

GASPARILLA ISLAND BRIDGE AUTHORITY

FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

TABLE OF CONTENTS

Independent Auditors' Report 1-2

Management's Discussion and Analysis 3-5

BASIC FINANCIAL STATEMENTS

Statements of Net Position..... 6-7

Statements of Revenues, Expenses, and Changes in Net Position..... 8

Statements of Cash Flows 9

Notes to the Financial Statements 10-15

SINGLE AUDIT COMPLIANCE

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* 16-17

Report on Compliance for Each State Project and Report on Internal Control
Over Compliance Required by Chapter 10.550, *Rules Of The Auditor General*..... 18-19

Schedule of Expenditures of State Financial Assistance 20

Notes to Schedule of Expenditures of State Financial Assistance 20

Schedule of Findings and Questioned Costs 21

OTHER REPORTS

Examination Report on the Entity's Compliance with Specified Requirements..... 22

Management Letter and Other Comments 23-24

INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
Gasparilla Island Bridge Authority

We have audited the accompanying financial statements of the Gasparilla Island Bridge Authority as of and for the years ended September 30, 2016 and 2015, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Gasparilla Island Bridge Authority as of September 30, 2016, and 2015, and the respective changes in the financial position and cash flows thereof, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 5 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gasparilla Island Bridge Authority's basic financial statements. The schedule of expenditures of state financial assistance, as required by Chapter 10.550, *Rules of the Auditor General* is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of state financial assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2017, on our consideration of the Gasparilla Island Bridge Authority'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 Gasparilla Island Bridge Authority's internal control over financial reporting and compliance.

Sarasota, Florida
February 15, 2017

GASPARILLA ISLAND BRIDGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

As management of the Gasparilla Island Bridge Authority (GIBA), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the GIBA for the fiscal years ended September 30, 2016 and 2015. The discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

FINANCIAL HIGHLIGHTS

Income from operations for the GIBA was \$2,737,709 and \$3,058,711 for fiscal years 2016 and 2015, respectively. Income from operations for fiscal year 2016 decreased by -11% over fiscal year 2015. Net income produced an increase in net position of \$2,044,661 and \$2,747,314 for fiscal years 2016 and 2015, respectively. The term "net position" refers to the difference between assets and liabilities. At the close of fiscal year 2016, the GIBA had a net position of \$18,983,303 an increase of 12% over fiscal year 2015. At the close of fiscal year 2015, the GIBA had a net position of \$16,938,642 (See Note 8), an increase of 17% over fiscal year 2014.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the GIBA's financial statements. This report also contains other supplementary information concerning the GIBA's trend data as well as information on the GIBA's history. The financial statements are designed to provide readers with a broad overview of the GIBA's finances. The balance sheet presents information on all of the assets and liabilities, with the difference of the two reported as net position. Over time, increases and decreases in net position may serve as an indicator of whether the financial condition of the GIBA is improving. Net position increases when revenues exceed expenses. Increases to assets, without corresponding increases to liabilities results in increased net position, which indicates an improved financial condition.

The statement of revenues, expenses, and changes in assets presents information showing how GIBA's net position changed during the fiscal year. All changes in net position are reported as soon as the event occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future periods, e.g. earned but unused vacation.

The statement of cash flows presents the cash activities of the GIBA from operating, capital and related financing and investing activities.

REVENUE/TRAFFIC STREAMS

There is a relationship between traffic count and revenue. Normally when traffic increases revenue increases. The traffic flow has historically fluctuated: increased 1% (2012), decreased less than -1% (2013), increased 7% (2014), increased 7% (2015), and increased 3% (2016). The increase in revenue for FY13 is primarily a result of a toll increase.

	<u>REVENUE</u>	<u>TRAFFIC</u>
FY 12	\$ 3,399,796	850,772
FY 13	\$ 4,099,022	846,518
FY 14	\$ 4,483,705	903,257
FY 15	\$ 4,804,490	969,298
FY 16	\$ 5,092,889	1,001,736

GASPARILLA ISLAND BRIDGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

LONG-TERM DEBT

Capital projects were funded with excess revenues and long term debt. The FDOT Loan funded the bridge design, the STI Bank Loan funded the fixed bridges project, and the FDOT SIB Loan funded the swing bridge project.

	Authorized		Interest		Borrowed	Principal
	Loan Amount	Loan Type	Rate	Maturity Date	as of 9/30/16	Remaining as of 9/30/2016
1)	\$ 1,500,000	FDOT Loan	0%	May 3, 2023	\$ 1,500,000	\$ 1,500,000
2)	\$ 10,469,000	STI Bank Loan	3.21%	October 1, 2028	\$ 10,469,000	\$ 8,940,189
3)	\$ 30,000,000	FDOT SIB Loan	2.5%	October 1, 2043	\$ 18,701,610	\$ 18,209,638
Total	\$ 41,969,000				\$ 30,670,610	\$ 28,649,827

The debt service ratio of 2.19 for FY16 was within the loan covenants set forth by Suntrust Bank and the FDOT State Infrastructure Loan.

LIFE CYCLE FOR BRIDGE ASSETS

In 1998 when the GIBA acquired the bridge and causeway system, the engineers estimated a useful life remaining for the 3 bridges built in 1958 was about 10 years. In 1999, after the completion of \$2.2 million in bridge renovation and preservation projects, the engineer's extended the estimated useful life by 15 years (until 2014). The bridge inspections in 2011 recommended a replacement date of 2014 for both fixed bridges and 2017 for the swing bridge. The fixed bridges were replaced in 2013 and the swing bridge was replaced in 2016. The bridges have a life expectancy of 75 years.

REPLACEMENT BRIDGE SCHEDULE AND FUTURE CAPITAL IMPROVEMENTS

The bridge replacement projects were started many years ago beginning with studies to estimate the replacement costs. The first phase was the replacement of the two fixed bridges. A \$15 million Bank of America line of credit was used to help fund this project. The fixed bridges project was completed in November 2013. The line of credit was refinanced into a 15 year fixed rate bank loan with Sun Trust Bank for a total amount of \$10.4 million. The second capital project phase was the replacement of the swing bridge. The \$30 million FDOT State Infrastructure Bank Loan was used to help fund this project. The project was completed in 2016 and the total borrowing was \$18.7 million.

STATEMENTS OF NET POSITION

Net position serves as an indicator of the GIBA's financial condition. For FY16, GIBA's assets exceeded liabilities by \$18,983,303. This represents a 12% increase over the previous year. By far the largest portion of the GIBA's net assets reflect in its investments in capital (eg: roads, bridges, buildings, toll equipment, etc.) less any related debt used to acquire those assets. These assets are not available to liquidate liabilities or other spending. The value of property is \$2,963,000 in land, \$1,251,291 in buildings, \$41,632,391 in Bridges/Improvements, and \$187,198 in equipment; net of depreciation. Long term liabilities increased in FY16 with borrowings related to the funding of capital projects. GIBA does not have any restricted assets. Unrestricted assets increased from \$326,217 in FY15 to \$1,599,249 in FY16. To date, GIBA funded 30% of capital projects with excess revenues.

GASPARILLA ISLAND BRIDGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

STATEMENTS OF NET POSITION (continued)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current Assets	\$ 2,005,568	\$ 725,140	\$ 886,703
Depreciable Capital Assets, Net of Accum Depr.	43,070,880	17,592,263	18,236,214
Non-Depreciable Capital Assets	2,963,000	24,411,747	14,313,142
Other Assets	770	770	770
Total Assets	<u>\$ 48,040,218</u>	<u>\$ 42,729,920</u>	<u>\$ 33,436,829</u>
Current Liabilities	\$ 1,458,939	\$ 1,530,745	\$ 1,279,319
Non-Current Liabilities	27,597,976	24,260,533	17,657,123
Total Liabilities	<u>29,056,915</u>	<u>25,791,278</u>	<u>18,936,442</u>
Invested in Capital Assets, Net	17,384,054	16,612,425	14,314,872
Unrestricted	1,599,249	326,217	185,515
Total Net Position	<u>18,983,303</u>	<u>16,938,642</u>	<u>14,500,387</u>
Total Liabilities & Net Position	<u>\$ 48,040,218</u>	<u>\$ 42,729,920</u>	<u>\$ 33,436,829</u>

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

In FY16 revenues increased 6% (\$288,399) with a corresponding increase in traffic of 3% (32,438). In FY16, expenses increased by 35% (\$609,401), primarily related to depreciable assets. The resultant change in net assets for the year was a decrease of -6% (-\$702,653) compared to FY15.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenue	\$ 5,092,889	\$ 4,804,490	\$ 4,483,705
Operating Expenses	2,355,180	1,745,779	1,848,465
Income from Operations	2,737,709	3,058,711	2,635,240
Non-Operating Revenues (Expenses)	(693,048)	(311,397)	(275,152)
Change in Net Position	2,044,661	2,747,314	2,360,088
Net Position at Beginning of Period	16,938,642	14,191,328	12,140,299
Net Position at End of Period	<u>\$ 18,983,303</u>	<u>\$ 16,938,642</u>	<u>\$ 14,500,387</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information contact Kathy Banson-Verrico, Executive Director, GIBA, P.O. Box 1918, Boca Grande, FL 33921.

GASPARILLA ISLAND BRIDGE AUTHORITY

STATEMENTS OF NET POSITION

SEPTEMBER 30, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Current assets:		
Cash and cash equivalents	\$ 1,905,509	\$ 646,884
Accounts receivable	24,575	13,593
Prepaid expenses	75,484	64,663
	2,005,568	725,140
Total current assets	2,005,568	725,140
Noncurrent assets:		
Capital assets:		
Depreciable capital assets, net of accumulated depreciation of \$4,523,267 and \$8,870,561	43,070,880	17,592,263
Non-depreciable capital assets	2,963,000	24,411,747
Other assets:		
Deposits	770	770
	46,034,650	42,004,780
Total noncurrent assets	46,034,650	42,004,780
Total Assets	\$ 48,040,218	\$ 42,729,920

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

GASPARILLA ISLAND BRIDGE AUTHORITY

STATEMENTS OF NET POSITION

SEPTEMBER 30, 2016 AND 2015

LIABILITIES AND NET POSITION

	<u>2016</u>	<u>2015</u>
Current liabilities:		
Current portion of notes payable	\$ 1,051,850	\$ 1,131,052
Accounts payable	674	16,763
Accrued expenses	60,326	54,908
Deferred revenue	<u>346,089</u>	<u>328,022</u>
Total current liabilities	<u>1,458,939</u>	<u>1,530,745</u>
Noncurrent liabilities:		
Notes payable	27,597,976	23,619,749
Construction draw payable	<u>-</u>	<u>640,784</u>
Total noncurrent liabilities	<u>27,597,976</u>	<u>24,260,533</u>
Total liabilities	<u>29,056,915</u>	<u>25,791,278</u>
Net Position:		
Invested in capital assets, net of related debt, as restated, see Note 8	17,384,054	16,612,425
Unrestricted	<u>1,599,249</u>	<u>326,217</u>
Total net position	<u>18,983,303</u>	<u>16,938,642</u>
Total Liabilities and Net Position	<u><u>\$ 48,040,218</u></u>	<u><u>\$ 42,729,920</u></u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

GASPARILLA ISLAND BRIDGE AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Toll revenues	\$ 5,092,889	\$ 4,804,490
Operating expenses:		
Personnel services	728,152	668,272
General and administrative	303,939	298,453
Maintenance and operation	166,957	125,091
Depreciation	1,156,132	653,963
Total operating expenses	<u>2,355,180</u>	<u>1,745,779</u>
Income from Operations	<u>2,737,709</u>	<u>3,058,711</u>
Non-operating revenues (expenses):		
Interest income	2,195	3,949
Gain (loss) on disposal of assets	(1,413)	(684)
Interest expense	(693,830)	(314,662)
Net non-operating expenses	<u>(693,048)</u>	<u>(311,397)</u>
Change in net position	2,044,661	2,747,314
Net position at beginning of period	<u>16,938,642</u>	<u>14,191,328</u>
Net position at end of period	<u>\$ 18,983,303</u>	<u>\$ 16,938,642</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

GASPARILLA ISLAND BRIDGE AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 5,099,974	\$ 4,784,601
Payments to suppliers	(666,957)	(611,095)
Payments to employees	(553,583)	(504,400)
Net cash provided by operating activities	<u>3,879,434</u>	<u>3,669,106</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(5,828,199)	(10,161,705)
Proceeds from loans	4,987,198	7,218,842
Payment of principal on notes payable	(1,088,173)	(577,390)
Interest paid	(693,830)	(314,662)
Net cash used by capital and related financing activities	<u>(2,623,004)</u>	<u>(3,834,915)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	-	2,958
Interest received	2,195	3,949
Net cash provided by investing activities	<u>2,195</u>	<u>6,907</u>
Net increase in cash	1,258,625	(158,902)
Cash and cash equivalents at beginning of period	646,884	805,786
Cash and cash equivalents at end of period	<u>\$ 1,905,509</u>	<u>\$ 646,884</u>
Reconciliation of operating income to net cash provided by operating activities:		
Income from operations	<u>\$ 2,737,709</u>	<u>\$ 3,058,711</u>
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	1,156,132	653,963
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	(10,982)	(814)
Decrease (increase) in prepaid expenses	(10,821)	517
Increase (decrease) in accounts payable	(16,089)	(20,479)
Increase (decrease) in accrued expenses	5,418	(3,717)
Increase (decrease) in deferred revenue	18,067	(19,075)
Total adjustments	<u>1,141,725</u>	<u>610,395</u>
Net cash provided by operating activities	<u>\$ 3,879,434</u>	<u>\$ 3,669,106</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

GASPARILLA ISLAND BRIDGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

Note 1 - Organization and Summary of Significant Accounting Policies

Reporting Entity

The Gasparilla Island Bridge Authority (the Authority) is an independent special district created in 1996 by Chapter 96-507, Laws of Florida, for the purpose of operation of bridges and a related causeway in Charlotte County and their continued maintenance and improvement. The governing body is composed of nine members acting as the Board of Supervisors. Five of the members of the Board of Supervisors are voting members with full power to conduct the business of the Authority by majority vote. The other four members serve as non-voting members. The Board of Supervisors appoints an executive director who has responsibility for the operation of the Authority.

For financial reporting purposes, the Authority is a stand-alone entity; there are no component units included in the accompanying financial statements and the Authority is not considered a component unit of another entity.

Basis of Presentation

The Gasparilla Island Bridge Authority financial statements are prepared on an enterprise fund basis. Enterprise funds are used to account for operations of governmental entities that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The Authority prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles for enterprise funds, which are similar to those for private business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

State statutes and local ordinances authorize the Authority to invest in various types of investments.

Capital Assets

All property and equipment are recorded at historical cost. The cost of property and equipment includes right-of-way construction costs, design and engineering fees, administrative and general expenses paid from construction monies and interest expense incurred during the period of construction. Expenses made to acquire additional property and equipment, which replaces existing assets or otherwise prolongs their useful lives are capitalized. Maintenance and repairs are charged to expense as incurred.

Costs related to right-of-way are considered non-depreciable costs. All other costs related to construction of roadways and bridges are capitalized and depreciated according to Authority policy.

GASPARILLA ISLAND BRIDGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets as follows:

Roadways	15 years
Bridges	40 years
Buildings, toll facilities and other	3 to 30 years
Computer equipment	3 to 5 years
Furniture, fixtures, and equipment	5 to 7 years

Construction in progress represents costs incurred by the Authority for in-process activities designed to expand, replace or extend useful lives of existing property and equipment.

Deferred Revenue

Revenue from the sale of volume passes is recognized on a prorata basis at the time of usage.

Accumulated Compensated Absences

Accumulated compensated absences are accrued when incurred.

Operating Revenues and Expenses

The Authority's operating revenues and expenses consist of revenues earned and expenses incurred relating to the operation and maintenance of its system. All other revenues and expenses are reported as non-operating revenues and expenses or as a special item.

Net Position

Net Position is classified and displayed in three components:

Invested in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and related debt.

Restricted net position - Consists of net position with constraints placed on the use either by 1) external groups, such as creditors, grantors, contributors, or laws and regulations of other governments or 2) law through constitutional provisions or enabling legislation. There was no restricted net position at September 30, 2016 and 2015.

Unrestricted net position - All other components of net position that do not meet the definition of "restricted" or "invested in capital assets".

Toll Revenue

Cash toll fees are recorded as revenue at the time the service is performed. Annual pass fees are recorded when payment is received.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates. Actual results could differ from those estimates.

GASPARILLA ISLAND BRIDGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Budgets

The Authority follows the following procedures in establishing budgets:

1. On or before September 1, management of the Authority prepares an estimate of all necessary expenditures for the Authority for the ensuing fiscal year and an estimate of income to the Authority from all sources of revenue provided in the District's enabling act. The Board of Supervisors may either approve the budget as proposed or modify the budget in part or in whole.
2. On or before September 1, the Authority files its proposed budget with the County Clerks of Lee and Charlotte Counties.
3. All legally adopted budgets are on a basis consistent with generally accepted accounting principles.

Reclassifications

Certain amounts for 2015 have been reclassified to enhance comparability with 2016.

Note 2 - Deposits and Investments

Deposits - The Authority maintains cash deposits with banks who qualify as qualified public depositories under Florida law. Deposits in excess of federally insured limits are covered by collateral pledged by the bank with the State Treasurer pursuant to Chapter 280, Florida Statutes. Under this chapter, in the event of default by a participating financial institution, all participating institutions are obligated through an assessment to reimburse the governmental entity if the applicable deposit insurance and sale of securities pledged as collateral by the bank are not sufficient to cover the loss. For this reason, there is no custodial credit risk for the cash deposits of the Authority.

Note 3 – Capital Assets

Capital assets are summarized as follows:

	<u>September 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2016</u>
Depreciable capital assets				
Buildings	\$ 2,016,877	\$ -	\$ -	\$ 2,016,877
Improvements other than buildings	23,560,948	26,496,710	(5,472,025)	44,585,633
Equipment	884,999	139,452	(32,814)	991,637
Accumulated depreciation	(8,870,561)	(1,156,132)	5,503,426	(4,523,267)
Depreciable capital assets, net of accumulated depreciation	<u>\$ 17,592,263</u>	<u>\$ 25,480,030</u>	<u>\$ (1,413)</u>	<u>\$ 43,070,880</u>
Non-depreciable capital assets				
Land	\$ 2,963,000	\$ -	\$ -	\$ 2,963,000
Construction in progress	21,448,747	5,047,035	(26,495,782)	-
Non-depreciable capital assets	<u>\$ 24,411,747</u>	<u>\$ 5,047,035</u>	<u>\$ (26,495,782)</u>	<u>\$ 2,963,000</u>

GASPARILLA ISLAND BRIDGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

Note 3 – Capital Assets (continued)

	September 30, 2014	Additions	Reductions	September 30, 2015
Depreciable capital assets				
Buildings	\$ 2,016,877	\$ -	\$ -	\$ 2,016,877
Improvements other than buildings	23,560,948	-	-	23,560,948
Equipment	882,655	10,696	(8,352)	884,999
Accumulated depreciation	(8,224,266)	(653,963)	7,668	(8,870,561)
Depreciable capital assets, net of accumulated depreciation	<u>\$ 18,236,214</u>	<u>\$ (643,267)</u>	<u>\$ (684)</u>	<u>\$ 17,592,263</u>
Non-depreciable capital assets				
Land	\$ 2,963,000	\$ -	\$ -	2,963,000
Construction in progress	11,350,142	10,098,605	-	21,448,747
Non-depreciable capital assets	<u>\$ 14,313,142</u>	<u>\$ 10,098,605</u>	<u>\$ -</u>	<u>\$ 24,411,747</u>

Depreciation expense was \$1,156,132 and \$653,963 for the years ended September 30, 2016 and 2015, respectively.

Note 4 - Retirement Plan

The Authority does not participate in the Florida Retirement System. Instead, the Authority participates in a defined contribution plan administered by the Variable Annuity Life Insurance Company (VALIC). The GIBA Retirement Plan was adopted on December 15, 1998. The Authority and participants are not required to contribute to the plan, but may make voluntary contributions up to certain levels as permitted by the agreement and limits established under the Internal Revenue Code. For the fiscal year ended September 30, 2016, and 2015, voluntary contributions by the Authority were \$35,946 and \$38,066, respectively.

Note 5 - Long-Term Debt

A summary of changes in long-term debt is as follows:

	September 30, 2015	Additions	Reductions	September 30, 2016
Bridge facility debt	\$ 24,750,801	\$ 4,987,198	\$ (1,088,173)	\$ 28,649,826
Less current portion	(1,131,052)	(1,008,971)	1,088,173	(1,051,850)
Total long-term debt, net of current portion	<u>\$ 23,619,749</u>	<u>\$ 3,978,227</u>	<u>\$ -</u>	<u>\$ 27,597,976</u>
	September 30, 2014	Additions	Reductions	September 30, 2015
Bridge facility debt	\$ 18,109,349	\$ 7,218,843	\$ (577,391)	\$ 24,750,801
Less current portion	(577,361)	(1,131,082)	577,391	(1,131,052)
Total long-term debt, net of current portion	<u>\$ 17,531,988</u>	<u>\$ 6,087,761</u>	<u>\$ -</u>	<u>\$ 23,619,749</u>

GASPARILLA ISLAND BRIDGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

Note 5 - Long-Term Debt (continued)

Long-term debt consisted of the following at September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
<p>\$30,000,000 note payable to the State of Florida Department of Transportation, to be disbursed to the Authority over three years. Interest-only payments of 2.5% were due on October 1, 2014 and 2015. Beginning in October 2016, annual payments of principal and interest will be due, and the note matures in October 2043. Note is collateralized by a pledge of revenues from the operations and a lien and pledge of all investment instruments purchased with loan proceeds.</p>	\$ 18,209,638	\$ 13,714,412
<p>Note payable to a bank requiring monthly payments of principal and interest at an annual rate of 3.21%, beginning in February 2014. The note matures in October 2028. Note is collateralized by a pledge of revenues from the operations and a lien and pledge of all investment instruments purchased with loan proceeds.</p>	8,940,188	9,536,389
<p>Interest-free note payable to the State of Florida Department of Transportation Toll Facilities Revolving Trust Fund, requiring repayments of principal and investment interest earnings to begin no later than October 2018. The note must be fully repaid by October 2023. Note is collateralized by a pledge of revenues from the operations and a lien and pledge of all investment instruments purchased with loan proceeds.</p>	<u>1,500,000</u>	<u>1,500,000</u>
	28,649,826	24,750,801
Less current maturities	<u>1,051,850</u>	<u>1,131,052</u>
Total long-term debt	<u>\$ 27,597,976</u>	<u>\$ 23,619,749</u>

Debt service requirements based on current principal borrowed and interest rates to maturity for notes payable is as follows:

2017	\$ 1,785,051
2018	1,781,426
2019	1,782,801
2020	1,779,051
2021	1,785,301
Thereafter	<u>28,250,687</u>
Total Payments	37,164,317
Less amounts representing interest	<u>8,514,491</u>
Principal	<u>\$ 28,649,826</u>

GASPARILLA ISLAND BRIDGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

Note 6-Capitalized Interest

Interest costs charged to operations consist of the following as of September 30, 2016 and 2015:

	2016	2015
Interest cost incurred	\$ 693,830	\$ 553,272
Decrease as a result of capitalizing interest as a cost of construction	-	238,610
Interest charged to operations	<u>\$ 693,830</u>	<u>\$ 314,662</u>

Note 7- Risk Management

The Authority's risk management activities are provided by commercial insurance coverage for all major categories of risk. There have been no significant reductions in insurance coverage from coverage in the prior year. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

Note 8- Prior Period Adjustment

The Authority made a prior period adjustment to expense debt issuance costs incurred and capitalized in prior years, in accordance with GASB 65 *Items Previously Reported as Assets and Liabilities*. Accordingly, the following adjustments were made to amounts reported as of September 30, 2015: net position- invested in capital assets decreased by \$309,059 and non-depreciable capital assets decreased by \$309,059.

Note 9- Subsequent Events

Subsequent events have been evaluated through February 15, 2017, the date the financial statements were available to be issued.

SINGLE AUDIT COMPLIANCE

INDEPENDENT AUDITORS' 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
Gasparilla Island Bridge Authority

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 Gasparilla Island Bridge Authority as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 15, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Gasparilla Island Bridge Authority'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 Gasparilla Island Bridge Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Gasparilla Island Bridge Authority'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 Gasparilla Island Bridge Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

Sarasota, FL
February 15, 2017

REPORT ON COMPLIANCE FOR EACH STATE PROJECT AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.550,
RULES OF THE AUDITOR GENERAL

Independent Auditors' Report

To the Board of Supervisors
Gasparilla Island Bridge Authority

Report on Compliance for Each Major State Project

We have audited the Gasparilla Island Bridge Authority's compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the Gasparilla Island Bridge Authority's major State projects for the year ended September 30, 2016. The Gasparilla Island Bridge Authority's major State projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with State statutes, regulations, and the terms and conditions of its State projects applicable to its State projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Gasparilla Island Bridge Authority's major State projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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*. Those standards and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State project occurred. An audit includes examining, on a test basis, evidence about the Gasparilla Island Bridge Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each State project. However, our audit does not provide a legal determination of the Gasparilla Island Bridge Authority's compliance.

Opinion on Each Major State Project

In our opinion, the Gasparilla Island Bridge Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State projects for the year ended September 30, 2016.

Report on Internal Control over Compliance

Management of the Gasparilla Island Bridge Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Gasparilla Island Bridge Authority's internal control over compliance with the requirements that could have a direct and material effect on a major State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Gasparilla Island Bridge Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses, or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and results of that testing based on the requirements of Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Sarasota, Florida
February 15, 2017

GASPARILLA ISLAND BRIDGE AUTHORITY

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED SEPTEMBER 30, 2016

State Agency/ Project Title	State CSFA Number	Contract Number	State Award Amount	Expenditures
Florida Department of Transportation State Infrastructure Bank	55.020	AR434 FPN# 433724-1-58-01	<u>\$ 30,000,000</u>	<u>\$ 4,987,198</u>
Total expenditures of state financial assistance			<u>\$ 30,000,000</u>	<u>\$ 4,987,198</u>

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Note A - Basis of Presentation

The accompanying schedule of expenditures of state financial assistance includes the state financial assistance activity of the Gasparilla Island Bridge Authority, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.550, Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are presented in accordance with the requirements of Chapter 10.550, Rules of the Auditor General.

GASPARILLA ISLAND BRIDGE AUTHORITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATE PROJECTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

Summary of Audit Results

1. The auditor’s report expresses an unmodified opinion on the Gasparilla Island Bridge Authority’s basic financial statements.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the 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.
3. No instances of noncompliance material to the financial statements of the Gasparilla Island Bridge Authority were disclosed during the audit.
4. No significant deficiencies in internal control over the major State projects are reported in the Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major State Project and on Internal Control over Compliance in Accordance with Chapter 10.550, Rules of the Auditor General.
5. The auditor’s report on compliance with requirements that could have a direct or material effect on each major State project for the Gasparilla Island Bridge Authority expresses an unmodified opinion.
6. Our audit disclosed no findings required to be reported related to State projects required to be disclosed under Chapter 10.557.
7. The projects tested as major programs included:

<u>CFSA Nos.</u>	<u>Project Title</u>	<u>Year</u>
55.020	State Infrastructure Bank	2016

8. The threshold for distinguishing Types A and B programs was \$300,000 for major State projects.

Findings - Financial Statements Audit

None

Findings and Questioned Costs - Major State Award Projects Audit

None

Questioned
Costs
None

OTHER REPORTS

EXAMINATION REPORT ON THE ENTITY'S COMPLIANCE WITH SPECIFIED REQUIREMENTS

To the Board of Supervisors
Gasparilla Island Bridge Authority

We have examined the Gasparilla Island Bridge Authority's compliance with Section 218.415, *Florida Statutes - Local Government Investment Policies*, during the fiscal year ended September 30, 2016. Management is responsible for the Gasparilla Island Bridge Authority's compliance with these requirements. Our responsibility is to express an opinion on the Gasparilla Island Bridge Authority'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 Gasparilla Island Bridge Authority'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 Gasparilla Island Bridge Authority's compliance with specified requirements.

In our opinion, the Gasparilla Island Bridge Authority 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 management and the Board of Supervisors of the Gasparilla Island Bridge Authority and is not intended to be and should not be used by anyone other than these specified parties.

Sarasota, Florida
February 15, 2017

MANAGEMENT LETTER AND OTHER COMMENTS

To the Board of Supervisors
Gasparilla Island Bridge Authority

Report on the Financial Statements

We have audited the financial statements of the Gasparilla Island Bridge Authority, Florida, as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated February 15, 2017.

Auditors' Responsibility

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

Other Reports and Schedules

We have issued our Independent Auditors' 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*; Independent Auditors' Report on Compliance for Each Major State Project and Report on Internal Control over Compliance; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 15, 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 significant findings and recommendations made in the preceding annual financial audit report. There were no 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. The Gasparilla Island Bridge Authority was established by Chapter 96-507 Laws of Florida. There are no component units.

Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the Gasparilla Island Bridge Authority has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Gasparilla Island Bridge Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Section 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 Gasparilla Island Bridge Authority'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

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the the Gasparilla Island Bridge Authority 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 determination of financial statement amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this letter

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

Sarasota, Florida
February 15, 2017