

**BAYSIDE IMPROVEMENT
COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2016**

**BAYSIDE IMPROVEMENT COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-6
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet – Governmental Funds	9
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	10
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Net Position – Proprietary Fund	13
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund	14
Statement of Cash Flows – Proprietary Fund	15
Notes to the Financial Statements	16-25
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	26
Notes to Required Supplementary Information	27
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	28-29
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	30
MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550 OF THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA	31-32



INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Bayside Improvement Community Development District
Lee County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Bayside Improvement Community Development District, Lee County, Florida (the "District") as of and for the fiscal year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 governmental activities, the business-type activities and each major fund of the District as of September 30, 2016, and the respective changes in financial position, and, where applicable, 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 and budgetary comparison information 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, 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, 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, 2017, 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, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Bayside Improvement Community Development District, Lee County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2016. 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, 2016 resulting in a net position balance of \$8,155,882.
- The change in the District's total net position in comparison with the prior fiscal year was \$69,742, an increase. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2016, the District's governmental funds reported combined ending fund balances of \$1,009,099, a decrease of (\$455,418) in comparison with the prior fiscal year. A portion of fund balance is non-spendable for deposits and the remainder is unassigned fund balance which is available for spending at the District's discretion.
- During fiscal year 2016, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Please see New Accounting Standards Adopted in Note 2 of the financial statements for additional information.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide 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 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.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by assessments (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government and maintenance and operations. The business-type activities of the District include irrigation services.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two governmental funds for external reporting. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and debt service fund. Both are considered to be major funds.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

Proprietary Fund

The District maintains one type of proprietary fund, an enterprise fund. An enterprise fund is used to report the same function presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for the operations of the irrigation services within the District.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE 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 most recent fiscal year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	NET POSITION					
	SEPTEMBER 30,					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 1,120,624	\$ 1,584,007	\$ 958,973	\$ 857,207	\$ 2,079,597	\$ 2,441,214
Capital assets, net of depreciation	6,019,847	6,357,718	290,562	325,279	6,310,409	6,682,997
Total assets	7,140,471	7,941,725	1,249,535	1,182,486	8,390,006	9,124,211
Current liabilities	111,525	140,358	84,399	64,228	195,924	204,586
Long-term liabilities	38,200	833,485	-	-	38,200	833,485
Total liabilities	149,725	973,843	84,399	64,228	234,124	1,038,071
Net position						
Net investment in capital assets	6,019,847	5,562,718	290,562	325,279	6,310,409	5,887,997
Restricted	-	517,025	-	-	-	517,025
Unrestricted	970,899	888,139	874,574	792,979	1,845,473	1,681,118
Total net position	\$ 6,990,746	\$ 6,967,882	\$ 1,165,136	\$ 1,118,258	\$ 8,155,882	\$ 8,086,140

The District's net position reflects its investment in capital assets (e.g. land, land improvements, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's other obligations.

The District's net position increased during the most recent fiscal year. The majority of the increase represents the extent to which ongoing program revenues exceeded the cost of operations and depreciation expense.

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

	CHANGES IN NET POSITION					
	FOR THE FISCAL YEAR END SEPTEMBER 30,					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues						
Charges for services	\$ 2,459,094	\$ 2,431,945	\$ 507,128	\$ 531,486	\$ 2,966,222	\$ 2,963,431
Operating grants and contributions	24	38	-	-	24	38
General revenues						
Unrestricted investment earnings	1,526	1,398	200	255	1,726	1,653
Miscellaneous	83,394	44,449	-	-	83,394	44,449
Total revenues	2,544,038	2,477,830	507,328	531,741	3,051,366	3,009,571
Expenses:						
General government	241,970	222,394	-	-	241,970	222,394
Physical environment	2,250,146	2,381,700	-	-	2,250,146	2,381,700
Irrigation services	-	-	460,450	415,201	460,450	415,201
Interest	29,058	58,209	-	-	29,058	58,209
Total expenses	2,521,174	2,662,303	460,450	415,201	2,981,624	3,077,504
Change in net position	22,864	(184,473)	46,878	116,540	69,742	(67,933)
Net position - beginning	6,967,882	7,152,355	1,118,258	1,001,718	8,086,140	8,154,073
Net position - ending	\$ 6,990,746	\$ 6,967,882	\$ 1,165,136	\$ 1,118,258	\$ 8,155,882	\$ 8,086,140

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental activities

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2016 was \$2,521,174. The costs of the District's activities were primarily funded by program revenues. Program revenues, comprised primarily of assessments, increased slightly from the prior fiscal year.

Business-type activities

Business-type activities reflect the operations of the irrigation facilities within the District. The cost of operations is covered primarily by charges to customers. In addition, program revenues also include an assessment levy on customers for both the current and prior fiscal years.

GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The general fund budget for the fiscal year ended September 30, 2016 was amended to increase revenues by \$74,833 and increase appropriations by \$80,972. Actual general fund expenditures did not exceed budgeted appropriations for the fiscal year ended September 30, 2016.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2016, the District had \$13,048,198 invested in capital assets for the governmental activities. In the government-wide financial statements depreciation of \$7,028,351 has been taken, which resulted in a net book value of \$6,019,847. The District's business-type activities reported net capital assets of \$290,562. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Capital Debt

At September 30, 2016, the District had paid off its previously outstanding Bonds. 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 and enterprise operations of the District will remain fairly constant.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, land owners, 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 Bayside Improvement Community Development District's Finance Department at 2300 Glades Road, Suite 410W Boca Raton, Florida 33431.

**BAYSIDE IMPROVEMENT COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 1,117,366	\$ 813,814	\$ 1,931,180
Investments	297	91,639	91,936
Assessments receivable	1,996	22	2,018
Accounts receivable	-	4,742	4,742
Prepaid items	2,143	103	2,246
Internal balances	(1,178)	1,178	-
Restricted assets:			
Cash	-	47,475	47,475
Capital assets:			
Nondepreciable	889,046	-	889,046
Depreciable, net	5,130,801	290,562	5,421,363
Total assets	<u>7,140,471</u>	<u>1,249,535</u>	<u>8,390,006</u>
LIABILITIES			
Accounts payable and accrued expenses	111,125	27,844	138,969
Due to other government	400	9,080	9,480
Customer deposits payable	-	47,475	47,475
Non-current liabilities:			
Due in more than one year	38,200	-	38,200
Total liabilities	<u>149,725</u>	<u>84,399</u>	<u>234,124</u>
NET POSITION			
Investment in capital assets	6,019,847	290,562	6,310,409
Unrestricted	970,899	874,574	1,845,473
Total net position	<u>\$ 6,990,746</u>	<u>\$ 1,165,136</u>	<u>\$ 8,155,882</u>

See notes to the financial statements

**BAYSIDE IMPROVEMENT COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:						
Governmental activities:						
General government	\$ 241,970	\$ 241,970	\$ -	\$ -	\$ -	\$ -
Physical environment	2,250,146	1,882,359	-	(367,787)	-	(367,787)
Interest on long-term debt	29,058	334,765	24	305,731	-	305,731
Total governmental activities	2,521,174	2,459,094	24	(62,056)	-	(62,056)
Business-type activities:						
Irrigation services	460,450	507,128	-	-	46,678	46,678
Total business-type activities	460,450	507,128	-	-	46,678	46,678
General revenues:						
Unrestricted investment earnings				1,526	200	1,726
Miscellaneous				83,394	-	83,394
Total general revenues				84,920	200	85,120
Change in net position				22,864	46,878	69,742
Net position - beginning				6,967,882	1,118,258	8,086,140
Net position - ending				\$ 6,990,746	\$ 1,165,136	\$ 8,155,882

See notes to the financial statements

**BAYSIDE IMPROVEMENT COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	Major Fund General	Total Governmental Funds
ASSETS		
Cash	\$ 1,117,366	\$ 1,117,366
Investments	297	297
Assessments receivable	1,996	1,996
Deposits	2,143	2,143
Total assets	\$ 1,121,802	\$ 1,121,802
LIABILITIES		
Accounts payable and accrued expenses	\$ 111,125	\$ 111,125
Due to other governments	400	400
Due to other funds	1,178	1,178
Total liabilities	112,703	112,703
FUND BALANCES		
Nonspendable:		
Deposits	2,143	2,143
Unassigned	1,006,956	1,006,956
Total fund balances	1,009,099	1,009,099
Total liabilities and fund balances	\$ 1,121,802	\$ 1,121,802

See notes to the financial statements

**BAYSIDE IMPROVEMENT COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

Total fund balances - governmental funds \$ 1,009,099

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net position includes those capital assets, net of any accumulated depreciation, in the net position of the government as a whole.

Cost of capital assets	13,048,198	
Accumulated depreciation	<u>(7,028,351)</u>	6,019,847

Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.

Compensated absences	<u>(38,200)</u>	
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Net position of governmental activities	<u><u>\$ 6,990,746</u></u>	
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See notes to the financial statements

**BAYSIDE IMPROVEMENT COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

	Major Funds		Total Governmental Funds
	General	Debt Service	
REVENUES			
Assessments	\$ 2,124,329	\$ 334,765	\$ 2,459,094
Interest income	1,526	24	1,550
Miscellaneous	83,394	-	83,394
Total revenues	<u>2,209,249</u>	<u>334,789</u>	<u>2,544,038</u>
EXPENDITURES			
Current:			
General government	194,325	21,691	216,016
Physical environment	1,852,069	-	1,852,069
Debt service:			
Principal	-	795,000	795,000
Interest	-	49,927	49,927
Capital outlay	86,444	-	86,444
Total expenditures	<u>2,132,838</u>	<u>866,618</u>	<u>2,999,456</u>
Excess (deficiency) of revenues over (under) expenditures	76,411	(531,829)	(455,418)
OTHER FINANCING SOURCES (USES)			
Transfers in	6,064	-	6,064
Transfers out	-	(6,064)	(6,064)
Total other financing sources (uses)	<u>6,064</u>	<u>(6,064)</u>	<u>-</u>
Net change in fund balances	82,475	(537,893)	(455,418)
Fund balances - beginning	926,624	537,893	1,464,517
Fund balances - ending	<u>\$ 1,009,099</u>	<u>\$ -</u>	<u>\$ 1,009,099</u>

See notes to the financial statements

**BAYSIDE IMPROVEMENT COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

Net change in fund balances - total governmental funds	\$ (455,418)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures, however, the cost of capital assets is eliminated in the statement of activities and capitalized in the statement of net position.	60,489
Repayment of long-term liabilities are reported as expenditures in the governmental fund financial statements, but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.	795,000
The change in accrued interest on long-term liabilities between the current and prior fiscal years is recorded in the statement of activities, but not in the governmental fund financial statements.	20,869
The change in compensated absences between the current and prior fiscal year is reported in the statement of activities but is not reported as expenditures in governmental funds in governmental funds.	285
Depreciation of capital assets is not recognized in the governmental fund financial statements, but is reported as an expense in the statement of activities.	(398,361)
Change in net position of governmental activities	<u>\$ 22,864</u>

See notes to the financial statements

**BAYSIDE IMPROVEMENT COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
STATEMENT OF NET POSITION - PROPRIETARY FUND
SEPTEMBER 30, 2016**

ASSETS

Current assets:

Cash and equivalents	\$ 813,814
Investments	91,639
Assessments receivable	22
Accounts receivable	4,742
Due from other funds	1,178
Restricted cash:	
Customer deposits	47,475
Prepaid items and deposits	103
Total current assets	958,973

Noncurrent assets:

Infrastructure	1,589,738
Less accumulated depreciation	(1,299,176)
Total capital assets, net of depreciation	290,562
Total noncurrent assets	290,562
Total assets	1,249,535

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses	27,844
Customer deposits- payable from restricted assets	47,475
Due to other governments	9,080
Total current liabilities	84,399

NET POSITION

Investment in capital assets	290,562
Unrestricted	874,574
	\$ 1,165,136

See notes to the financial statements

**BAYSIDE IMPROVEMENT COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

Operating revenues:	
Charges for services:	
Irrigation revenues	\$ 330,934
Meter fees	125
Assessments	176,069
Total operating revenues	<u>507,128</u>
Operating expenses:	
Irrigation services	311,580
Administrative and other	70,553
Depreciation	78,317
Total operating expenses	<u>460,450</u>
Operating income	<u>46,678</u>
Nonoperating revenues (expenses):	
Interest income	<u>200</u>
Total nonoperating revenues (expenses)	<u>200</u>
Change in net position	46,878
Total net position - beginning	<u>1,118,258</u>
Total net position - ending	<u>\$ 1,165,136</u>

See notes to the financial statements

**BAYSIDE IMPROVEMENT COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

CASH FLOW FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 505,996
Payments for goods and services	(363,278)
Net cash provided (used) by operating activities	<u>142,718</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Due from other funds	(1,130)
Net cash provided (used) by non-capital financing activities	<u>(1,130)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(43,601)
Net cash provided (used) by capital and related financing activities	<u>(43,601)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Loss from sales and maturities of investments	(11)
Interest income	200
Net cash provided (used) by investing activities	<u>189</u>
Net increase (decrease) in cash and cash equivalents	98,176
Cash and cash equivalents - October 1	<u>763,113</u>
Cash and cash equivalents - September 30	<u>\$ 861,289</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 46,678
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	78,317
(Increase)/Decrease in:	
Assessments receivable	26
Accounts receivable	(4,742)
Due from other governments	2,371
Deposits	(103)
Increase/(Decrease) in:	
Accounts payable	9,878
Due to other governments	9,080
Customer deposits	2,098
Unearned revenue	(885)
Total adjustments	<u>96,040</u>
Net cash provided (used) by operating activities	<u>\$ 142,718</u>

See notes to the financial statements

**BAYSIDE IMPROVEMENT COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Bayside Improvement Community Development District ("District") was created on August 14, 1991 by Rule Chapter 42N-1.001, adopted under Chapter 120 by the Florida Land and Water Adjudicatory Commission, pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. The Act provides among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District.

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected by qualified electors (residents) living within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the responsibility for:

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

The District and Bay Creek Community Development District ("Bay Creek") share the same Developer and share the majority of their costs based on a common budget whereby all appropriations are shared based on the total projected equivalent residential units for each District.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District 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

Government-Wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment (operating-type special assessments for maintenance and debt service are treated as charges for services) and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as *general revenues*.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Assessments

Assessments are non-ad valorem assessments on all platted lots within the District. Assessments are levied each November 1 on property of record as of the previous January 1 to pay for the operations and maintenance and debt service of the District. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. For debt service assessments, amounts collected as advance payments are used to prepay a portion of the Bonds outstanding. Otherwise, assessments are collected annually to provide funds for the debt service on the portion of the Bonds which are not paid with prepaid assessments. The District's annual assessments are billed and collected by the County Tax Assessor/Collector. The amounts remitted to the District are net of applicable discounts or fees and include interest on monies held from the day of collection to the day of distribution. In addition, any excess fees computed by the Tax Collector are remitted to the District.

Assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

The District reports the following major governmental funds:

General Fund

The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt. The fund was closed during the current fiscal year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The District reports the following enterprise fund:

Irrigation Fund

The Irrigation Fund accounts for the operations of the irrigation lines, which are funded by proceeds from operations of these facilities including user fees, meter fees and connection fees, and non-ad valorem special assessments.

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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

New Accounting Standards Adopted

During fiscal year 2016, the District adopted three new accounting standards as follows:

GASB 72, Fair Value Measurement and Application

The Statement improves financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No. 6, *Measurement of Elements of Financial Statements*, and other relevant literature.

GASB 76 - The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

The Statement identifies—in the context of the current governmental financial reporting environment—the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles.

GASB 79 - Certain External Investment Pools and Pool Participants

This Statement establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement also establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost.

Assets, Liabilities, Net Position or Equity

Restricted Assets

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Net Position or Equity (Continued)

Deposits and Investments

The District'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. In addition, surplus funds may be deposited into certificates of deposit which are insured and any unspent Bond proceeds are required to be held in investments as specified in the Bond Indenture.

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.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, land and improvements, machinery and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the governmental and business type activities columns in the government-wide financial statements. 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.

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>
Buildings and improvements	7-39
Infrastructure	20-40
Furniture fixtures and equipment	5-10
Irrigation system	20

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Net Position or Equity (Continued)

Compensated Absences

It is the District's policy to permit employees to accumulate, within certain limits, earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. However, employees will be paid for any unused accrued vacation time up to a maximum 240 vacation hours upon termination of employment. Compensated absences are reported as accrued in the government-wide financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees which are included in wages payable, if any.

Unearned Revenue

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

Deferred Outflows/Inflows of Resources

The statement of net position reports, as applicable, a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. For example, the District would record deferred outflows of resources 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).

The statement of net position reports, as applicable, a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For example, when an asset is recorded in the governmental fund financial statements, but the revenue is not available, the District reports a deferred inflow of resources until such times as the revenue becomes available.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts. Bond issuance costs are expensed when incurred.

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

Fund Equity/Net Position

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

The District can establish limitations on the use of fund balance as follows:

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Net Position or Equity (Continued)

Fund Equity/Net Position (Continued)

Assigned fund balance – Includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. The Board may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

The District first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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 – BUDGETARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end.

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

- a) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain public comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

NOTE 4 – 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, 2016:

	<u>Amortized cost</u>	<u>Credit Risk</u>	<u>Maturities</u>
Treasury Obligations Fund SS	\$ 91,936	S&P AAAm	Weighted average of the fund portfolio: 44 days
Total Investments	<u>\$ 91,936</u>		

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.

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

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 5 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land and improvements	\$ 889,046	\$ -	\$ -	\$ 889,046
Total capital assets, not being depreciated	889,046	-	-	889,046
Capital assets, being depreciated				
Furniture, fixtures and equipment	705,000	25,016	-	730,016
Building and improvements	4,979,463	-	-	4,979,463
Infrastructure	6,414,199	35,474	-	6,449,673
Total capital assets, being depreciated	12,098,662	60,490	-	12,159,152
Less accumulated depreciation for:				
Furniture, fixtures and equipment	624,334	23,611	-	647,945
Building and improvements	2,616,260	160,140	-	2,776,400
Infrastructure	3,389,396	214,610	-	3,604,006
Total accumulated depreciation	6,629,990	398,361	-	7,028,351
Total capital assets, being depreciated, net	5,468,672	(337,871)	-	5,130,801
Governmental activities capital assets, net	\$ 6,357,718	\$ (337,871)	\$ -	\$ 6,019,847
<u>Business type activities</u>				
Capital assets, being depreciated				
Irrigation system	\$ 1,546,137	\$ 43,601	\$ -	\$ 1,589,738
Total capital assets, being depreciated	1,546,137	43,601	-	1,589,738
Less accumulated depreciation for:				
Irrigation system	1,220,858	78,318	-	1,299,176
Total accumulated depreciation	1,220,858	78,318	-	1,299,176
Total capital assets, being depreciated, net	325,279	(34,717)	-	290,562
Business type activities capital assets, net	\$ 325,279	\$ (34,717)	\$ -	\$ 290,562

For governmental activities, depreciation was charged to the physical environment function.

NOTE 6 – LONG TERM LIABILITIES

In May 1998, the District issued \$7,660,000 Series 1998A Capital Improvement Revenue Bonds. These Bonds were issued to fund the construction and installation of certain master infrastructure improvements. The Bonds are due on May 1, 2018 with interest at 5.95 to 6.30%. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Bonds is to be paid serially commencing May 1, 1999 through May 1, 2018. The District paid off the bonds in full during the fiscal year ended September 30, 2016.

Changes in long-term liability activity for the fiscal year ended September 30, 2016 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 1998	\$ 795,000	\$ -	\$ (795,000)	\$ -	\$ -
Compensated absences	38,485	-	(285)	38,200	-
Total	\$ 833,485	\$ -	\$ (795,285)	\$ 38,200	\$ -

NOTE 7 – PENSION PLANS

The District and Bay Creek Community Development District share the same Developer and share the majority of their costs based on a common budget whereby all appropriations are shared based on the total projected equivalent residential units for each District. Both pension plans described below are plans that cover the common employees of both the District and Bay Creek. The information described below is based on the plan as a whole unless otherwise indicated.

Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. In March 2007, the District executed a Trust Agreement with its plan agent for the sole and exclusive benefit of District employees. Except for the plan provisions related to loans, the deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency. The plan is administered by ICMA Retirement Corporation. Except for the plan provisions related to loans, the District has no fiduciary responsibility for the plan and therefore, the District does not report the balances and activities in its financial statements.

Defined Contribution Pension Plan

All permanent full-time employees are covered by a defined contribution pension plan with vesting requirements varying between one and five years. At September 30, 2016, there were 6 plan members. Nonvested pension forfeitures, classified as investments with pension agent, are restricted by the plan and may only be used toward the District's payment of its future pension contributions. The plan is administered by ICMA Retirement Corporation. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The District's policy is to fund the annual pension costs in the annual budget. The District has no fiduciary responsibility for the plan and therefore does not report the balances or activities in its financial statements. The District's contribution to the plan is 6% of each eligible employee's regular pay.

The District's total payroll in fiscal year 2016 was \$796,778. The wages subjected to pension contributions were \$231,528 and the total pension contribution from the District was \$13,887 for the fiscal year ended September 30, 2016.

NOTE 8 – OTHER RELATED PARTY TRANSACTIONS

Due to the fact that Bayside collects certain assessments on behalf of Bay Creek, during the fiscal year ended September 30, 2016, Bay Creek received assessments of \$65,701 collected by Bayside on behalf of Bay Creek.

NOTE 9 – SETTLEMENT AGREEMENT

On December 7, 2015, WCI Communities, LLC ("WCI"), the District, and Bay Creek Community Development District ("Bay Creek") entered into a Settlement Agreement ("Agreement") related to installation of certain structures to assist in the drainage of rain water within a portion of Pelican Landing. As a result of the agreement the District and Bay Creek received a total of \$100,000 of which \$80,970 was allocated to the District. The amount is included under miscellaneous income in the general fund.

NOTE 10 – MANAGEMENT COMPANY

The District has contracted with Wrathell, Hunt and Associates, LLC 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 11 – 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.

**BAYSIDE IMPROVEMENT COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Assessments	\$ 2,135,083	\$ 2,135,083	\$ 2,124,329	\$ (10,754)
Interest income	1,711	1,221	1,526	305
Miscellaneous	8,072	83,395	83,394	(1)
Total revenues	2,144,866	2,219,699	2,209,249	(10,450)
EXPENDITURES				
Current:				
General government	158,612	158,612	194,325	(35,713)
Physical environment	1,977,978	2,058,950	1,852,069	206,881
Capital outlay	44,125	44,125	86,444	(42,319)
Total expenditures	2,180,715	2,261,687	2,132,838	128,849
Excess (deficiency) of revenues over (under) expenditures	(35,849)	(41,988)	76,411	118,399
OTHER FINANCING SOURCES (USES)				
Transfer in (out)	-	-	6,064	6,064
Total other financing sources (uses)	-	-	6,064	6,064
Net change in fund balance	\$ (35,849)	\$ (41,988)	82,475	\$ 124,463
Fund balance - beginning			926,624	
Fund balance - ending			\$ 1,009,099	

See notes to required supplementary information

**BAYSIDE IMPROVEMENT COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

The District is required to establish a budgetary system and an approved Annual Budget for the general fund. The District's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Board. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors.

The general fund budget for the fiscal year ended September 30, 2016 was amended to increase revenues by \$74,833 and increase appropriations by \$80,972. Actual general fund expenditures did not exceed budgeted appropriations for the fiscal year ended September 30, 2016.



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
Bayside Improvement Community Development District
Lee County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of Bayside Improvement Community Development District, Lee County, Florida ("District") as of and for the fiscal year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated March 30, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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, 2017



**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
Bayside Community Development District
Lee County, Florida

We have examined Bayside Community Development District, Lee 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, 2016. 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 and, accordingly, included examining, on a test basis, evidence about 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 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, 2016.

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 Bayside Community Development District, Lee County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

March 30, 2017



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

To the Board of Supervisors
Bayside Improvement Community Development District
Lee County, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of Bayside Improvement Community Development District, Lee County, Florida (the "District") as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated March 30, 2017.

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 Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 30, 2017, 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 Bayside Improvement Community Development District, Lee County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Bayside Improvement Community Development District, Lee 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, 2017

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

2015-01: Budget

Current Status: Recommendation has been implemented.

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, 2015, except as noted above.

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, 2016.

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, 2016.

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, 2016 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. 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.