

THE ESTUARY COMMUNITY DEVELOPMENT DISTRICT

FINANCIAL STATEMENTS

September 30, 2016

THE ESTUARY COMMUNITY DEVELOPMENT DISTRICT
FINANCIAL STATEMENTS
September 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
The Estuary Community Development District
Hillsborough County, Florida

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

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 and each major fund of the District as of September 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 - 7 and page 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2017, on our consideration of The Estuary Community Development District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Estuary Community Development District's internal control over financial reporting and compliance.

DiBartolomeo, McBee, Hartley & Barnes

DiBartolomeo, McBee, Hartley & Barnes, P.A.
Fort Pierce, Florida
June 23, 2017

THE ESTUARY COMMUNITY DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2016

Our discussion and analysis of The Estuary Community Development District, Hillsborough County, Florida ("District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2016. Please read it in conjunction with the District's 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 most recent fiscal year resulting in a net position balance of \$5,198,336.
- The change in the District's total net position was (\$17,181). 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.
- As of September 30, 2016, the District's governmental funds reported combined ending fund balances of (\$2,138), a decrease of (\$84,977) in comparison with the prior fiscal year.
- 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 B of the financial statements for additional information.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as the introduction to the District's 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 and liabilities, with the difference between the two 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 ESTUARY COMMUNITY DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2016

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.

The government-wide financial statements include all governmental activities that are principally supported by special assessment revenues. The District does not have any business-type activities. The governmental activities of the District include the general government (management) and maintenance and operations.

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. The District has one fund category: governmental 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 balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains one governmental fund for external reporting. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. The general fund is considered to be a major fund. 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.

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.

THE ESTUARY COMMUNITY DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2016

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. The balance of unrestricted net position may be used to meet the District's obligations.

Key components of net position were as follows:

| | 2016 | 2015 |
|--------------------------------|---------------------|---------------------|
| Current assets | \$ 30,882 | \$ 97,473 |
| Capital assets | 5,200,474 | 5,132,678 |
| Total assets | <u>5,231,356</u> | <u>5,230,151</u> |
| Current liabilities | 33,020 | 14,634 |
| Total liabilities | <u>33,020</u> | <u>14,634</u> |
| Net position | | |
| Net invested in capital assets | 5,200,474 | 5,132,678 |
| Unrestricted | <u>(2,138)</u> | <u>82,839</u> |
| Total net position | <u>\$ 5,198,336</u> | <u>\$ 5,215,517</u> |

The District's net position decreased during the most recent fiscal year. The majority of the change represents the degree to which ongoing cost of operations exceeded program revenues.

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

| | 2016 | 2015 |
|----------------------------------|---------------------|---------------------|
| Program revenues | \$ 30,799 | \$ 5,523,054 |
| General revenues | 9 | 24 |
| Total revenues | <u>30,808</u> | <u>5,523,078</u> |
| Expenses | | |
| General government | 47,989 | 75,220 |
| Total expenses | <u>47,989</u> | <u>75,220</u> |
| Change in net position | (17,181) | 5,447,858 |
| Net position - beginning of year | 5,215,517 | (232,341) |
| Net position - end of year | <u>\$ 5,198,336</u> | <u>\$ 5,215,517</u> |

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2016 was \$47,989, which primarily consisted of costs associated with general expenditures of the District. The costs of the District's activities were funded by developer contributions.

THE ESTUARY COMMUNITY DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2016

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. Actual general fund did not exceed expenditures appropriations for the fiscal year ended September 30, 2016.

The variance between budgeted and actual general fund revenues is not considered significant. The actual general fund expenditures for the current fiscal year were lower than budgeted amounts due primarily to costs being lower than anticipated.

CAPITAL ASSETS

At September 30, 2016, the District had \$5,200,474 invested in construction in progress. Construction in process has not completed as of September 30, 2016 and therefore is not depreciated to date. Once projects are complete, items will transfer to depreciable assets. More detailed information about the District's capital assets is presented in the notes of the financial statements.

ECONOMIC FACTORS, NEXT YEAR'S BUDGET AND OTHER INFORMATION

For the fiscal year 2017, the District anticipates that the cost of general operations will remain fairly constant. In connection with the District's future infrastructure maintenance and replacement plan, the District Board has included in the budget, an estimate of those anticipated future costs and has assigned a portion of current available resources for that purpose.

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 Estuary Community Development District's Finance Department at 15310 Amberly Drive, Suite 175, Tampa, Florida 33647.

THE ESTUARY COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF NET POSITION

September 30, 2016

| | <u>GOVERNMENTAL ACTIVITIES</u> |
|---------------------------------------|---------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 83 |
| Due from developer | 30,799 |
| Capital assets: | |
| Nondepreciable | <u> 5,200,474</u> |
| TOTAL ASSETS | <u><u> \$ 5,231,356</u></u> |
| LIABILITIES | |
| Accounts payable and accrued expenses | <u> \$ 33,020</u> |
| TOTAL LIABILITIES | <u> 33,020</u> |
| NET POSITION | |
| Net investment in capital assets | 5,200,474 |
| Unrestricted | <u> (2,138)</u> |
| TOTAL NET POSITION | <u><u> \$ 5,198,336</u></u> |

The accompanying notes are an integral part of this financial statement

THE ESTUARY COMMUNITY DEVELOPMENT DISTRICT

STATEMENT OF ACTIVITIES
Year Ended September 30, 2016

| Functions/Programs | Expenses | Program Revenues | Net (Expense) Revenues and Changes in Net Position |
|-------------------------------|-----------|--|---|
| | | Operating Grants and Contributions | Governmental Activities |
| Governmental activities | | | |
| General government | \$ 47,989 | \$ 30,799 | \$ (17,190) |
| Total governmental activities | \$ 47,989 | \$ 30,799 | (17,190) |
| General revenues: | | | |
| | | | 9 |
| | | | (17,181) |
| | | | 5,215,517 |
| | | | \$ 5,198,336 |

The accompanying notes are an integral part of this financial statement

THE ESTUARY COMMUNITY DEVELOPMENT DISTRICT
BALANCE SHEET – GENERAL FUND
September 30, 2016

| | Major Funds | | Total Governmental Funds |
|---|-------------|---------------------|--------------------------------|
| | General | Capital Projects | |
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 83 | \$ - | \$ 83 |
| Due from other funds | 43,202 | - | 43,202 |
| Due from developer | 30,799 | - | 30,799 |
| TOTAL ASSETS | \$ 74,084 | \$ - | \$ 74,084 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| LIABILITIES | | | |
| Accounts payable and accrued expenses | \$ 13,951 | \$ 19,069 | \$ 33,020 |
| Due to other funds | - | 43,202 | 43,202 |
| TOTAL LIABILITIES | 13,951 | 62,271 | 76,222 |
| FUND BALANCES | | | |
| Restricted for: | | | |
| Capital projects | - | (62,271) | (62,271) |
| Unassigned | 60,133 | - | 60,133 |
| TOTAL FUND BALANCES | 60,133 | (62,271) | (2,138) |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 74,084 | \$ - | \$ 74,084 |

The accompanying notes are an integral part of this financial statement

THE ESTUARY COMMUNITY DEVELOPMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2016

| | |
|---|---------------------|
| Total Governmental Fund Balances in the Balance Sheet, Page 9 | \$ (2,138) |
| Amount reported for governmental activities in the Statement of Net Assets are different because: | |
| Capital asset used in governmental activities are not financial resources and therefore are not reported in the governmental funds: | |
| Governmental capital assets | 5,200,474 |
| Net Position of Governmental Activities, Page 7 | <u>\$ 5,198,336</u> |

The accompanying notes are an integral part of this financial statement

THE ESTUARY COMMUNITY DEVELOPMENT DISTRICT
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 | Capital Projects | |
| REVENUES | | | |
| Developer contributions | \$ 30,799 | \$ - | \$ 30,799 |
| Investment earnings | 9 | - | 9 |
| TOTAL REVENUES | 30,808 | - | 30,808 |
| EXPENDITURES | | | |
| General government | 47,989 | - | 47,989 |
| Capital outlay | 5,525 | 62,271 | 67,796 |
| TOTAL EXPENDITURES | 53,514 | 62,271 | 115,785 |
| EXCESS REVENUES OVER □ (UNDER) EXPENDITURES | (22,706) | (62,271) | (84,977) |
| FUND BALANCE | | | |
| Beginning of year | 82,839 | - | 82,839 |
| End of year | \$ 60,133 | \$ (62,271) | \$ (2,138) |

THE ESTUARY COMMUNITY DEVELOPMENT DISTRICT
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, Page 11 \$ (84,977)

Amount reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures. However,
in the Statement of Activities, the costs of those assets are depreciated
over their estimated useful lives:

| | |
|----------------|--------|
| Capital outlay | 67,796 |
|----------------|--------|

| | |
|---|-------------|
| Change in Net Position of Governmental Activities, Page 8 | \$ (17,181) |
|---|-------------|

THE ESTUARY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A- NATURE OF ORGANIZATION AND REPORTING ENTITY

The Estuary Community Development District ("District") was created on September 11, 2013 by the Board of County Commissioners of Hillsborough County, Florida Ordinance No. 13-21 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 on an at large basis by the qualified electors of the property owners 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 financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement 14, and Statement 39, an amendment of GASB Statement 14. 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 B - 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.

THE ESTUARY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE B - 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 economic 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.

Assessments

Assessments are non-ad valorem assessments on benefited lands within the District. Assessments are levied to pay for the operations and maintenance 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. The District's annual assessments for operations are billed and collected by the County Tax 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.

Assessments and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

THE ESTUARY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The District reports the following major governmental fund:

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.

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.

Capital Projects Fund

This fund accounts for the financial resources to be used for the acquisition or construction of major infrastructure within the District.

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.

THE ESTUARY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards Adopted (continued)

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 and Net Position or Equity

Restricted Assets

These assets represent cash and investments set aside pursuant to contractual restrictions.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

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.

The District records all interest revenue related to investment activities in the respective funds and reports investments at fair value.

THE ESTUARY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position or Equity (continued)

Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. 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, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the government 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 one year. 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> |
|----------------|--------------|
| Improvements | 10 - 20 |
| Infrastructure | 20 - 40 |

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. At September 30, 2016, no depreciation has been taken as the acquired assets are non-depreciable.

Unearned Revenue

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

THE ESTUARY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position or Equity (continued)

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 uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

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 ESTUARY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position or Equity (continued)

Fund Equity/Net Position (continued)

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.

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 can 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.

THE ESTUARY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE C - 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 D – DEPOSITS AND INVESTMENTS

Deposits

The District's cash balances, including certificates of deposit, 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.

NOTE E - CAPITAL ASSETS

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

| | Balance 10/01/2015 | Increases | Decreases | Balance 09/30/16 |
|--|-----------------------|-----------|-----------|---------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Construction in process | \$ 5,132,678 | \$ 67,796 | \$ - | \$ 5,200,474 |
| Total capital assets, not being depreciated | 5,132,678 | 67,796 | - | 5,200,474 |
| Governmental activities capital assets - net | \$ 5,132,678 | \$ 67,796 | \$ - | \$ 5,200,474 |

THE ESTUARY COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE E - CAPITAL ASSETS (CONTINUED)

The infrastructure intended to serve the District has been estimated at a total cost of approximately \$8,121,000. The infrastructure will include Palm River road base and paving, storm sewer, force main, water distribution system, Falkenburg turn lanes, Falkenburg base and paving, signalization, and engineering design/survey/permitting. In addition, the project includes infrastructure that will be operated by others. A portion of the project costs was expected to be financed with the proceeds from the promissory note and the remainder funded by the Developer. Upon completion, all infrastructures are to be conveyed to others.

NOTE F - MANAGEMENT COMPANY

The District has contracted with a management company to perform 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 G – SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to September 30, 2016, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended September 30, 2016. Management has performed their analysis through June 23, 2017, the audit completion date.

NOTE H - 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; natural disasters; and environmental remediation. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

NOTE I – CONCENTRATION

The Districts activity is dependent upon the continued involvement of the Developer, the loss of which could have a material adverse effect on the District operations. The District reported a deficit in the governmental funds of (\$2,138). The Developer is funding the deficit in the capital project fund.

THE ESTUARY COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL – GENERAL FUND
Year Ended September 30, 2016

| | <u>* BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u> |
|---|-----------------|------------------|---|
| REVENUES | | | |
| Developer contributions | \$ 63,175 | \$ 30,799 | \$ (32,376) |
| Investment earnings | - | 9 | 9 |
| TOTAL REVENUES | <u>63,175</u> | <u>30,808</u> | <u>(32,367)</u> |
| EXPENDITURES | | | |
| Current | | | |
| General government | 63,175 | 47,989 | 15,186 |
| Capital outlay | - | 5,525 | (5,525) |
| TOTAL EXPENDITURES | <u>63,175</u> | <u>53,514</u> | <u>9,661</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>\$ -</u> | (22,706) | <u>\$ (22,706)</u> |
| FUND BALANCES | | | |
| Beginning of year | | <u>82,839</u> | |
| End of year | | <u>\$ 60,133</u> | |

* Original and final budget.

THE ESTUARY COMMUNITY DEVELOPMENT DISTRICT
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).

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. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2016.

The variance between budgeted and actual general fund revenues is not considered significant. The actual general fund expenditures for the current fiscal year were lower than budgeted amounts due primarily to anticipated costs which were not incurred in the current fiscal year.

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
The Estuary Community Development District
Hillsborough County, Florida

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Estuary Community Development District, as of September 30, 2016 and for the year ended, which collectively comprise The Estuary Community Development District's basic financial statements and have issued our report thereon dated June 23, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 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 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 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

This report is intended 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 purpose.

DiBartolomeo, McBee, Hartley & Barnes

DiBartolomeo, McBee, Hartley & Barnes, P.A.

Fort Pierce, Florida

June 23, 2017

INDEPENDENT ACCOUNTANTS' REPORT ON THE COMPLIANCE WITH THE
REQUIREMENTS OF SECTION 248.415, FLORIDA STATUTES, REQUIRED BY RULE
10.556 (10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Board of Supervisors
The Estuary Community Development District
Manatee County, Florida

We have examined the District's compliance with the requirements of Section 218.415, Florida Statutes with regards to the District's investments during the year ended September 30, 2016. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

DiBartolomeo, McBee, Hartley & Barnes

DiBartolomeo, McBee Hartley & Barnes, P.A.
Fort Pierce, Florida
June 23, 2017

Management Letter

To the Board of Supervisors
The Estuary Community Development District
Manatee County, Florida

Report on the Financial Statements

We have audited the financial statements of The Estuary Community Development District as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated June 23, 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 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 and schedule, which are dated June 23, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

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

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not The Estuary Community Development 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 Estuary Community Development District met a condition described in Section 218.503(1), Florida Statutes. The District reported a deficit in the governmental funds of (\$2,138). The financial emergency condition met was not a result of deteriorating financial condition.

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

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for The Estuary Community Development 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 Chairman and Members of the Board of Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



DiBartolomeo, McBee, Hartley & Barnes, P.A.

Fort Pierce, Florida

June 23, 2017