



South Bay Community Development District

Financial Statements

September 30, 2022



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Carr, Riggs & Ingram, LLC
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INDEPENDENT AUDITORS' REPORT

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

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Qualified and Unmodified Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
General Fund	Unmodified
Debt Service Fund	Qualified

Qualified Opinion on the Debt Service Fund

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the Debt Service Fund of the District as of September 30, 2022, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Governmental Activities and General Fund

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

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matter Giving Rise to the Qualified Opinion on the Debt Service Fund

Because of the inadequacy of supporting documentation provided by the Bond Trustee, we were unable to obtain sufficient appropriate audit evidence regarding the amount of general government expenditures in the Debt Service Fund (totaling \$105,156) as shown on the accompanying Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds for the year ended September 30, 2022.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District’s ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and required supplementary information other than management’s discussion and analysis on pages 4 – 9 and 27 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2023, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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
September 29, 2023

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, 2022. Please read it in conjunction with the District’s financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- At September 30, 2022, the assets of the District exceeded its liabilities by approximately \$14.5 million.
- During the fiscal year ended September 30, 2022, the District incurred approximately \$1.2 million of interest expenditures and reported principal payment expenditures totaling \$8,480,000. The required bond principal and interest payments of \$180,000 and \$566,903, respectively, on the Series 2015 A-2 and B-2 Bonds were not made as of September 30, 2022. These amounts were added to the District’s debt service obligation.
- During the fiscal year ended September 30, 2022, the District sold a portion of District lands to Hillsborough County for a sale price of approximately \$3.4 million. In conjunction with the sale, certain 2015 A-2 outstanding bond interest and principal expense were repaid in the amounts of \$2.2 million and \$1 million, respectively. The District recognized a gain on debt cancellation resulting from the transaction in the amount of approximately \$5.3 million.

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 10 – 11 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 12. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the District’s operations in more detail than the government-wide statements by providing information about the District’s most significant funds.

Reporting the District as a Whole

Our analysis of the District as a whole begins on page 6. One of the most important questions asked about the District’s finances is, “Is the District as a whole better off or worse off as a result of the year’s activities?” The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

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

South Bay Community Development District Management's Discussion and Analysis

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.

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 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>	2022	2021	Change
Assets			
Current and other assets	\$ 2,134,127	\$ 9,326,196	\$ (7,192,069)
Capital assets, net	38,003,518	38,943,449	(939,931)
Total assets	\$ 40,137,645	\$ 48,269,645	\$ (8,132,000)
Liabilities			
Current liabilities	\$ 4,310,516	\$ 6,048,027	\$ (1,737,511)
Other liabilities	21,310,000	35,190,000	(13,880,000)
Total liabilities	25,620,516	41,238,027	(15,617,511)
Net position			
Net investment in capital assets	17,065,110	4,911,012	12,154,098
Restricted for:			
Debt service	-	1,921,209	(1,921,209)
Unrestricted	(2,547,981)	199,397	(2,747,378)
Total net position	14,517,129	7,031,618	7,485,511
Total liabilities and net position	\$ 40,137,645	\$ 48,269,645	\$ (8,132,000)

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

South Bay Community Development District Management's Discussion and Analysis

During the fiscal year ended September 30, 2022, total assets and liabilities decreased by approximately \$8.1 million and \$15.6 million from the prior year, respectively. The decrease in assets and liabilities is primarily due to substantial bond principal payments as well as debt forgiveness recognized upon sale of the Riverton parcel to the County.

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

<i>For the year ended September 30,</i>	2022	2021	Change
Revenue:			
Program revenue:			
Charges for services	\$ 1,598,787	\$ 8,131,905	\$ (6,533,118)
Grants and contributions	3,651	989	2,662
General revenue:			
Gain on cancellation of debt	5,345,000	-	5,345,000
Gain on sale of District lands	3,389,704	-	3,389,704
Other revenue	3,000	11,378	(8,378)
Total revenue	10,340,142	8,144,272	2,195,870
Expenses:			
General government	294,432	389,218	(94,786)
Maintenance and operations	1,529,280	1,301,614	227,666
Interest	1,030,919	1,781,706	(750,787)
Total expenses	2,854,631	3,472,538	(617,907)
Change in net position	7,485,511	4,671,734	2,813,777
Net position, beginning of year	7,031,618	2,359,884	4,671,734
Net position, ending of year	\$ 14,517,129	\$ 7,031,618	\$ 7,485,511

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

Revenue increased by approximately \$2.2 million over the prior year, while expenses decreased by approximately \$618,000 from the prior year. The increase in revenue is primarily due to the proceeds and debt cancellation received upon the sale of the Riverton parcel to the County while the decrease in expenses is primarily due to interest coming due on the Series 2015 B-2 bonds in the prior year. The overall result was an approximate \$7.5 million increase in net position for fiscal year 2022.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined deficit fund balance of approximately \$817,000, which is a decrease from last year's fund balance that totaled approximately \$4.8 million. Significant transactions are discussed on the following page.

South Bay Community Development District Management's Discussion and Analysis

- During the fiscal year ended September 30, 2022, the District incurred approximately \$1.2 million of interest expenditures and reported principal payment expenditures totaling \$8,480,000. The required bond principal and interest payments of \$180,000 and \$566,903, respectively, on the Series 2015 A-2 and B-2 Bonds were not made as of September 30, 2022. These amounts were added to the District's debt service obligation.
- During the fiscal year ended September 30, 2022, the District sold a portion of District lands to Hillsborough County for a sale price of approximately \$3.4 million. In conjunction with the sale, certain 2015 A-2 outstanding bond interest and principal expense were repaid in the amounts of \$2.2 million and \$1 million, respectively.

The overall decrease in fund balance for the year ended September 30, 2022 totaled approximately \$5.6 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 27.

The District experienced a favorable variance in revenue and an unfavorable variance in expenditures as compared to the final budget in the amounts of \$474,767 and \$196,509, respectively. The variance in revenue occurred primarily due to the proceeds received from the sale of the Riverton parcel to the County. The variance in expenditures occurred primarily due to seawall and parking lot repair costs in excess of budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2022, the District had approximately \$38 million invested in capital assets (net of accumulated depreciation). This amount represents a net decrease of approximately \$940,000 from the fiscal year 2021 total.

South Bay Community Development District Management's Discussion and Analysis

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

<i>September 30,</i>	2022	2021	Change
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	(7,006,485)	(6,066,554)	(939,931)
Net capital assets	\$ 38,003,518	\$ 38,943,449	\$ (939,931)

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

Debt

At September 30, 2022, the District had approximately \$22.1 million of outstanding debt. This amount represents a net decrease of \$13.8 million from the fiscal year 2021 total.

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

<i>September 30,</i>	2022	2021	Change
Capital Improvement Revenue Bonds:			
Series 2005 A	\$ 6,755,000	\$ 6,755,000	\$ -
Capital Improvement Revenue Refunding Bonds:			
Series 2015 A-1	7,560,000	8,110,000	(550,000)
Series 2015 A-2	3,630,000	10,195,000	(6,565,000)
Series 2015 B-1	-	6,710,000	(6,710,000)
Series 2015 B-2	4,175,000	4,175,000	-
	\$ 22,120,000	\$ 35,945,000	\$ (13,825,000)

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 2023 were established to provide for the operations of the District as well as the necessary debt service requirements.

South Bay Community Development District Management's Discussion and Analysis

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. If you have questions about this report or need additional financial information, contact the South Bay Community Development District's management company at 210 N. University Drive, Suite 702, Coral Springs, FL, 33071.

Basic Financial Statements

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

<i>September 30,</i>	2022
	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,127,740
Accounts receivable, net	6,387
Capital assets:	
Not being depreciated	16,812,056
Depreciable, net	21,191,462
Total assets	40,137,645
Liabilities	
Accounts payable	19,981
Accrued interest payable	549,050
Due to bondholders	2,931,485
Non-current liabilities:	
Due within one year	810,000
Due in more than one year	21,310,000
Total liabilities	25,620,516
Net position	
Net investment in capital assets	17,065,110
Unrestricted	(2,547,981)
Total net position	\$ 14,517,129

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,

2022

Functions/Programs	Expenses	Charges for Services	Program Revenue Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Primary government:				
Governmental activities:				
General government	\$ (294,432)	\$ 196,223	\$ -	\$ (98,209)
Maintenance and operations	(1,529,280)	392,768	-	(1,136,512)
Interest	(1,030,919)	1,009,796	3,651	(17,472)
Total governmental activities	\$ (2,854,631)	\$ 1,598,787	\$ 3,651	(1,252,193)

General revenue

Other revenue	3,000
Gain on sale of District lands	3,389,704
Gain on cancellation of debt	5,345,000
Total general revenue	8,737,704
Change in net position	7,485,511
Net position - beginning of year	7,031,618
Net position - end of year	\$ 14,517,129

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

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

<i>September 30,</i>	2022		
	General	Debt Service	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 491,249	\$ 1,636,491	\$ 2,127,740
Accounts receivable	6,387	-	6,387
Total assets	\$ 497,636	\$ 1,636,491	\$ 2,134,127
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 19,981	\$ -	\$ 19,981
Debt service obligation	-	2,931,485	2,931,485
Total liabilities	19,981	2,931,485	2,951,466
Fund balances			
Unassigned	477,655	(1,294,994)	(817,339)
Total fund balances	477,655	(1,294,994)	(817,339)
Total liabilities and fund balances	\$ 497,636	\$ 1,636,491	\$ 2,134,127

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>	2022
Total fund balance, governmental funds	\$ (817,339)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.	38,003,518
Liabilities not due and payable from current resources, including accrued interest, are not reported in the fund financial statements.	(22,669,050)
Total net position - governmental activities	\$ 14,517,129

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,

2022

	General	Debt Service	Total Governmental Funds
Revenue			
Assessments	\$ 588,991	\$ 802,372	\$ 1,391,363
Interest	728	2,923	3,651
Other revenue	3,000	-	3,000
Prepayment revenue	-	207,424	207,424
Total revenue	592,719	1,012,719	1,605,438
Expenditures			
Current:			
General government	189,276	105,156	294,432
Maintenance and operations	589,349	-	589,349
Debt service:			
Principal	-	8,480,000	8,480,000
Interest	-	1,221,392	1,221,392
Total expenditures	778,625	9,806,548	10,585,173
Excess (deficit) of revenue over expenditures	(185,906)	(8,793,829)	(8,979,735)
Other Financing Sources (Uses)			
Gain on sale of District lands	464,164	2,925,540	3,389,704
Total other financing sources (uses)	464,164	2,925,540	3,389,704
Net change in fund balances	278,258	(5,868,289)	(5,590,031)
Fund balance, beginning of year	199,397	4,573,295	4,772,692
Fund balance (deficit), end of year	\$ 477,655	\$ (1,294,994)	\$ (817,339)

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>	2022
Net change in fund balance - governmental funds	\$ (8,979,735)
Governmental funds report principal payments on bonds as expenditures when debt is due, whereas these payments are eliminated in the Statement of Activities and recognized as a reduction in bonds payable in the Statement of Net Position.	8,480,000
The cancelled portion of outstanding bond principal that had not yet matured is not recognized in the fund financial statements but is included as gain on cancellation of debt in the Statement of Activities.	5,345,000
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.	190,473
Change in net position of governmental activities	\$ 4,095,807

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, 2022, 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 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.

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 subject 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 a portion of this property. As a result, during the year ended September 30, 2022, the SPE did not make assessment payments related to the bond series mentioned above. 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, 2022, 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:

<u>Asset</u>	<u>Years</u>
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, 2022.

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, 2022.

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, September 29, 2023, and determined there were no events that occurred that required disclosure. 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, 2022:

	Beginning Balance	Additions	Transfers and Conveyances	Ending Balance
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 16,812,056	\$ -	\$ -	\$ 16,812,056
Total capital assets, not being depreciated	16,812,056	-	-	16,812,056
Capital assets being depreciated				
Infrastructure	28,197,947	-	-	28,197,947
Total capital assets, being depreciated	28,197,947	-	-	28,197,947
Less accumulated depreciation				
Infrastructure	(6,066,554)	(939,931)	-	(7,006,485)
Total accumulated depreciation	(6,066,554)	(939,931)	-	(7,006,485)
Total capital assets, being depreciated, net	22,131,393	(939,931)	-	21,191,462
Governmental activities capital assets, net	\$ 38,943,449	\$ (939,931)	\$ -	\$ 38,003,518

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, 2022, 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, 2022, 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.

South Bay Community Development District Notes to Financial Statements

NOTE 4: BONDS PAYABLE (Continued)

In December 2021, the District executed a sale agreement with Hillsborough County for a parcel of land (“Riverton parcel”). Per the terms of the agreement, the County required removal of the purchased property from District boundaries. Upon closing of the parcel, the County also required release of all liens and encumbrances upon the lands. As a result, the District received approximately \$3.4 million in proceeds from the County, which is recorded in general revenue and other financing sources on the Statement of Activities and Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds, respectively, and recognized a \$5,345,000 gain on cancellation of debt in general revenue on the Statement of Activities.

Prior to the sale of the Riverton parcel, the District had not made its semi-annual debt service payments on the Series 2015 A-2 and Series 2015 Series B-2 bonds. In the current year, the District paid approximately \$2.2 million towards its existing debt service obligation and \$1 million in principal on the Series 2015 A-2 bonds upon closing. The unpaid principal and interest is reported as Due to bondholders on the Statement of Net Position and Fund-level Balance Sheet. At September 30, 2022, this portion totaled \$2,931,485.

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 and Series 2015 Series B-2 Bond Indentures. 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, 2022.

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

<i>Year Ending September 30,</i>	Principal	Interest	Total Debt Service
2023	\$ 810,000	\$ 964,950	\$ 1,774,950
2024	860,000	913,895	1,773,895
2025	5,090,000	859,670	5,949,670
2026	975,000	801,978	1,776,978
2027	1,035,000	464,938	1,499,938
2028 - 2032	3,910,000	1,424,548	5,334,548
2033 - 2037	2,685,000	391,808	3,076,808
Thereafter	6,755,000	-	6,755,000
	\$ 22,120,000	\$ 5,821,787	\$ 27,941,787

South Bay Community Development District Notes to Financial Statements

NOTE 4: BONDS PAYABLE (Continued)

Long-term liability activity for the year ended September 30, 2022, 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	8,110,000	-	(550,000)	7,560,000	370,000
Series 2015 A-2	10,195,000	-	(6,565,000)	3,630,000	440,000
Series 2015 B-1	6,710,000	-	(6,710,000)	-	-
Series 2015 B-2	4,175,000	-	-	4,175,000	-
	<u>\$ 35,945,000</u>	<u>\$ -</u>	<u>\$ (13,825,000)</u>	<u>\$ 22,120,000</u>	<u>\$ 810,000</u>

NOTE 5: 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 6: 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 7: 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 7: CONCENTRATIONS (Continued)

During the year ended September 30, 2022, the District directly assessed Lennar Homes, LLC, the subsequent developer of the District, \$41,972 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 \$163,595 for operations and maintenance and debt service through the local tax collector. The District also directly assessed three significant landowners \$291,200 for operations and maintenance assessments. In addition, one significant landowner was assessed \$49,660 for operations and maintenance and debt service through the local tax collector.

The District directly assessed the SPE \$64,572 for operations and maintenance assessments. In addition, the SPE did not make assessment payments on the Series 2015 A-2 and B-2 bonds totaling \$1,344,890. These bonds were set up for the property owned by the SPE, a portion of which was sold during the current fiscal year. The SPE did not make the scheduled payments during the year pursuant to an agreement between the bondholders and the SPE. The District did not possess the funds to make this payment, and therefore, the related Series 2015 A-2 and 2015 B-2 bonds are in default.

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

NOTE 8: LITIGATION

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

In October 2020, Little Harbor and Peninsula filed a complaint against the District based primarily on objections to the data and methodology employed by the District in levying special assessments for operating and maintenance for fiscal years 2020 and 2021. In April 2021, the District filed its answer arguing that the procedures employed by the District in its methodology upon which the assessments were based meet the appropriate standards under Florida law. The case has been dormant since the District filed its answer and the Little Harbor and Peninsula properties have recently been sold. The new owners have moved to be substituted as counsel for the plaintiffs, which has been accepted. 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.

South Bay Community Development District Notes to Financial Statements

NOTE 8: LITIGATION (Continued)

The District has authorized exploring the possibility of a lawsuit to be filed by the District and certain lot owners as joint plaintiffs against a party completing recent seawall repairs. It has been proposed that costs would be split equally between the District and the lot owners, however, there is not currently an executed agreement. 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.

**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,

2022

	Original and Final Budget	Actual Amounts	Variance with Final Budget
Revenue			
Assessments	\$ 581,696	\$ 588,991	\$ 7,295
Interest	420	728	308
Other revenue	-	3,000	3,000
Total revenue	582,116	592,719	10,603
Expenditures			
General government	222,923	189,276	33,647
Maintenance and operations	359,193	589,349	(230,156)
Total expenditures	582,116	778,625	(196,509)
Excess (deficit) of revenue over expenditures	-	(185,906)	(185,906)

**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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 29, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws

regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described below.

2022-001: Noncompliance with Provisions of Bond Indenture

- At September 30, 2022, 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 and B-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 and B-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, and a portion of the property was sold during the current year.

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
September 29, 2023



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Certified Public Accountants
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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, 2022, and have issued our report thereon dated September 29, 2023.

Auditors’ Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the 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 September 29, 2023, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address the 2021-001 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.

Specific Information

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the South Bay Community Development District reported:

- a. The total number of district employees compensated in the last pay period of the district's fiscal year as 0.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as 0.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$0.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$0.
- e. The District does not have any construction projects with a total cost of at least \$65,000 that are scheduled to begin on or after October 1 of the fiscal year being reported.
- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes, as \$278,258.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, Rules of the Auditor General, the South Bay Community Development District reported:

- a. The rate or rates of non-ad valorem special assessments imposed by the District as \$143 to \$4,004 per lot.

- b. The total amount of special assessment collected by or on behalf of the district as \$1,391,363.
- c. The total amount of outstanding bonds issued by the district as \$22,120,000.

Additional Matters

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

Purpose of this Letter

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

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
September 29, 2023



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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, 2022. 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.

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

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

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

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

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
September 29, 2023