

**BAY LAUREL CENTER
COMMUNITY DEVELOPMENT DISTRICT
MARION COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2017**

**BAY LAUREL CENTER COMMUNITY DEVELOPMENT DISTRICT
MARION COUNTY, FLORIDA**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Bay Laurel Center Community Development District
Marion County, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of Bay Laurel Center Community Development District, Marion County, Florida ("District") as of and for the fiscal year ended September 30, 2017, and the related notes to the financial statements, which comprises 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.

Auditor's 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 auditor's 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 District as of September 30, 2017, and the respective changes in financial position, and, cash flows thereof for the fiscal 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 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.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated March 30, 2018, on our consideration of the District's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

March 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Bay Laurel Center Community Development District, Marion County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2017. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the fiscal year ended September 30, 2017 by \$20,889,936, an increase of \$5,886,637 in comparison with the prior fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the District's financial statements. The District's basic financial statements are comprised of the government-wide financial statements and notes to the financial statements.

Basic Financial Statements

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

The basic financial statements report on the function of the District that is principally supported by user fees and charges.

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

Proprietary Funds

The District maintains one type of proprietary fund: an enterprise fund. An enterprise fund is used to account for the operations of the water and sewer utility facilities within the District.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

BASIC FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities at the close of the fiscal year ended September 30, 2017.

BASIC FINANCIAL ANALYSIS (Continued)

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

NET POSITION		
SEPTEMBER 30,		
	2017	2016
Current Assets	\$ 5,376,139	\$ 5,125,350
Noncurrent Assets	49,630,948	44,869,189
Total assets	55,007,087	49,994,539
Current liabilities	1,414,718	1,423,289
Long-term liabilities	32,702,433	33,567,951
Total liabilities	34,117,151	34,991,240
Net Position		
Net investment in capital assets	4,585,026	1,924,939
Restricted	11,324,264	8,387,074
Unrestricted	4,980,646	4,691,286
Total net position	\$ 20,889,936	\$ 15,003,299

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

CHANGES IN NET POSITION		
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,		
	2017	2016
Operating revenues	\$ 10,401,150	\$ 9,009,295
Operating expenses:		
Administrative and general	74,664	149,359
Cost of sales and services	4,180,665	4,001,543
Depreciation and amortization	1,051,904	937,708
Total operating expenses	5,307,233	5,088,610
Operating Income	5,093,917	3,920,685
Non-operating:		
Interest income	26,604	19,783
Capital contributions	2,239,616	1,172,036
Loss on retirement of fixed asset	-	(129,362)
Interest expense	(1,473,500)	(1,518,982)
Total non-operating	792,720	(456,525)
Change in net position	5,886,637	3,464,160
Total net position - beginning	15,003,299	11,539,139
Total net position - ending	\$ 20,889,936	\$ 15,003,299

Business-type activities reflect the operations of the water and sewer facilities within the District. The cost of operations is covered primarily by charges to customers. The increase in operating revenues is primarily the result of increased connections to the utility system leading to increases in capacity and usage charges. Subsequently, operating expenses increased as a result of serving more customers.

Capital Assets

The District reported net capital assets of \$38,177,459 for its business-type activities. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Capital Debt

At September 30, 2017, the District had \$34,180,000 in Bonds outstanding for its business-type activities. More detailed information about the District's capital debt is presented in the notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

The District does not anticipate any major projects or significant changes to its infrastructure maintenance program for the subsequent fiscal year. In addition, it is anticipated that the general operations of the District will remain fairly constant. For the utility operations, it is anticipated that any future growth would come primarily from residential development. The District is continuing to work with the engineer to consider future anticipated capacity requirements for available real property.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Bay Laurel Center Community Development District's Finance Department at 135 W. Central Blvd, Suite 320, Orlando, Florida, 32801.

**BAY LAUREL CENTER COMMUNITY DEVELOPMENT DISTRICT
MARION COUNTY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

ASSETS

Current assets:

Cash and cash equivalents	\$ 4,095,967
Accounts receivable	837,498
Restricted cash and cash equivalents:	
Customer deposits	198,290
Prepaid expense	197,683
Inventory	46,701
Total current assets	<u>5,376,139</u>

Noncurrent assets:

Restricted assets:	
Investments	11,453,489
Capital assets:	
Nondepreciable	632,100
Depreciable, net	<u>37,545,359</u>
Total noncurrent assets	<u>49,630,948</u>
Total assets	<u>55,007,087</u>

LIABILITIES

Current liabilities:

Accounts payable	177,527
Due to Developer	2,248
Unearned revenue	17,428
Payable from restricted assets:	
Customer deposits	198,290
Accrued interest payable	129,225
Bonds payable	890,000
Total current liabilities	<u>1,414,718</u>

Noncurrent liabilities:

Bonds payable	<u>32,702,433</u>
Total noncurrent liabilities	<u>32,702,433</u>
Total liabilities	<u>34,117,151</u>

NET POSITION

Net investment in capital assets	4,585,026
Restricted	11,324,264
Unrestricted	4,980,646
Total net position	<u>\$ 20,889,936</u>

See notes to the financial statements

**BAY LAUREL CENTER COMMUNITY DEVELOPMENT DISTRICT
MARION COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

OPERATING REVENUES	
Charges for sales and services	\$ 10,261,327
Miscellaneous revenue	139,823
Total operating revenues	<u>10,401,150</u>
OPERATING EXPENSES	
Administrative and general	74,664
Cost of sales and services	4,180,665
Depreciation and amortization	1,051,904
Total operating expenses	<u>5,307,233</u>
OPERATING INCOME	5,093,917
NON-OPERATING REVENUES (EXPENSES)	
Interest income	26,604
Capital contributions	2,239,616
Interest expense	<u>(1,473,500)</u>
Total non-operating revenues	<u>792,720</u>
Change in net position	5,886,637
Total net position - beginning	<u>15,003,299</u>
Total net position - ending	<u>\$ 20,889,936</u>

See notes to the financial statements

**BAY LAUREL CENTER COMMUNITY DEVELOPMENT DISTRICT
MARION COUNTY, FLORIDA
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

CASH FLOW FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 10,347,922
Payments to suppliers	(3,141,976)
Payments to employees	(1,188,315)
Net Cash Provided (Used) by Operating Activities	<u>6,017,631</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(612,375)
Principal paid	(860,000)
Interest paid	(1,473,500)
Net cash provided (used) by capital and related financing activities	<u>(2,945,875)</u>
CASH FLOW FROM INVESTING ACTIVITIES	
(Purchase) sale of investments	(10,255,224)
Interest income	26,604
Net Cash Provided (Used) by Investing Activities	<u>(10,228,620)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(7,156,864)
CASH AND CASH EQUIVALENTS - OCTOBER 1	<u>11,451,121</u>
CASH AND CASH EQUIVALENTS - SEPTEMBER 30	<u><u>\$ 4,294,257</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income	\$ 5,093,917
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Depreciation and amortization	1,051,904
(Increase) / decrease in accounts receivable	(86,510)
(Increase) / decrease in prepaid expenses	(3,005)
(Increase) / decrease in inventories	(104)
(Decrease) / increase in accounts payable	(71,853)
(Decrease) / increase in due to Developer	(13,074)
(Decrease) / increase in unearned revenue	(70,364)
(Decrease) / increase in customer deposits	116,720
Total adjustments	<u>923,714</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 6,017,631</u></u>
NON CASH CAPITAL AND RELATED FINANCING:	
Capital Contributions	<u><u>\$ 2,239,616</u></u>

See notes to the financial statements

**BAY LAUREL CENTER COMMUNITY DEVELOPMENT DISTRICT
MARION COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Bay Laurel Center Community Development District ("the District") was created on May 7, 2002 pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes, by Marion County Ordinance 02-11. 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 planning, maintenance and operation of a water and wastewater system within the District in accordance with powers established by Florida Statute Chapter 190.

The District is governed by the Board of Supervisors ("the District") which is composed 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 exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes. Certain District members are affiliated with On Top of the World Communities, Inc. (the "Developer") at September 30, 2017.

The District has the final responsibility for:

1. Assessing and levying maintenance taxes and 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.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The District reports all of its activities and functions in a single enterprise fund. The enterprise fund is used to account for the operation of a water and sewer utility system. The costs of providing services are recovered primarily through user charges.

Enterprise funds are proprietary funds. The measurement focus is based upon determination of net position, financial position and changes in cash flow. The generally accepted accounting principles used are those applicable to similar businesses in the private sector, thus, these funds are maintained on the accrual basis of accounting. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) when the governing body has decided that periodic determination of net income is appropriate for capital maintenance, public management control, accountability, or other purposes. Revenues are recognized when earned and expenses are recognized when incurred. All assets and liabilities (whether current or noncurrent) associated with an activity are included in the statement of net position. The reported net position are segregated into invested in capital assets net of related debt, restricted and unrestricted assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

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

Assets, Liabilities and Net Position or Equity

Restricted Assets

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

Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand and demand deposits.

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

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

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due.

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

Inventories and Prepaid Items

Inventories represent meter supply carried at historical cost determined on a first-in, first-out basis.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Property and equipment are stated at cost. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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 assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Water and wastewater facilities	50
Machinery and equipment	3 - 10
Infrastructure	3 - 44

Unearned Revenue

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

Long-Term Obligations

In the basic financial statements, long-term debt and other long-term obligations are reported as liabilities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the Bonds using the straight-line method. Bonds are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s). For example, the District would record deferred outflows of resources on the statement of net position related to debit amounts resulting from current and advance refundings resulting in the defeasance of debt (i.e. when there are differences between the reacquisition price and the net carrying amount of the old debt). Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s).

Net Position

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

Other Disclosures

Use of Estimates

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

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

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

Investments

The District's investments were held as follows at September 30, 2017:

	<u>Amortized Cost</u>	<u>Credit Risk</u>	<u>Maturities</u>
First American Treasury Obligation Class Z	\$ 1,204,375	S&P AAAM	Average of the fund portfolio: 32 days
US Bank Mmkt 5 - Ct	10,249,114	Not applicable	Not applicable
Total Investments	<u>\$ 11,453,489</u>		

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

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

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

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

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

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

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

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

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

NOTE 4 – RESTRICTED ASSETS

Restricted assets include investments which are restricted in connection with the Bond requirements discussed in Note 6. The composition of restricted assets at September 30, 2017 was as follows:

Restricted for:	
Renewal and replacement	\$ 3,178,278
Payment of bond principal and interest	208,716
Revenue fund	393,952
Operating reserve	1,204,375
Reserve account	1,168,850
Surplus fund	5,299,318
Total	<u>\$ 11,453,489</u>

Restricted assets also include cash and cash equivalents that are restricted for the payment of customer security deposits in the aggregate amount of \$198,290.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets, not being depreciated				
Land and land improvements	\$ 632,100	\$ -	\$ -	\$ 632,100
Total capital assets, not being depreciated	<u>632,100</u>	<u>-</u>	<u>-</u>	<u>632,100</u>
Capital assets, being depreciated				
Water and wastewater facilities	35,397,174	2,205,193	-	37,602,367
Infrastructure	3,847,494	588,473	12,996	4,422,971
Machinery & Equipment	807,856	58,325	-	866,181
Total capital assets, being depreciated	<u>40,052,524</u>	<u>2,851,991</u>	<u>12,996</u>	<u>42,891,519</u>
Less accumulated depreciation for:				
Water and wastewater facilities	3,316,589	709,016	-	4,025,605
Infrastructure	811,169	222,877	12,996	1,021,050
Machinery & Equipment	203,976	95,529	-	299,505
Total accumulated depreciation	<u>4,331,734</u>	<u>1,027,422</u>	<u>12,996</u>	<u>5,346,160</u>
Total capital assets, being depreciated, net	<u>35,720,790</u>	<u>1,824,569</u>	<u>-</u>	<u>37,545,359</u>
Business-type activities capital assets	<u>\$ 36,352,890</u>	<u>\$ 1,824,569</u>	<u>\$ -</u>	<u>\$ 38,177,459</u>

During the current fiscal year, \$778,548 was contributed to the District by the Builder, Pulte Homes, \$291,167 was contributed to the District by Ocala West Retail Investment, LLC, and \$1,135,478 was contributed to the District by the Developer, On Top of the World Communities, Inc.

NOTE 6 – LONG-TERM LIABILITIES

Series 2011

In October 2011, the District issued \$38,970,000 in Series 2011 Water and Sewer Revenue Bonds. The Bonds are payable from pledged revenue which includes, without limitation, net revenue received by the District from the users of the water and sewer system and payments as defined in the Master Trust Indenture. The Bonds were issued to finance a portion of the purchase price for the acquisition of certain potable water and wastewater treatment facilities for the benefit of the District. The Bonds are due serially with interest rates from 2% to 4.5%. Interest is to be paid semiannually on each March 1st and September 1st. Principal on the Bonds is to be paid serially commencing September 1, 2012 through September 1, 2041.

The Series 2011 Bonds are subject to redemption at the option of the District prior to their maturity.

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Series 2011 (Continued)

The Bond Indenture provides for a Surety Bond to be obtained in place of funding for 50% of the initial Debt Service Reserve Fund (the "Reserve Fund") or \$1,168,850. The Debt Service Reserve Fund Surety Bond constitutes a Debt Service Reserve Fund Insurance Policy under the Bond Indenture. The District has obtained the required bonding and is in compliance with the reserve requirement.

The Bond Indenture has certain restrictions and requirements relating principally to the procedures to be followed in the collection of pledged revenues and the application of the revenues to the various restricted accounts. The District is in compliance with the requirements of the Bond Indenture. See Note 4 – Restricted Assets for detail of various restricted accounts.

Long-term Debt Transactions

Changes in long-term liabilities for the fiscal year ended September 30, 2017 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-type activities</u>					
Bonds payable:					
Series 2011	\$ 35,040,000	\$ -	\$ 860,000	\$ 34,180,000	\$ 890,000
Less discount	612,049	-	24,482	587,567	-
Total	<u>\$ 34,427,951</u>	<u>\$ -</u>	<u>\$ 835,518</u>	<u>\$ 33,592,433</u>	<u>\$ 890,000</u>

At September 30, 2017, the scheduled debt service requirements on the long - term liabilities were as follows:

Year ending September 30:	Principal	Interest	Total
2018	\$ 890,000	\$ 1,447,700	\$ 2,337,700
2019	915,000	1,421,000	2,336,000
2020	940,000	1,393,550	2,333,550
2021	970,000	1,365,350	2,335,350
2022	1,000,000	1,333,826	2,333,826
2023-2027	5,590,000	6,084,626	11,674,626
2028-2032	6,900,000	4,778,328	11,678,328
2033-2037	8,595,000	3,080,254	11,675,254
2038-2041	8,380,000	963,452	9,343,452
Total	<u>\$ 34,180,000</u>	<u>\$ 21,868,086</u>	<u>\$ 56,048,086</u>

NOTE 7 – RELATED PARTY TRANSACTIONS

Water Treatment Plant Lease Agreement

The District leases water treatment plant #3 on an annual basis whose ownership includes a Developer affiliate. Lease payments are calculated each year based on a formula detailed in the lease agreement. According to terms of the lease agreement, in the event that the lessor exercise its option to make capital improvements to the leased property for renewal and replacement of existing leased property, then the annual base shall be increased in accordance with the terms of the agreement. Lease expense for the facility totaled \$650,317 for the fiscal year ended September 30, 2017.

License Agreement

On July 1, 2017, the District reentered into an agreement with the Developer whereby the District is licensed to dispose of biosolids and effluent produced by the wastewater facility on certain property owned by the Developer. The original term of this agreement commenced on April 3, 1998 and shall continue until the expiration of the Developer's Department of Environmental Protection Permit, which may be renewed from time to time by the District, unless sooner terminated in accordance with the provisions set forth in the agreement. During the first year of the reentered agreement, the District will pay a monthly fee of \$4,200. Thereafter, the monthly fee will escalate based on an annual CPI adjustment. During the current fiscal year, the monthly fee was \$4,200.

NOTE 7 – RELATED PARTY TRANSACTIONS (Continued)

Developer's Agreement

On May 18, 2010, the District and Developer entered into a new Standard Developer Agreement which replaced the 1994 Agreement. The Standard Developer Agreement states that the District will provide utility capacity for the Developer's properties on the same terms and conditions as other non-Developer builders.

Development Agreement

On September 29, 2005, the District entered into an agreement with the Builder, Pulte Homes. The details of the agreement grant and give the District exclusive right and privilege to construct, own, maintain, operate, and expand the utility service facilities in, under, upon, over and across the present and future streets, roads, easements, storm water retention areas, reserved utility sites and public places as provided and dedicated to utility or public use. On April 26, 2011, the Standard Developer Agreement was amended to reserve 3200 Equivalent Residential Connections ("ERC") of potable water capacity and 3200 ERCs of wastewater capacity, in addition to any former Standard Developer Agreement connections, for the Builder, upon payment of all applicable fees and charges.

Inter-local Agreement

On February 13, 2006, the District entered into an Inter-local Agreement with Indigo East Community Development District and Candler Hills East Community Development District where the District will issue Series 2006 Bonds – as discussed in Note 9. According to the terms of the agreements, the District will loan a part of the proceeds of the Bond issuance to Indigo East Community Development District and Candler Hills East Community Development District to finance the cost of the acquisition of the Developer's rights or interest in the Development Improvements, including the real property acquisitions and other related purposes, the terms of which are outlined in the Development Improvement Acquisition Agreement entered between the District and Indigo East Community Development District on May 4, 2006 and Candler Hills East Community Development District and the District also on May 4, 2006.

Office Space Lease Agreement

In October 2012, the District entered a five year lease agreement with the Developer for office space. Lease payments are calculated each year based on a formula detailed in the lease agreement. Lease expense for the facility totaled \$22,400 for the fiscal year ended September 30, 2017.

Water and Wastewater Agreement

On May 18, 2010, the District entered an agreement with On Top of the World Central Owners Association ("Association") whereby the District will provide water and wastewater services to 2098 ERCs in exchange for user charges based on usage. Usage is determined by a protocol described in the agreement. Pursuant to this agreement, the Association remitted \$1,803,735 in user charges to the District for water and wastewater usage during the current year.

NOTE 8 – OTHER INFORMATION

In a prior fiscal year, Pulte Group began advancing funds for future water and wastewater capacity fees and meter installation fees. At September 30, 2017, Pulte Group was owed \$2,248 by the District for water and wastewater capacity fees and meter installation fees which were advanced.

During the prior fiscal year, certain business within the District made connection payments in advance for required sanitary sewer system improvements that are in progress. As the improvements are made, revenue will be recognized by the District. At September 30, 2017, the District has recorded unearned revenue of \$17,428 related to these transactions.

NOTE 9 – CONDUIT DEBT

In April 2006, the District issued \$11,015,000 of Special Assessment Bonds, Series 2006. Pursuant to inter-local agreements with Indigo East Community Development District and Candler Hills East Community Development District, the District loaned Bond funds of \$5,340,000 to Indigo East Community Development District and \$5,675,000 to Candler Hills Community Development District. These Bonds were special limited obligations of the Bay Laurel Center Community Development District, payable solely from and secured by pledged revenues to be collected by Indigo East Community Development District and Candler Hills East Community Development District. These Bonds were refunded during the current fiscal year.

During the current fiscal year, the District issued conduit debt of \$5,125,000 of Series 2016 Special Assessment Revenue Refunding Bonds in order to currently refund the outstanding Series 2006 Bonds. These Bonds are special limited obligations of the District, payable solely from and secured by pledged revenues to be collected by Indigo East Community Development District and Candler Hills East Community Development District. The Bonds do not constitute a debt or pledge of the faith and credit of the Bay Laurel Center Community Development District, and accordingly have not been reported in the accompanying financial statements. As of September 30, 2017, \$5,045,000 of the Bonds are outstanding.

NOTE 10 – RETIREMENT PLAN

The District maintains a defined contribution plan for employees who meet a certain pay requirement. The District makes a matching contribution of 25% for up to 6% of the total salaries of qualified participants. Total salaries of qualified participants for the fiscal year ended September 30, 2017 were approximately \$848,948. During the current fiscal year, the District contributed approximately \$6,409 on behalf of employees to the deferred compensation plan and employees contributed approximately \$21,432.

NOTE 11 – OPERATING LEASE

During the prior fiscal year, the District entered into a five year operating lease agreement with annual lease payments for a backhoe. Lease expense for the operating lease totaled \$10,970 for the fiscal year ended September 30, 2017.

NOTE 12 – 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 of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, computer and other administrative costs.

NOTE 13 – RISK MANAGEMENT

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

NOTE 14 – SUBSEQUENT EVENTS

Acceptance of Utility Systems

Subsequent to fiscal year end, the District accepted the Bridgewater Park Phase 1 utility system valued at approximately \$699,741. The utility system was contributed by Propero II Ocala, LLC



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

To the Board of Supervisors
Bay Laurel Center Community Development District
Marion 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 basic financial statements of Bay Laurel Center Community Development District, Marion County, Florida ("District") as of and for the fiscal year ended September 30, 2017, and the related notes to the financial statements, which comprises the District's basic financial statements, and have issued our opinion thereon dated March 30, 2018.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

March 30, 2018



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

To the Board of Supervisors
Bay Laurel Center Community Development District
Marion County, Florida

We have examined Bay Laurel Center Community Development District, Marion County, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2017. Management is responsible for District's compliance with those requirements. Our responsibility is to express an opinion on District's compliance based on our examination.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2017.

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

March 30, 2018



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

To the Board of Supervisors
Bay Laurel Center Community Development District
Marion County, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of Bay Laurel Center Community Development District ("District") as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated March 30, 2018.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *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 Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 30, 2018, should be considered in conjunction with this management letter.

Purpose of this Letter

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

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

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

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

March 30, 2018

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

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

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

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

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2016.

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2017.

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2017.

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

5. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2017 financial audit report.

6. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.

7. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2017. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.