

**Port of the Islands
Community Improvement District**

ANNUAL FINANCIAL REPORT

September 30, 2016



Port of the Islands Community Improvement District

ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2016

TABLE OF CONTENTS

	<u>Page Number</u>
FINANCIAL SECTION	
REPORT OF INDEPENDENT AUDITORS	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-8
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet – General Fund	11
Reconciliation of Total General Fund Balances to Net Position of Governmental Activities	12
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of General Fund to the Statement of Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	15
Statement of Net Position – Water & Sewer Fund	16
Statement of Revenues, Expenses and Changes in Fund Net Position – Water & Sewer Fund	17
Statement of Cash Flows – Water & Sewer Fund	18
Notes to Financial Statements	19-31
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 <i>GOVERNMENT AUDITING STANDARDS</i>	32-33
MANAGEMENT LETTER	34-35
INDEPENDENT ACCOUNTANT'S REPORT / COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES	36



Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue
Suite 200
Fort Pierce, Florida 34950

772/461-6120 // 461-1155
FAX: 772/468-9278

REPORT OF INDEPENDENT AUDITORS

To the Board of Supervisors
Port of the Islands Community Improvement District
Collier County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Port of the Islands Community Improvement District as of and for the year ended September 30, 2016, and the related notes to 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.

Auditor's Responsibility

Our responsibility is to express an opinion 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 Accounting 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 opinion.

Fort Pierce / Stuart

- 1 -

To the Board of Supervisors
Port of the Islands Community Improvement District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and the General and Enterprise Funds of Port of the Islands Community Improvement District, as of September 30, 2016, and the respective changes in financial position and cash flows and the budgetary comparison for the General Fund for the year then ended in conformity 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 Discussion and Analysis on pages 3-8 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 a report dated May 24, 2017 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 and contracts. 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 Port of the Islands Community Improvement District's internal control over financial reporting and compliance.

*Berger, Toombs, Elam,
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

May 24, 2017

**Port of the Islands Community Improvement District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016**

Management's discussion and analysis of Port of the Islands Community Improvement District (the District) financial performance provides an objective and easily readable analysis of the District's financial activities. The analysis provides summary financial information for the District and should be read in conjunction with the District's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's basic financial statements comprise three components; 1) *Government-wide financial statements*, 2) *Fund financial statements*, and 3) *Notes to financial statements*. The *Government-wide financial statements* present an overall picture of the District's financial position and results of operations. The *Fund financial statements* present financial information for the District's major funds. The *Notes to financial statements* provide additional information concerning the District's finances.

The Government-wide financial statements are the **statement of net position** and the **statement of activities**. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net position of governmental activities and business-type activities and the change in net position. Governmental activities are primarily supported by special assessments. Business-type activities are supported by charges to the users of those activities, such as water and sewer service charges.

The **statement of net position** presents information on all assets and liabilities of the District, with the difference between assets and liabilities reported as net position. Net position are reported in three categories; 1) net investment in capital assets, 2) restricted and 3) unrestricted. Assets, liabilities, and net position are reported for all Governmental activities separate from the assets, liabilities, and net position of business-type activities.

The **statement of activities** presents information on all revenues and expenses of the District and the change in net position. Expenses are reported by major function and program revenues relating to those functions are reported, providing the net cost of all functions provided by the District. To assist in understanding the District's operations, expenses have been reported as governmental activities or business-type activities. Governmental activities financed by the District include physical environment and general and government. Business-type activities financed by user charges include water and sewer services.

Fund financial statements present financial information for the governmental fund and enterprise fund. These statements provide financial information for the major funds of the District. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures), and current available resources. The enterprise funds financial statements provide information on all assets and liabilities of the funds, changes in the economic resources (revenues and expenses), and total economic resources.

**Port of the Islands Community Improvement District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund financial statements include a **balance sheet** and a **statement of revenues, expenditures and changes in fund balances** for all governmental funds. A **statement of revenues, expenditures, and changes in fund balances – budget and actual**, is provided for the District's General Fund. For the water and sewer fund, a **statement of net position**, a **statement of revenues, expenses, and changes in fund net position**; and a **statement of cash flows** are presented. *Fund financial statements* provide more detailed information about the District's activities. Individual funds are established by the District to track revenues that are restricted to certain uses or to comply with legal requirements.

The *government-wide financial statements* and the *fund financial statements* provide different pictures of the District. The government-wide financial statements provide an overall picture of the District's financial standing, split between Governmental Activities and Business-type Activities. These statements are comparable to private-sector companies and give a good understanding of the District's overall financial health and how the District paid for the various activities, or functions, provided by the District. All assets of the District, including buildings, land, and roads are reported in the **statement of net position**. All liabilities, including principal outstanding on bond, are included. The **statement of activities** includes depreciation on all long lived assets of the District, but transactions between the different functions of the District have been eliminated in order to avoid "doubling up" the revenues and expenses. The *fund financial statements* provide a picture of the major funds of the District. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long term liabilities, such as general obligation bonds, are not included in the fund financial statements. To provide a link from the *fund financial statements* to the *government-wide financial statements*, a reconciliation is provided from the *fund financial statements* to the *government-wide financial statements*.

Notes to financial statements provide additional detail concerning the financial activities and financial balances of the District. Additional information about the accounting practices of the District and investments of the District are some of the items included in the *notes to the financial statements*.

Financial Highlights

The following are the highlights of financial activity for the year ended September 30, 2016.

- ◆ The District's total assets exceeded total liabilities by \$8,872,331. Unrestricted net position for Governmental Activities was \$817,595 and for Business-type activities was \$(677,509). Net investment in capital assets for Governmental Activities were \$717,835 and for Business-type activities were \$8,014,410.
- ◆ Governmental activities revenues totaled \$315,388 while governmental activities expenses totaled \$368,452. Business-type revenue totaled \$1,130,264 while business-type expenses totaled \$1,247,017.

**Port of the Islands Community Improvement District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District

The following schedule provides a summary of the assets, liabilities and net position of the District. It is not intended to be a complete presentation of government-wide financial activity.

Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current assets	\$ 827,182	\$ 842,474	\$ (598,391)	\$ (368,465)	\$ 228,791	\$ 474,009
Capital assets, net	717,835	757,403	10,421,026	10,904,484	11,138,861	11,661,887
Total Assets	1,545,017	1,599,877	9,822,635	10,536,019	11,367,652	12,135,896
Current liabilities	9,587	11,373	650,005	675,749	659,592	687,122
Non-current liabilities	-	-	1,835,729	2,406,616	1,835,729	2,406,616
Total Liabilities	9,587	11,373	2,485,734	3,082,365	2,495,321	3,093,738
Net Position						
Net investment in capital assets	717,835	757,403	8,014,410	7,946,339	8,732,245	8,703,742
Unrestricted	817,595	831,091	(677,509)	(492,685)	140,086	338,406
Total Net Position	\$ 1,535,430	\$ 1,588,494	\$ 7,336,901	\$ 7,453,654	\$ 8,872,331	\$ 9,042,148

The decrease in current assets for governmental activities is primarily due to the decrease in cash and investments as a result of the advances to the enterprise fund.

The decrease in capital assets for governmental activities and business-type activities is primarily due to depreciation in the current year.

The decrease in non-current liabilities for business-type activities is primarily due to principal payments on bonds in the current year.

**Port of the Islands Community Improvement District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District (Continued)

The following schedule provides a summary of the changes in net position of the District and is presented at the government-wide level for comparison purposes. It is not intended to be a complete presentation of District-wide financial activity.

Financial Activity

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Program Revenues						
Charges for services	\$ 313,127	\$ 314,840	\$ 1,117,799	\$ 1,020,900	\$ 1,430,926	\$ 1,335,740
General Revenues						
Investment earnings	521	1,483	105	124	626	1,607
Miscellaneous	1,740	3,347	12,360	8,060	14,100	11,407
Total Revenues	315,388	319,670	1,130,264	1,029,084	1,445,652	1,348,754
Expenses						
General government	101,854	92,637	-	-	101,854	92,637
Physical environment	266,598	283,864	-	-	266,598	283,864
Water and sewer	-	-	1,247,017	1,194,251	1,247,017	1,194,251
Total Expenses	368,452	376,501	1,247,017	1,194,251	1,615,469	1,570,752
Change in Net Position	(53,064)	(56,831)	(116,753)	(165,167)	(169,817)	(221,998)
Net Position -						
Beginning of Year	1,588,494	1,645,325	7,453,654	7,618,821	9,264,146	9,264,146
Net Position -						
End of Year	<u>\$ 1,535,430</u>	<u>\$ 1,588,494</u>	<u>\$ 7,336,901</u>	<u>\$ 7,453,654</u>	<u>\$ 9,094,329</u>	<u>\$ 9,042,148</u>

The increase in physical environment is primarily due to an increase in repairs and maintenance.

The increase in water and sewer expenses is primarily related to an increase in repairs and maintenance.

**Port of the Islands Community Improvement District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Capital Assets Activity

The following schedule provides a summary of the District's capital assets at September 30, 2016.

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land and improvements	\$ 228,197	\$ 293,061	\$ 521,258
Improvements other than buildings	110,121	15,437,452	15,547,573
Infrastructure	1,313,611	-	1,313,611
Equipment	15,613	327,167	342,780
Less: accumulated depreciation	<u>(949,707)</u>	<u>(5,636,654)</u>	<u>(6,586,361)</u>
 Total Capital Assets (Net)	 <u>\$ 717,835</u>	 <u>\$ 10,421,026</u>	 <u>\$ 11,138,861</u>

During the year, depreciation was \$39,568 for governmental activities. Current year additions to improvement other than buildings were \$10,562, and depreciation was \$494,020 for business-type activities.

General Fund Budgetary Highlights

Actual governmental expenditures were less than the budgeted amounts because engineering fees, legal services and repairs and maintenance were less than anticipated.

There was no amendment to the budget.

Debt Management

Business-type Activities debt includes the following:

- In October 2010, the District issued \$5,500,000 Special Assessment Revenue, Series 2010 bonds. These bonds were issued to finance the construction of financing a potable water treatment plant within the District. The balance outstanding at September 30, 2016 was \$2,406,616.

**Port of the Islands Community Improvement District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Economic Factors and Next Year's Budget

Port of the Islands Community Improvement District does not expect any economic factors to have any significant effect on the financial position or results of operations of the District in fiscal year 2017.

Request for Information

The financial report is designed to provide a general overview of Port of the Islands Community Improvement District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District Manager, Premier District Management, 1922 Victoria Ave, Suite B, Fort Myers, Florida 33901.

Port of the Islands Community Improvement District
STATEMENT OF NET POSITION
September 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and equivalents	\$ 161,235	\$ 24,265	\$ 185,500
Cash restricted for customer deposits	-	36,150	36,150
Accounts receivable	784	-	784
Prepaid expenses	3,276	3,081	6,357
Internal balances	661,887	(661,887)	-
Total Current Assets	<u>827,182</u>	<u>(598,391)</u>	<u>228,791</u>
Non-current Assets			
Capital assets, not being depreciated			
Land and improvements	228,197	293,061	521,258
Capital assets, being depreciated			
Infrastructure	1,313,611	-	1,313,611
Improvements other than buildings	110,121	15,437,452	15,547,573
Equipment	15,613	327,167	342,780
Less: accumulated depreciation	(949,707)	(5,636,654)	(6,586,361)
Total Non-current Assets	<u>717,835</u>	<u>10,421,026</u>	<u>11,138,861</u>
Total Assets	<u>1,545,017</u>	<u>9,822,635</u>	<u>11,367,652</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	9,587	7,771	17,358
Customer deposits payable from restricted assets	-	36,150	36,150
Accrued interest	-	35,197	35,197
Bonds payable	-	570,887	570,887
Total Current Liabilities	<u>9,587</u>	<u>650,005</u>	<u>659,592</u>
Non-current Liabilities			
Bonds payable	-	1,835,729	1,835,729
Total Liabilities	<u>9,587</u>	<u>2,485,734</u>	<u>2,495,321</u>
NET POSITION			
Net investment in capital assets	717,835	8,014,410	8,732,245
Unrestricted	817,595	(677,509)	140,086
Total Net Position	<u>\$ 1,535,430</u>	<u>\$ 7,336,901</u>	<u>\$ 8,872,331</u>

See accompanying notes to financial statements.

Port of the Islands Community Improvement District
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2016

Functions/Programs	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Governmental Activities	Business-type Activities	Total
Primary government					
Governmental Activities					
General government	\$ (101,854)	\$ 86,560	\$ (15,294)	\$ -	\$ (15,294)
Physical environment	(266,598)	226,567	(40,031)	-	(40,031)
Total Governmental Activities	<u>(368,452)</u>	<u>313,127</u>	<u>(55,325)</u>	<u>-</u>	<u>(55,325)</u>
Business-Type Activities					
Water and sewer	(1,247,017)	1,117,799	-	(129,218)	(129,218)
Total Primary Government	<u>\$ (1,615,469)</u>	<u>\$ 1,430,926</u>	<u>(55,325)</u>	<u>(129,218)</u>	<u>(184,543)</u>
General Revenues					
Investment earnings			521	105	626
Miscellaneous			1,740	12,360	14,100
Total General Revenues			<u>2,261</u>	<u>12,465</u>	<u>14,726</u>
Change in Net Position			(53,064)	(116,753)	(169,817)
Net Position - October 1, 2015			1,588,494	7,453,654	9,042,148
Net Position - September 30, 2016			<u>\$ 1,535,430</u>	<u>\$ 7,336,901</u>	<u>\$ 8,872,331</u>

See accompanying notes to financial statements.

Port of the Islands Community Improvement District

BALANCE SHEET

GENERAL FUND

September 30, 2016

ASSETS

Cash and equivalents	\$ 161,235
Accounts receivable	784
Due from other funds	661,887
Prepaid expenses	3,276
Total Assets	<u>\$ 827,182</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable and accrued expenses	<u>\$ 9,587</u>
---------------------------------------	-----------------

Fund Balances:

Nonspendable:	
Prepaid expenses	3,276
Assigned - first quarter operations	103,762
Unassigned	710,557
Total Fund Balances	<u>817,595</u>

Total Liabilities and Fund Balances	<u>\$ 827,182</u>
-------------------------------------	-------------------

See accompanying notes to financial statements.

Port of the Islands Community Improvement District
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**
 For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Special assessments	\$ 413,375	\$ 413,375	\$ 313,127	\$ (100,248)
Investment income	1,673	1,673	521	(1,152)
Miscellaneous revenues	-	-	1,740	1,740
Total Revenues	<u>415,048</u>	<u>415,048</u>	<u>315,388</u>	<u>(99,660)</u>
Expenditures				
Current				
General government	117,998	117,998	101,854	16,144
Physical environment	297,050	297,050	227,030	70,020
Total Expenditures	<u>415,048</u>	<u>415,048</u>	<u>328,884</u>	<u>86,164</u>
Net change in fund balances	-	-	(13,496)	(13,496)
Fund Balances - October 1, 2015	<u>861,668</u>	<u>861,668</u>	<u>831,091</u>	<u>(30,577)</u>
Fund Balances - September 30, 2016	<u><u>\$ 861,668</u></u>	<u><u>\$ 861,668</u></u>	<u><u>\$ 817,595</u></u>	<u><u>\$ (44,073)</u></u>

See accompanying notes to financial statements.

Port of the Islands Community Improvement District
STATEMENT OF NET POSITION - WATER & SEWER FUND
September 30, 2016

ASSETS	
Current Assets	
Cash and equivalents	\$ 24,265
Cash restricted for customer deposits	36,150
Prepaid expenses	3,081
Total Current Assets	63,496
Non-Current Assets	
Land and improvements	293,061
Improvements other than buildings	15,437,452
Equipment	327,167
Less: Accumulated depreciation	(5,636,654)
Total Non-Current Assets	10,421,026
Total Assets	10,484,522
 LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	7,771
Due to other funds	661,887
Customer deposits payable from restricted assets	36,150
Accrued interest	35,197
Bonds payable	570,887
Total Current Liabilities	1,311,892
Non-current Liabilities	
Bonds payable	1,835,729
Total Liabilities	3,147,621
 NET POSITION	
Net investment in capital assets	8,014,410
Unrestricted	(677,509)
Total Net Position	\$ 7,336,901

See accompanying notes to financial statements.

Port of the Islands Community Improvement District
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
WATER & SEWER FUND
September 30, 2016

Operating Revenues:	
Charges for services	
Water	\$ 53,614
Sewer	78,587
Irrigation	103,735
Special assessments	881,863
Miscellaneous revenues	12,360
Total Operating Revenues	<u>1,130,159</u>
Operating Expenses:	
General and administrative	120,985
Plant operations	536,247
Depreciation	494,020
Total Operating Expenses	<u>1,151,252</u>
Operating Income(Loss)	(21,093)
Non-Operating Revenues (Expenses):	
Interest income	105
Interest expense	<u>(95,765)</u>
Total Non-Operating Revenues/(Expenses)	<u>(95,660)</u>
Change in Net Position	(116,753)
Net Position - October 1, 2015	<u>7,453,654</u>
Net Position - September 30, 2016	<u><u>\$ 7,336,901</u></u>

See accompanying notes to financial statements.

Port of the Islands Community Improvement District
STATEMENT OF CASH FLOWS - WATER & SEWER FUND
September 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 244,627
Receipts from special assessments	881,863
Receipts from other sources	12,360
Payments to suppliers for goods and services	(471,189)
Net Cash Provided by Operating Activities	<u>667,661</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(10,562)
Principal payments on long-term debt	(551,529)
Interest paid on long-term debt	(103,831)
Net Cash Used by Financing Activities	<u>(665,922)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>105</u>
Net Increase in Cash and Cash Equivalents	1,844
Cash and equivalents - October 1, 2015	<u>58,571</u>
Cash and equivalents- September 30, 2016	<u><u>\$ 60,415</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ (21,093)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	494,020
Decrease in accounts receivable	1,315
Decrease in due from other governments	6,276
Increase in prepaid expenses	(401)
Increase in due to other funds	224,580
Decrease in accounts payable and accrued expenses	(38,136)
Increase in customer deposits	1,100
Net Cash Provided by Operating Activities	<u><u>\$ 667,661</u></u>

See accompanying notes to financial statements.

Port of the Islands Community Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Port of the Islands Community Improvement District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

1. Reporting Entity

The District is a local unit of special purpose government located in Collier County, Florida, (the "County") which was established pursuant to Ordinance No. 86-64 (Act) enacted by the County Commission effective September 16, 1986. The District was established for the purpose of establishing and maintaining a water and sewer system, road and drainage systems, and other systems and facilities as provided in Section 190 of the *Florida Statutes*.

The District is governed by a five-member Board of Supervisors ("the Board"). The District operates within the criteria established by Chapter 190. The Board 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, and 6) financing improvements.

As required by GAAP, these financial statements present the Port of the Islands Community Improvement District (the primary government), as a stand-alone government. The reporting entity for the District includes all functions of government in which the District's Board exercises oversight responsibility which includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, significant ability to influence operations and accountability for fiscal matters.

Based upon the application of the above-mentioned criteria, as set forth by the Governmental Accounting Standards Board, the District has identified no component units.

2. Measurement Focus and Basis of Accounting

The basic financial statements of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

Port of the Islands Community Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

a. Government-wide Financial Statements

Government-wide financial statements report all non-fiduciary information about the reporting government as a whole. These statements include separate columns for the governmental and business-type activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities which normally are supported by special assessments and interest, are reported separately from business-type activities. Program revenues include charges for services and special assessments. Program revenues are netted with program expenses in the Statement of Activities to present the net cost of each program

Amounts paid to acquire capital assets are capitalized as assets, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financial source.

Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

b. Fund Financial Statements

The underlying accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually.

Governmental Funds

The District classifies fund balance according to Governmental Accounting Standards Board Statement 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement requires the fund balance for governmental funds to be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications include non-spendable, restricted, committed, assigned and unassigned.

Port of the Islands Community Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

The District has various policies governing the fund balance classifications.

Nonspendable Fund Balance – This classification consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance – This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Assigned Fund Balance – This classification consists of the Board of Supervisors' intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance – This classification is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Unassigned fund balance is considered to be utilized first when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Fund Balance Spending Hierarchy – For all governmental funds except special revenue funds, when restricted, committed, assigned, and unassigned fund balances are combined in a fund, qualified expenditures are paid first from restricted or committed fund balance, as appropriate, then assigned and finally unassigned fund balances.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Interest associated with the current fiscal period is considered to be an accrual item and so has been recognized as revenue of the current fiscal period.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental fund operating statements present increases (revenues) and decreases (expenditures) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Port of the Islands Community Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability.

Debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Enterprise Funds

In the fund financial statements, the Enterprise Fund is presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, the Enterprise Fund is presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Enterprise Fund operating statements present increases (revenues) and decreases (expenses) in total net position. The District applies all GASB pronouncements as well as all FASB and AICPA pronouncements, issued on or before November 30, 1989, which do not conflict with, or contradict, GASB pronouncements.

Enterprise Fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from non-exchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as other financing sources.

Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

Port of the Islands Community Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of Presentation

a. Governmental Major Funds

General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

b. Enterprise Major Fund

Water and Sewer Fund - The Water and Sewer Fund accounts for the operations of the water and sewer plant, which are funded by proceeds from operations of these facilities, including special assessments, user fees, meter fees and connection fees.

c. Non-Current Governmental Assets/Liabilities

GASB Statement 34 requires that non-current governmental assets, such as land and buildings, and non-current governmental liabilities, such as general obligation bonds, due to developer and accrued compensated absences be reported in the governmental activities column in the government-wide Statement of Net Position.

4. Assets, Liabilities, and Net Position or Equity

a. Cash and Investments

Florida Statutes require state and local governmental units to deposit monies with financial institutions classified as "Qualified Public Depositories," a multiple financial institution pool whereby groups of securities pledged by the various financial institutions provide common collateral from their deposits of public funds. This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions, providing full insurance for public deposits.

The District is authorized to invest in those financial instruments as established by Section 218.415, Florida Statutes. The authorized investments consist of:

1. Direct obligations of the United States Treasury;
2. The Local Government Surplus Funds Trust or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperative Act of 1969;
3. Interest-bearing time deposits or savings accounts in authorized qualified public depositories;

Port of the Islands Community Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities, and Net Position or Equity (Continued)

a. Cash and Investments (Continued)

4. Securities and Exchange Commission, registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less and held in a qualified public depository as defined by Section 280.02, Florida Statutes.

b. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported as "internal balances".

c. Restricted Net Position

Certain net position of the District is classified as restricted on the statement of net position because their use is limited either by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors. In a fund with both restricted and unrestricted net position, qualified expenses are considered to be paid first from restricted net position and then from unrestricted net position.

d. Capital Assets

Capital assets, which include land, buildings, infrastructure, equipment and construction in progress, are reported in the applicable governmental or business-type activities column.

The District defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. The valuation basis for all assets is historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Port of the Islands Community Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities, and Net Position or Equity (Continued)

d. Capital Assets (Continued)

Depreciation of capital assets is computed and recorded by utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Improvements other than buildings	5-48 years
Equipment	5-15 years
Infrastructure	15-30 years

e. Budgets

Budgets are prepared and adopted after public hearings for the governmental funds, pursuant to Chapter 190 and Section 200.065, Florida Statutes. The District utilizes the same basis of accounting for budgets as it does for revenues and expenditures in its various funds. The legal level of budgetary control is at the fund level. All budgeted appropriations lapse at year end. Formal budgets are adopted for the general fund. As a result, deficits in the budget columns of the accompanying financial statements may occur.

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

“Total fund balances” of the District’s governmental funds, \$817,595 differs from “net position” of governmental activities, \$1,535,430 reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund balance sheet. The effect of the differences is illustrated as follows.

Port of the Islands Community Improvement District
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position (Continued)

Capital related items

When capital assets (land, buildings, infrastructure and equipment that are to be used in governmental activities) are purchased or constructed, the cost of those assets is reported as expenditures in governmental funds. However, the Statement of Net Position included those capital assets among the assets of the District as a whole.

Improvements	\$ 228,197
Infrastructure	1,313,611
Equipment	15,613
Improvements other than buildings	110,121
Accumulated depreciation	<u>(949,707)</u>
Total	<u>\$ 717,835</u>

2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities

The “net changes in fund balances” for government funds, \$(13,496), differs from the “change in net position” for governmental activities, \$(53,064), reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated as follows.

Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation. As a result, fund balances decrease by the amount of financial resources expended, whereas, net position decrease by the amount of depreciation charged for the year.

Depreciation expense	<u>\$ (39,568)</u>
----------------------	--------------------

Port of the Islands Community Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE C - CASH AND INVESTMENTS

All deposits are held in qualified public depositories and are included on the accompanying balance sheet as cash and investments.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. The District does, however, follow the provisions of Chapter 280, Florida Statutes regarding deposits and investments. As of September 30, 2016, the District's bank balance was \$423,514 and the carrying value was \$221,650. Exposure to custodial credit risk was as follows. The District maintains all deposits in a qualified public depository in accordance with the provisions of Chapter 280, Florida Statutes, which means that all deposits are fully insured by Federal Depositors Insurance or collateralized under Chapter 280, Florida Statutes.

Investments

The District's investment policy allows management to invest funds in investments permitted under Section 218.415, Florida Statutes. Among other investments, the policy allows the District to invest in the State Board of Administration Local Government Surplus Trust Funds.

Interest Rate Risk

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

Credit Risk

The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one fund.

The types of deposits and investments and their level of risk exposure as of September 30, 2016 were typical.

Port of the Islands Community Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE D – SPECIAL ASSESSMENT REVENUES

Special assessment revenues recognized for the 2015 - 2016 fiscal year were levied in October 2015. All taxes are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Per Section 197.162, Florida Statutes, discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Taxes paid in March are without discount.

All unpaid taxes become delinquent as of April 1. Virtually all unpaid taxes are collected via the sale of tax certificates on or prior to, June 1; however, the District had \$1,756,043 in special assessments receivable at September 30, 2016 which were offset by an allowance for doubtful accounts in the same amount.

NOTE E – RECEIVABLE AND PAYABLE BALANCES

Accounts Receivable

Accounts receivable in the Enterprise Fund at September 30, 2016 consisted of trade receivables. Receivables are recorded at their net realizable value.

Accounts Payable

Accounts payable and accrued expenses in the General Fund consisted of vendor payables due in the amount of \$9,587.

Accounts payable and accrued expenses in the Enterprise Fund consisted of vendor payables in the amount of \$7,771.

Port of the Islands Community Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE F – CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended September 30, 2016 was as follows:

	Balance October 1, 2015	Additions	Deletions	Balance September 30, 2016
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land and improvements	\$ 228,197	\$ -	\$ -	\$ 228,197
Capital assets, being depreciated:				
Infrastructure	1,313,611	-	-	1,313,611
Improvements other than buildings	110,121	-	-	110,121
Equipment	15,613	-	-	15,613
Total Capital Assets, Being Depreciated	<u>1,439,345</u>	<u>-</u>	<u>-</u>	<u>1,439,345</u>
Total Capital Assets	<u>1,667,542</u>	<u>-</u>	<u>-</u>	<u>1,667,542</u>
Less accumulated depreciation for:				
Infrastructure	(793,057)	(38,838)	-	(831,895)
Buildings and improvements	(101,469)	(730)	-	(102,199)
Equipment	(15,613)	-	-	(15,613)
Total Accumulated Depreciation	<u>(910,139)</u>	<u>(39,568)</u>	<u>-</u>	<u>(949,707)</u>
Total Capital Assets Being Depreciated, Net	<u>529,206</u>	<u>(39,568)</u>	<u>-</u>	<u>489,638</u>
Governmental Activities Capital Assets	<u>\$ 757,403</u>	<u>\$ (39,568)</u>	<u>\$ -</u>	<u>\$ 717,835</u>

Depreciation of \$39,568 was charged to physical environment.

Port of the Islands Community Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE F – CAPITAL ASSETS (CONTINUED)

The following is a summary of changes in the Water & Sewer Fund capital assets for the year ended September 30, 2016.

	Balance October 1, 2015	Additions	Deletions	Balance September 30, 2016
<u>Business-type Activities:</u>				
Capital assets, not being depreciated:				
Land and improvements	\$ 293,061	\$ -	\$ -	\$ 293,061
Capital assets, being depreciated:				
Improvements other than buildings	15,426,890	10,562	-	15,437,452
Equipment	327,167	-	-	327,167
Total Capital Assets, Being Depreciated	<u>15,754,057</u>	<u>10,562</u>	<u>-</u>	<u>15,764,619</u>
Less accumulated depreciation for:				
Improvements other than buildings	(5,025,456)	(477,956)	-	(5,503,412)
Equipment	(117,178)	(16,064)	-	(133,242)
Total Accumulated Depreciation	<u>(5,142,634)</u>	<u>(494,020)</u>	<u>-</u>	<u>(5,636,654)</u>
Total Capital Assets Depreciated, Net	10,611,423	(483,458)	-	10,127,965
Business-Type Activities Capital Assets	<u>\$ 10,904,484</u>	<u>\$ (483,458)</u>	<u>\$ -</u>	<u>\$ 10,421,026</u>

Depreciation of \$494,020 was charged to water and sewer.

NOTE G – LONG TERM DEBT

The following is a summary of activity in the long-term debt of the District for the year ended September 30, 2016:

Business-type Activities

Long-term debt at October 1, 2015	\$ 2,958,145
Principal payments	<u>(551,529)</u>
Long-term debt at September 30, 2016	<u>\$ 2,406,616</u>

Port of the Islands Community Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE G – LONG TERM DEBT (CONTINUED)

Long-term debt is comprised of the following:

\$5,500,000 Series 2010 Special Assessment Revenue Bonds, due in annual principal installments, beginning May 2011. Interest is due semi-annually on May 1 and November 1 at a rate of 3.510%. \$ 2,406,616

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2016 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 570,887	\$ 84,472	\$ 655,359
2018	590,925	64,434	655,359
2019	611,667	43,693	655,360
2020	<u>633,137</u>	<u>22,223</u>	<u>655,360</u>
Totals	<u>\$ 2,406,616</u>	<u>\$ 214,822</u>	<u>\$ 2,621,438</u>

NOTE H – RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

NOTE I – LITIGATION

The District is involved in litigation with a landowner related to the non-payment of fiscal year 2010 through 2016 special assessments. In total, the District has not received \$1,756,043 of assessments. During 2010, the landowner filed for Chapter 11 Bankruptcy; however, the bankruptcy was dismissed by the Judge. An allowance account has been established related to outstanding assessments. As of the date of the audit report, a foreclosure action has been filed and the property owners have been served.



Berger, Toombs, Elam,
Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue
Suite 200
Fort Pierce, Florida 34950

772/461-6120 // 461-1155
FAX: 772/468-9278

**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
Port of the Islands Community Improvement District
Collier 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 Port of the Islands Community Improvement District, as of and for the year ended September 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated May 24, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Port of the Islands Community Improvement District's internal control over financial reporting 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 Port of the Islands Community Improvement District's internal control. Accordingly, we do not express an opinion on the effectiveness of Port of the Islands Community Improvement District's internal control over financial reporting.

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 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 over financial reporting 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.



To the Board of Supervisors
Port of the Islands Community Improvement District
Collier County, Florida

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Port of the Islands Community Improvement 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 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.

*Berger Toombs Elam
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants
Fort Pierce, Florida

May 24, 2017



Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue
Suite 200
Fort Pierce, Florida 34950

772/461-6120 // 461-1155
FAX: 772/468-9278

MANAGEMENT LETTER

To the Board of Supervisors
Port of the Islands Community Improvement District
Collier County, Florida

Report on the Financial Statements

We have audited the financial statements of the Port of the Islands Community Improvement District as of and for the year ended September 30, 2016, and have issued our report thereon dated May 24, 2017.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States; 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 Reports and Schedule

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 Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Auditor's Report on an examination conducted in accordance with AICPA Professionals Standards, Section 601 regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in that report, which is dated May 24, 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 address in the Management Letter, if not already addressed in the auditor's report on compliance and internal controls, whether or not recommendations made in the preceding annual financial report have been followed. There were no recommendations made in the preceding audit report.

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether or not Port of the Islands Community Improvement District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the Port of the Islands Community Improvement District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.



To the Board of Supervisors
Port of the Islands Community Improvement District
Collier County, Florida

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial conditions assessment procedures. It is management's responsibility to monitor the Port of the Islands Community Improvement District's financial condition; our financial condition assessment was based in part on the representations made by management and the review of the financial information provided by the same.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Port of the Islands Community Improvement 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 the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Supervisors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Berger Toombs Elam
Gaines & Frank*
Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

May 24, 2017



Berger, Toombs, Elam,
Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue
Suite 200
Fort Pierce, Florida 34950

772/461-6120 // 461-1155
FAX: 772/468-9278

**INDEPENDENT ACCOUNTANT'S REPORT/COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES**

To the Board of Supervisors
Port of the Islands Community Improvement District
Collier County, Florida

We have examined Port of the Islands Community Improvement District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2016. Management is responsible for Port of the Islands Community Improvement District's compliance with those requirements. Our responsibility is to express an opinion on Port of the Islands Community Improvement 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 Port of the Islands Community Improvement 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 Port of the Islands Community Improvement District's compliance with the specified requirements.

In our opinion, Port of the Islands Community Improvement District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2016.

*Berger, Toombs, Elam,
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

May 24, 2017