,055)	\$ 299,547	\$ -	\$ (47,508)
Maintenance and operations	(1,189,149)	215,103	-	(974,046)
Interest	(1,658,475)	3,615,129	23,569	1,980,223
Total governmental activities	\$ (3,194,679)	\$ 4,129,779	\$ 23,569	958,669
<b>General revenues</b>				
				27,824
				986,493
				1,373,391
				\$ 2,359,884

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

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

<i>September 30,</i>	<b>2020</b>		
	General	Debt Service	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 424,561	\$ 2,633,580	\$ 3,058,141
Accounts receivable	11,623	-	11,623
<b>Total assets</b>	<b>\$ 436,184</b>	<b>\$ 2,633,580</b>	<b>\$ 3,069,764</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 94,787	\$ -	\$ 94,787
Debt service obligation	-	3,066,056	3,066,056
<b>Total liabilities</b>	<b>94,787</b>	<b>3,066,056</b>	<b>3,160,843</b>
<b>Fund balances</b>			
Unassigned	341,397	(432,476)	(91,079)
<b>Total fund balances</b>	<b>341,397</b>	<b>(432,476)</b>	<b>(91,079)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 436,184</b>	<b>\$ 2,633,580</b>	<b>\$ 3,069,764</b>

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

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

<i>September 30,</i>	<b>2020</b>
Total fund balance (deficit), governmental funds	\$ (91,079)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.	39,883,380
Liabilities not due and payable from current resources, including accrued interest, are not reported in the fund financial statements.	(37,432,417)
Total net position - governmental activities	\$ 2,359,884

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

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

*For the year ended September 30,*

**2020**

	General	Debt Service	Total Governmental Funds
<b>Revenue</b>			
Assessments	\$ 514,650	\$ 3,615,129	\$ 4,129,779
Interest	656	22,913	23,569
Other revenue	14,518	13,306	27,824
<b>Total revenue</b>	<b>529,824</b>	<b>3,651,348</b>	<b>4,181,172</b>
<b>Expenditures</b>			
Current:			
General government	342,591	4,464	347,055
Maintenance and operations	249,218	-	249,218
Debt service:			
Principal	-	3,030,000	3,030,000
Interest	-	1,707,206	1,707,206
Repayment to developer	76,600	-	76,600
<b>Total expenditures</b>	<b>668,409</b>	<b>4,741,670</b>	<b>5,410,079</b>
Deficit of revenue over expenditures	(138,585)	(1,090,322)	(1,228,907)
Fund balance, beginning of year	479,982	657,846	1,137,828
Fund balance (deficit), end of year	\$ 341,397	\$ (432,476)	\$ (91,079)

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



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

<i>For the year ended September 30,</i>	<b>2020</b>
Net change in fund balance - governmental funds	\$(1,228,907)
Governmental funds report principal payments on bonds and repayment to developer as expenditures when debt is due, whereas these payments are eliminated in the Statement of Activities and recognized as a reduction in bonds payable and due to developer, respectively, in the Statement of Net Position.	3,106,600
Depreciation on capital assets is not recognized in the fund financial statements but is reported as an expense in the Statement of Activities.	(939,931)
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.	48,731
Change in net position of governmental activities	\$ 986,493

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

## **South Bay Community Development District Notes to Financial Statements**

### **NOTE 1: NATURE OF ORGANIZATION**

The South Bay Community Development District (the “District”) was established on February 24, 2004 pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes, by Hillsborough County Ordinance No. 04-17. 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 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. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes.

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 SPE is wholly-owned and managed by the Bond Trustee. The District does not have control or ownership of the SPE.

The Board has the final responsibility for:

1. Allocating and levying special 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:

## South Bay Community Development District Notes to Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***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. The business-type activities are reported separately in government-wide financial statements; however, at September 30, 2020, the District did not have any significant business-type activities. Therefore, no business-type activities are reported. Assessments and other items not properly included as program revenues (i.e., charges to customers or applicants who purchase, use, or directly benefit from goods or services) are reported as general revenues.

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

#### ***Measurement Focus, Basis of Accounting and Basis of Presentation***

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

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

Assessments, including debt service assessments along with operation and maintenance assessments, are non-ad valorem special assessments imposed on all lands located within the District and benefited by the District's activities. Assessments are levied and certified for collection by the District prior to the start of the fiscal year which begins October 1<sup>st</sup> and ends on September 30<sup>th</sup>. 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.

## South Bay Community Development District Notes to Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. The Series 2015A-2 Bonds and Series 2015B-2 Bonds were set up for property owned by the SPE. The SPE has not found a buyer for this property. As a result, during the year ended September 30, 2020, the SPE did not make assessment payments related to the Series 2015 A-2 bonds totaling \$1,104,480. Since the balance is not considered collectible, an allowance has been established for the entire amount. All other revenue items are considered to be measurable and available only when cash is received by the District.

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.

For the year ended September 30, 2020, the District does not report any proprietary funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

#### ***Cash, Deposits and Investments***

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

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

The District is authorized to invest in financial instruments as established by Section 218.415, Florida Statutes. The authorized investments include among others 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.

## South Bay Community Development District Notes to Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Capital Assets***

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

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

Property, plant and equipment of the primary government will be depreciated using the straight-line method over the estimated useful lives. Estimated useful lives for financial reporting purposes are as follows:

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.

#### ***Long-Term Obligations***

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

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

#### ***Estimates***

The preparation of U.S. GAAP financial statements require 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.

## South Bay Community Development District Notes to Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Deferred Outflows/Inflows of Resources***

In addition to assets, the Statement of Financial Position and Balance Sheet – Governmental Funds includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any of this type of item at September 30, 2020.

In addition to liabilities, the Statement of Financial Position and Balance Sheet – Governmental Funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any of this type of item at September 30, 2020.

#### ***Fund Equity***

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

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the District board through approval of resolutions. Assigned fund balance is a limitation imposed by a designee of the District board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

#### ***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.

## South Bay Community Development District Notes to Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

#### **Subsequent events**

Management has evaluated subsequent events through the date that the financial statement were available to be issued, May 26, 2021. See Note 12 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

### NOTE 3: 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
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$ 16,812,056	\$ -	\$ -	\$ 16,812,056
<b>Total capital assets, not being depreciated</b>	<b>16,812,056</b>	<b>-</b>	<b>-</b>	<b>16,812,056</b>
Capital assets being depreciated				
Infrastructure	28,197,947	-	-	28,197,947
<b>Total capital assets, being depreciated</b>	<b>28,197,947</b>	<b>-</b>	<b>-</b>	<b>28,197,947</b>
Less accumulated depreciation				
Infrastructure	(4,186,692)	(939,931)	-	(5,126,623)
<b>Total accumulated depreciation</b>	<b>(4,186,692)</b>	<b>(939,931)</b>	<b>-</b>	<b>(5,126,623)</b>
<b>Total capital assets, being depreciated, net</b>	<b>24,011,255</b>	<b>(939,931)</b>	<b>-</b>	<b>23,071,324</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 40,823,311</b>	<b>\$ (939,931)</b>	<b>\$ -</b>	<b>\$ 39,883,380</b>

Depreciation expense of \$939,931 was allocated to maintenance and operations on the accompanying Statement of Activities.

## South Bay Community Development District Notes to Financial Statements

### NOTE 4: BONDS PAYABLE

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	5.950%	May 1, 2036	May 1, 2015	May 1, 2015
2015 A-2	8,928,571	11,280,000	6.600%	May 1, 2036	May 1, 2019	May 1, 2019
2015 B-1	9,070,000	9,070,000	5.125%	May 1, 2023	May 1, 2023	May 1, 2015
2015 B-2	3,304,680	4,175,000	6.600%	May 1, 2025	May 1, 2025	May 1, 2019
	<u>\$ 31,273,251</u>	<u>\$ 34,495,000</u>				

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.

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.

At September 30, 2020, a debt service obligation for all accrued and unpaid interest on the unexchanged Series 2005A bonds totaled \$1,271,776. During the year ended September 30, 2020, the District made no payments on the outstanding obligation.

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 2020 and 2019, the District did not make its semi-annual debt service payment on the Series 2015 A-2 Bonds. The unpaid principal and interest is reported as a part of the debt service obligation liability on the fund-level Balance Sheet. At September 30, 2020, this portion totaled \$1,794,280, including \$1,094,280 for unpaid interest and \$700,000 for unpaid principal. Subsequent to year-end, the District did not make its semi-annual debt service payments due on the Series 2015 A-2 Bonds on November 1, 2020 and May 1, 2021.



## South Bay Community Development District Notes to Financial Statements

### NOTE 4: BONDS PAYABLE (Continued)

The Bond Indentures have certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agreed to levy special assessments in annual amounts adequate to provide payment of debt service. As described above, the District is not in compliance with the requirements of the Series 2015 A-2 Bond Indenture. This District is in compliance with all other series.

The Bond Indentures require that the District maintain adequate funds in reserve accounts to meet the debt service reserve requirements as defined in the Indentures. The requirements have been met for the fiscal year ended September 30, 2020.

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

<i>Year Ending September 30,</i>	Principal	Interest	Total Debt Service
2021	\$ 710,000	\$ 1,865,800	\$ 2,575,800
2022	755,000	1,821,053	2,576,053
2023	7,520,000	1,833,940	9,353,940
2024	860,000	1,378,523	2,238,523
2025	5,090,000	1,324,298	6,414,298
2026 - 2030	5,550,000	4,299,560	9,849,560
2031 - 2035	7,610,000	2,384,230	9,994,230
2036	9,260,000	80,163	9,340,163
	<b>\$ 37,355,000</b>	<b>\$ 14,987,567</b>	<b>\$ 52,342,567</b>

During the fiscal year ended September 30, 2020, the District entered into the first supplement to final amended and restated special assessment allocation report, which provides for an extension of the maturity of the Capital Improvement Revenue Refunding Bonds, Series 2015 B-1 from May 1, 2020 to May 1, 2023. All other financing terms for the 2015 B-1 Bonds remain the same. The change in maturity on the Series 2015 B-1 bonds has been reflected in the schedules above.

## South Bay Community Development District Notes to Financial Statements

### NOTE 5: CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance	Additions/ Accretion	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities</i>					
Bonds Payable:					
Series 2005 A	\$ 6,755,000	\$ -	\$ -	\$ 6,755,000	\$ -
Series 2015 A-1	8,745,000	-	(310,000)	8,435,000	325,000
Series 2015 A-2	11,280,000	-	-	11,280,000	385,000
Series 2015 B-1	9,070,000	-	(2,360,000)	6,710,000	-
Series 2015 B-2	4,175,000	-	-	4,175,000	-
Due to Developer	76,600	-	(76,600)	-	-
	<b>\$ 40,101,600</b>	<b>\$ -</b>	<b>\$ (2,746,600)</b>	<b>\$ 37,355,000</b>	<b>\$ 710,000</b>

### 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.

### NOTE 8: 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.

## South Bay Community Development District Notes to Financial Statements

### NOTE 8: CONCENTRATIONS (Continued)

During the year ended September 30, 2020, the District directly assessed Lennar Homes, LLC, the subsequent developer of the District, \$35,495 and \$188,696 for operations and maintenance and debt service assessments, respectively. In addition Len-Little Harbor, LLC, a subsidiary of the subsequent developer, was assessed \$278,254 for operations and maintenance and debt service through the local tax collector. The District also directly assessed three significant landowners \$214,235 and \$2,796,486 for operations and maintenance and debt service assessments, respectively. In addition, one significant landowner was assessed \$41,755 for operations and maintenance and debt service through the local tax collector.

The District directly assessed the SPE \$97,795 for operations and maintenance assessments. In addition, the SPE did not make assessment payments on the Series 2015 A-2 bonds totaling \$1,794,280. During the year ended September 30, 2019, the Series 2015 A-2 and Series 2015 B-2 bonds were converted, and the first principal payment became due May 1, 2019. These bonds were set up for the property owned by the SPE, who has yet to find a buyer for this property, thus the scheduled payments were not made. The District did not possess the funds to make this payment, and therefore, are in default related to these bonds.

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 9: RELATED PARTY TRANSACTIONS

During fiscal year 2018, the District entered into a construction funding agreement with Len-Little Harbor, LLC ("Len-Little"), a subsidiary of the subsequent developer, Lennar Homes, LLC, to make available to the District such funds as are necessary to enable the District to proceed with the design, engineering, and construction of the needed seawall repairs for a total amount of \$344,000 together with such amounts authorized pursuant to any written change order as governed by the construction agreement.

In accordance with the agreement, the funds provided shall be reimbursed to the Developer from (i) existing District funds; (ii) proceeds collected by the District as part of its fiscal year 2019 operation and maintenance assessments and/or (iii) proceeds collected by the District as part of its fiscal year 2020 operation and maintenance assessments, if necessary. Reimbursements to Len-Little shall be made by the District in accordance with the following schedule:

1. The first repayment shall be no later than September 30, 2018 wherein the District shall reimburse Len-Little the lesser of the then total disbursement of seawall funds to date or 35% of the seawall funds.

## South Bay Community Development District Notes to Financial Statements

### NOTE 9: RELATED PARTY TRANSACTIONS (Continued)

2. The second Repayment shall be no later than March 31, 2019, wherein the District shall reimburse Len-Little for the lesser of the then total disbursement of Seawall Funds to date or an additional 35% of the seawall funds, less the contribution (i.e. \$50,000) as adjusted pursuant to the settlement agreement for credit against assessments paid. The District may reimburse Len-Little for the total disbursement of seawall funds as of that date, if the District elects.
3. If the second repayment does not constitute payment in full of the Seawall Funds disbursed in conjunction with the seawall repairs, then the third repayment shall be not later than March 31, 2020, wherein the District shall reimburse Len-Little for the remaining amount of the funds disbursed as part of the seawall funds for completing the Seawall Repairs.

During the year ended September 30, 2020, the outstanding amount of \$76,600 was paid in full. This amount is recorded as Repayment to developer on the accompanying Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds.

### NOTE 10: 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 not been set for trial and is essentially in its beginning discovery stages. The District’s legal counsel is unable to determine the likelihood of an unfavorable outcome or provide an amount or range of potential loss to the District, if any. The District intends to vigorously defend against these claims.

### NOTE 11: 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.

## South Bay Community Development District Notes to Financial Statements

### NOTE 12: SUBSEQUENT EVENT

The District is planning to begin a road rehabilitation project subsequent to year end. The estimated cost of the project is approximately \$380,000.

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

## South Bay Community Development District Budget to Actual Comparison Schedule – General Fund

*For the year ended September 30,*

**2020**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>Revenue</b>				
Assessments	\$ 503,114	\$ 508,251	\$ 514,650	\$ 6,399
Interest	420	656	656	-
Other revenue	-	14,518	14,518	-
<b>Total revenue</b>	<b>503,534</b>	<b>523,425</b>	<b>529,824</b>	<b>6,399</b>
<b>Expenditures</b>				
General government	186,477	343,715	342,591	1,124
Maintenance and operations	319,000	265,124	249,218	15,906
Repayment to developer	-	76,600	76,600	-
<b>Total expenditures</b>	<b>505,477</b>	<b>685,439</b>	<b>668,409</b>	<b>17,030</b>
 Excess (deficit) of revenue over expenditures	 (1,943)	 (162,014)	 (138,585)	 23,429

**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***

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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 (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 thereon dated May 26, 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. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described below.

#### **2020-001: Noncompliance with Provisions of Bond Indenture**

- At September 30, 2020, the District was not in compliance with certain provisions of its Debt Service Bond Indenture, including those relating to 1) levying and collecting assessments to provide payment of debt service and 2) making its semi-annual debt service principal and interest payments on the Series 2015 A-2 Bonds. Certain lands located within the District are owned by a special purpose entity (SPE), which is required to make assessment payments on the land it owns. The SPE did not make its assessment payments during the year, and as a result the District was unable to make its debt service principal and interest payments. We recommend the District continue to work with the SPE on future payments of assessments to pay debt service on the Series 2015 A-2 Bonds.

The District's response to the finding identified in our audit is described below. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

- Management response: In 2015, when the 2005 Bonds were restructured, the 2015 A-2 and 2015 B-2 Bonds were set up for the property owned by the SPE, which was set up by the Bondholders, not the District, with the understanding that the SPE would sell the property and the new landowner would be responsible for the scheduled payments on the 2015 A-2 and 2015 B-2 Bonds. Principal and interest payments were scheduled to commence in 2019, giving the SPE four years to find a buyer for the property. The Bondholders (via the SPE) decided not to make principal and interest payments to themselves, since a buyer has not yet been found and scheduled payments continue to not be made.

#### **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  
May 26, 2021



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## **MANAGEMENT LETTER**

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

### **Report on the Financial Statements**

We have audited the financial statements of the South Bay Community Development District (“District”) as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated May 26, 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 Florida Auditor General.

### **Other Reporting Requirements**

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 May 26, 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. Corrective actions have been taken to address the 2019-001 finding and recommendation made in the preceding financial audit report.

### **Official Title and Legal Authority**

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

## **Financial Condition and Management**

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 met the condition described in Section 218.503(1)(a), Florida Statutes: failure to make bond debt service payments when due, as a result of a lack of funds. We also determined that this condition did not result from a deteriorating financial condition, as defined in Section 10.554(1)(f), Rules of the Auditor General.

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

May 26, 2021



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## INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined South Bay Community Development District's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2020. 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 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  
May 26, 2021