

**Babcock Ranch
Community
Independent Special
District**

FINANCIAL STATEMENTS

September 30, 2016



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INGRAM

CPAs and Advisors

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Babcock Ranch Community Independent Special District
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September 30, 2016

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INDEPENDENT AUDITORS' REPORT

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

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Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Babcock Ranch Community Independent Special District (hereinafter referred to as "District"), as of and for the year ended September 30, 2016, 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, 2016, 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 June 22, 2017, 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
June 22, 2017



Management's Discussion And Analysis

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

Our discussion and analysis of the Babcock Ranch Community Independent Special District's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2016. Please read it in conjunction with the District's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- At September 30, 2016, the assets of the District exceeded its liabilities by approximately \$974,000
- During the year ended September 30, 2016, the District issued \$19,955,000 of Special Assessment Bonds, Series 2015 to finance its construction project. These bond proceeds were used in part to finance established additional infrastructure of approximately \$13.5 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 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 Districts' net position – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors; however, such as changes in the District's assessment base and the condition of the District's infrastructure, to assess the overall health of the District.

Babcock Ranch Community Independent Special 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>	2016	2015	Change
Assets			
Current and other assets	\$ 11,981,837	\$ 1,016,771	\$ 10,965,066
Construction in progress	13,517,698	-	13,517,698
Total assets	\$ 25,499,535	\$ 1,016,771	\$ 24,482,764
Liabilities			
Current liabilities	\$ 3,826,064	\$ 83,984	\$ 3,742,080
Other liabilities	20,693,678	1,000,000	19,693,678
Total liabilities	24,519,742	1,083,984	23,435,758
Deferred inflows of resources			
Deferred inflows of resources	5,457	5,350	107
Net position			
Net investment in capital assets	844,062	-	844,062
Restricted for:			
Capital projects	9,761	-	9,761
Mitigation plan	513,569	-	513,569
Unrestricted	(393,056)	(72,563)	(320,493)
Total net position (deficit)	974,336	(72,563)	1,046,899
Total liabilities, deferred inflows of resources and net position	\$ 25,499,535	\$ 1,016,771	\$ 24,482,764

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

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

During the fiscal year ended September 30, 2016, total assets increased approximately by \$24.5 million and total liabilities plus deferred inflows of resources increased by approximately \$23.4 million. The increase in both is primarily a result of the Series 2015 bond issuance, of which a large portion was spent on the construction of capital assets.

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

<i>Year ended September 30,</i>	2016	2015	Change
Revenues:			
Program revenues:			
Grants and contributions	\$ 2,062,137	\$ 71,571	\$ 1,990,566
General revenues:			
Mitigation cost sharing revenues	584,200	-	584,200
Total revenues	2,646,337	71,571	2,574,766
Expenses:			
General government	168,554	143,220	25,334
Bond issue costs	624,526	-	624,526
Interest	806,358	-	806,358
Total expenses	1,599,438	143,220	1,456,218
Change in net position	1,046,899	(71,649)	1,118,548
Net position (deficit), beginning	(72,563)	(914)	(71,649)
Net position (deficit), ending	\$ 974,336	\$ (72,563)	\$ 1,046,899

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

Revenues and expenses increased by approximately \$2.6 million and \$1.5 million, respectively. The increase in revenues is due to an increase in developer contributions related to the Series 2015 Bonds issued in the current year. The increase in expenses is primarily due to bond interest and issue costs incurred during the current year as well as the increase in interest expense related to the bond issuance. The overall result was an \$1,046,899 increase in net position for fiscal year 2016.

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 balance of approximately \$7.6 million, which is an increase over last year's deficit balance of \$72,563.

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

- During the fiscal year ended September 30, 2016, the District expended approximately \$13.5 million on the construction on infrastructure.
- During the fiscal year ended September 30, 2016, the District issued \$19,955,000 of Special Assessment Bonds, Series 2015 to finance its construction project.

The overall increase in fund balance for the year ended September 30, 2016 totaled \$7.6 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2016, the District had approximately \$13.5 million invested in capital assets not being depreciated. This amount represents a net increase of approximately \$13.5 million over the fiscal year 2015 total.

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

<i>September 30,</i>	2016	2015	Change
Capital assets not being depreciated	\$ 13,517,698	\$ -	\$ 13,517,698
Net capital assets	\$ 13,517,698	\$ -	\$ 13,517,698

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

Debt

At September 30, 2016, the District had approximately \$19.7 million bonds outstanding. This amount represents an increase of approximately \$19.7 million over fiscal year 2015 total.

A listing of debt amount outstanding net of bond discount for the current and prior year is as follows:

<i>September 30,</i>	2016	2015	Change
Special Assessment Bonds, Series 2015	\$ 19,693,678	\$ -	\$ 19,693,678
	\$ 19,693,678	\$ -	\$ 19,693,678

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



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

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 22.

The District experienced favorable variance in revenues and unfavorable variance in expenditures as compared to the budget in the amounts of \$590,448 and \$51,629, respectively. The variance in expenditures occurred primarily due to mitigation expenditures incurred during the year and the related impact on Developer funding. In addition, the favorable variance in revenues resulted from funds received from the FPL related to Mitigation Cost Sharing Agreements.

FUTURE FINANCIAL FACTORS

Babcock Ranch Community Independent Special 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 2017 were established to provide for the operations of the District as well as the necessary debt service requirements.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. If you have questions about this report or need additional financial information, contact the Babcock Ranch Community Independent Special District's management company at 12051 Corporate Blvd, Orlando, Florida 32817.



Basic Financial Statements

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

<i>September 30,</i>	2016
	Governmental Activities
Assets	
Cash and cash equivalents	\$ 10,942,300
Accounts receivable	34,080
Prepaid expenses	5,457
Deposit on capital improvements	1,000,000
Capital assets:	
Not being depreciated	13,517,698
Total assets	25,499,535
Liabilities	
Accounts payable	2,692,374
Accrued interest payable	422,354
Retainage payable	711,336
Non-current liabilities:	
Developer advances	1,000,000
Bonds payable	19,693,678
Total liabilities	24,519,742
Deferred inflow of resources	
Deferred revenue	5,457
Total deferred inflow of resources	5,457
Net position	
Net investment in capital assets	844,062
Restricted for:	
Capital projects	9,761
Mitigation plan	513,569
Unrestricted	(393,056)
Total net position	\$ 974,336

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

**Babcock Ranch Community Independent Special District
Statement of Activities**

Year ended September 30,

2016

Functions/Programs	Expenses	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:				
Governmental activities:				
General government	\$ (168,554)	\$ 123,173	\$ 1,928,515	\$ 1,883,134
Bond issue costs	(624,526)	-	-	(624,526)
Interest	(806,358)	1,352	9,097	(795,909)
Total governmental activities	\$ (1,599,438)	\$ 124,525	\$ 1,937,612	462,699

General revenues

Mitigation cost sharing revenues	584,200
Total general revenues	584,200
Change in net position	1,046,899
Net position (deficit) - beginning of year	(72,563)
Net position - end of year	\$ 974,336

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

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

September 30,

2016

	General	Debt Service	Capital Projects	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 540,864	\$ 1,834,327	\$ 8,567,109	\$ 10,942,300
Accounts receivable	23,416	-	10,664	34,080
Prepaid expenditures	5,457	-	-	5,457
Due from other funds	903	-	-	903
Total assets	\$ 570,640	\$ 1,834,327	\$ 8,577,773	\$ 10,982,740
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 23,668	\$ -	\$ 2,668,706	\$ 2,692,374
Retainage payable	-	-	711,336	711,336
Due to other funds	-	-	903	903
Total liabilities	23,668	-	3,380,945	3,404,613
Deferred inflows of resources				
Deferred revenue	5,457	-	-	5,457
Total deferred inflows of resources	5,457	-	-	5,457
Fund balance				
Nonspendable	5,457	-	-	5,457
Restricted for debt service	-	1,834,327	-	1,834,327
Restricted for capital projects	-	-	5,196,828	5,196,828
Restricted for mitigation plan	513,569	-	-	513,569
Unassigned	22,489	-	-	22,489
Total fund balance	541,515	1,834,327	5,196,828	7,572,670
Total liabilities, deferred inflows of resources and fund balance	\$ 570,640	\$ 1,834,327	\$ 8,577,773	\$ 10,982,740

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

**Babcock Ranch Community Independent Special District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of
Net Position**

<i>September 30,</i>	2016
Total fund balances, governmental funds	\$ 7,572,670
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.	13,517,698
Developer advances which are recorded as a liability on the Statement of Net Position, are not recorded on the fund level.	1,000,000
Liabilities not due and payable from current resources, including accrued interest, are not reported in the fund level statements.	(21,116,032)
Total net position - governmental activities	\$ 974,336

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

**Babcock Ranch Community Independent Special District
Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds**

Year ended September 30,

2016

	General	Debt Service	Capital Projects	Total Governmental Funds
Revenues				
Developer contributions	\$ 123,173	\$ -	\$ 1,928,515	\$ 2,051,688
Mitigation cost sharing revenues	584,200	-	-	584,200
Interest and other revenues	-	1,352	9,097	10,449
Total revenues	707,373	1,352	1,937,612	2,646,337
Expenditures				
Current:				
General government	168,554	-	-	168,554
Debt service:				
Bond issue costs	-	-	624,526	624,526
Interest	-	377,303	-	377,303
Capital outlay	-	-	13,517,698	13,517,698
Total expenditures	168,554	377,303	14,142,224	14,688,081
Excess (deficit) of revenues over expenditures	538,819	(375,951)	(12,204,612)	(12,041,744)
Other Financing Sources (Uses)				
Debt Proceeds	-	2,210,278	17,744,722	19,955,000
Bond discount	-	-	(268,023)	(268,023)
Total other financing sources (uses)	-	2,210,278	17,476,699	19,686,977
Net change in fund balances	538,819	1,834,327	5,272,087	7,645,233
Fund balance (deficit), beginning of year	2,696	-	(75,259)	(72,563)
Fund balance, end of year	\$ 541,515	\$ 1,834,327	\$ 5,196,828	\$ 7,572,670

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

**Babcock Ranch Community Independent Special District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities**

<i>Year ended September 30,</i>	2016
Net change in fund balances - governmental funds	\$ 7,645,233
Capital outlay, reported as expenditures in the governmental funds, is shown as capital assets on the Statement of Net Position	13,517,698
Amortization of original issue discount is not recognized in the governmental fund statements but is reported as an expense in the Statement of Activities.	(6,701)
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.	(422,354)
Bond proceeds and original issue discount which are reported as other financing sources (uses) in the governmental funds are recognized as long-term liabilities in the Statement of Net Assets.	(19,686,977)
Change in net position of governmental activities	\$ 1,046,899

Babcock Ranch Community Independent Special District Notes to Financial Statements

NOTE 1: NATURE OF ORGANIZATION

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

The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District. As of September 30, 2016, the District has not commenced significant operations.

The District is governed by a Board of Supervisors (“Board”), which is comprised of five members. The Supervisors are elected on an at large basis by the owners of the property within the District. Certain supervisors are affiliated with the Developer of the District, Babcock Property Holdings, LLC. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 189, Florida Statutes.

The Board has the final responsibility for:

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

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth by Generally Accepted Accounting Principles (GAAP) as defined by the Governmental Accounting Standards Board (GASB) in statements No. 14 and No. 61. Based on the foregoing criteria, no potential component units were found.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements.

Babcock Ranch Community Independent Special District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2016, 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.

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

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.

Babcock Ranch Community Independent Special District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

For the year ended September 30, 2016, 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.

Capital Assets

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

Babcock Ranch Community Independent Special District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property, plant and equipment of the primary government are depreciated using the straight-line method over the estimated useful lives. Estimated useful lives for financial reporting purposes are as follows: infrastructure: 30 years.

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

Long-term obligations

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any of this type of item at September 30, 2016.

In addition to liabilities, the accompanying statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At September 30, 2016, the District has reported deferred revenue as a deferred inflow of resources. Deferred revenue represents amounts collected relating to items that are considered expenditures of fiscal year 2017.

Babcock Ranch Community Independent Special District

Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity

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

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

Budgets

The District is required to establish a budgetary system and an approved annual budget. Annual budgets are legally adopted on a basis consistent with GAAP for the General Fund. Any revision to the budget must be approved by the District Board. The budgets are compared to actual expenditures. In instances where budget appropriations and estimated revenues have been revised during the year, budget data presented in the financial statements represent final authorization amounts.

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

- A. Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- B. A public hearing is conducted to obtain comments.
- C. Prior to October 1, the budget is legally adopted by the District Board.
- D. All budget changes must be approved by the District Board.
- E. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Babcock Ranch Community Independent Special District Notes to Financial Statements

NOTE 3: 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 4: CAPITAL ASSETS

The following is a summary of changes in the capital assets for the year ended September 30, 2016

	Beginning Balance	Additions	Transfers and Conveyances	Ending Balance
Governmental Activities:				
<i>Capital assets not being depreciated</i>				
Infrastructure in progress	\$ -	\$ 13,517,698	\$ -	\$ 13,517,698
Total capital assets, not being depreciated	-	13,517,698	-	13,517,698
Governmental activities capital assets, net	\$ -	\$ 13,517,698	\$ -	\$ 13,517,698

The total projected cost of the infrastructure has been estimated at approximately \$53.7 million, of which approximately \$16.8 million is expected to be financed from the Series 2015 Bonds. The District anticipates issuing additional bonds for Phase 2 of the District in a future year.

NOTE 5: BONDS PAYABLE

On December 17, 2015, the District issued \$19,955,000 of Special Assessment Bonds, Series 2015 consisting of \$1,685,000 Term Bonds due on November 1, 2021 with a fixed interest rate of 4.40%, \$2,100,000 Term Bonds due on November 1, 2026 with a fixed interest rate of 4.875%, \$2,655,000 Term Bonds due on November 1, 2036 with a fixed interest rate of 5%, and \$13,515,000 Term Bond due on November 1, 2046 with a fixed interest rate of 5.25%. The Bonds were issued to finance the construction project. Interest is to be paid semiannually on each May 1 and November 1, commencing May 1, 2016. Principal is to be paid annually on each November 1, commencing November 1, 2017. The Series 2015 Bonds are subject to redemption at the option of the District prior to their maturity.

The Bond Indentures has established a debt service reserve requirement as well as other restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District is in compliance with those requirements of the Bond Indenture at September 30, 2016

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

NOTE 5: BONDS PAYABLE (Continued)

Long-term liability activity for the year ended September 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities</i>					
Bonds Payable:					
Series 2015	\$ -	\$ 19,955,000	\$ -	\$ 19,955,000	\$ -
	\$ -	\$ 19,955,000	\$ -	\$ 19,955,000	\$ -

The balance of the long-term bonds at September 30, 2016 is summarized as follows:

<i>September 30,</i>	2016
Bond principal balance	\$ 19,955,000
Less unamortized bond discount	(261,322)
Net balance	\$ 19,693,678

At September 30, 2016, the scheduled debt service requirements on long-term debt were as follows:

<i>Year Ending September 30,</i>	Principal	Interest	Total Debt Service
2017	\$ -	\$ 1,390,953	\$ 1,390,953
2018	310,000	1,007,063	1,317,063
2019	325,000	993,569	1,318,569
2020	335,000	979,544	1,314,544
2021	350,000	964,988	1,314,988
2022-2026	2,005,000	4,566,894	6,571,894
2027-2031	2,530,000	4,021,613	6,551,613
2032-2036	3,240,000	3,292,331	6,532,331
2037-2041	4,190,000	2,323,125	6,513,125
2042-2046	5,410,000	1,036,613	6,446,613
2047	1,260,000	66,150	1,326,150
	\$ 19,955,000	\$ 20,642,843	\$ 40,597,843

Babcock Ranch Community Independent Special District Notes to Financial Statements

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: CONCENTRATION

A significant portion of the District's future activity is dependent upon the continued involvement of the Developer, Babcock Property Holdings, LLC, the loss of which could have a materially adverse effect on the District's operations. At September 30, 2016, the Developer owned all of the assessable property located within the District boundaries.

For the year ended September 30, 2016, the Developer contributed \$123,173 to the General Fund and approximately \$1.9 million to the Capital Projects Fund. At September 30, 2016, the District owed the Developer \$1,000,000 in advances which were given to the District as a deposit on capital improvements.

NOTE 8: COMMITMENTS

As of September 30, 2016, the District had open contract commitments of approximately \$3.9 million for an ongoing construction project.

NOTE 9: MITIGATION COST SHARING AGREEMENT

The District entered into two cost sharing agreements with Florida Power and Light Company, Inc. ("FPL") related to the mitigation activities, including monitoring, operations and maintenance of certain lands within the District boundaries. These agreements established the responsibility of funding the costs associated with the established Mitigation Plan. In connection with these agreements, the District received a total of \$584,200 from FPL for the perpetual performance of the mitigation activities, and incurred \$70,631 of mitigation costs during the year. The remaining \$513,569 is presented as restricted fund balance on the Balance Sheet – Governmental Funds.



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

**Babcock Ranch Community Independent Special District
Budget to Actual Comparison Schedule – General Fund**

<i>Year ended September 30,</i>	2016		
	Original and Final Budget	Actual Amounts	Variance with Final Budget
Revenues			
Developer contributions	\$ 116,925	\$ 123,173	\$ 6,248
Mitigation cost sharing revenues	-	584,200	584,200
Total revenues	116,925	707,373	590,448
Expenditures			
General government	116,925	168,554	(51,629)
Total expenditures	116,925	168,554	(51,629)
Excess of revenues over expenditures	\$ -	\$ 538,819	\$ 538,819

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Babcock Ranch Community Independent Special District (hereinafter referred to as the "District"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report dated June 22, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described below as item IC2016-001 that we consider to be a material weakness.

IC2016-001: Construction Contract Payables

- Condition: As part of our audit procedures, we identified approximately \$2.8 million of construction contracts and retainage payable that were not accrued on the District's financial statements as of September 30, 2016 even though the work was performed prior to year-end.
- Criteria: Internal controls should be in place to provide reasonable assurance that expenditures are appropriate and properly accrued.
- Cause: The construction expenditures were from various payment application and appear to have been recorded when District staff received the approved funding request, and not when the actual work was performed. The payment applications included a current amount due and retainage payable.
- Effect: Construction contract liabilities and related expenditures on the financial statements were understated by approximately \$2.8 million.
- Recommendation: We recommend the District review construction vendor activity within a reasonable timeframe from year-end to ensure that all applicable contract liabilities are identified and recorded. This is particularly important when an active infrastructure construction project is in process.
- Management Response: The District has already taken further steps to insure that this oversight is avoided in the future.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida

June 22, 2017



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MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of Babcock Ranch Community Independent Special District ("District") as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated June 22, 2017.

Auditors' Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in these reports, which are dated June 22, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual audit report.

Official Title and Legal Authority

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

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report 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 identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. 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.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address 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 have 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, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida

June 22, 2017



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INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined Babcock Ranch Community Independent Special District's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2016. 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 and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides 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, 2016.

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
June 22, 2017