

**GATEWAY SERVICES COMMUNITY
DEVELOPMENT DISTRICT
BASIC FINANCIAL STATEMENTS**

September 30, 2012

GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
 BASIC FINANCIAL STATEMENTS
 September 30, 2012

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BASIC FINANCIAL STATEMENTS



INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
Gateway Services Community Development District
Lee County, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gateway Services Community Development District (the "District") as of and for the year ended September 30, 2012, which collectively comprises the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the District as of September 30, 2012, and the respective changes in financial position and the cash flows where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 27, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 through 8 and 36 and 37 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 operations, 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.

Keefe, McCullough & Co., LLP

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
June 27, 2013

**GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2012**

Our discussion and analysis of Gateway Services Community Development District's (the "District") financial performance provides an objective and easily readable analysis of the District's financial activities. The analysis provides summary financial information for the District and should be read in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

The following are the highlights of financial activity for the year ended September 30, 2012:

- The District's total assets exceeded total liabilities by \$ 46,282,172 (net assets). This total was comprised of \$ 36,349,136 in the District's governmental activities and \$ 9,933,036 in its business-type activities.
- Governmental activities revenues totaled \$ 2,727,231 while governmental activities expenses totaled \$ 4,123,612. Business-type revenues totaled \$ 3,374,765, while business-type expenses totaled \$ 3,507,414.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. The government-wide financial statements present an overall picture of the District's financial position and results of operations. The fund financial statements present financial information for the District's major funds. The notes to basic financial statements provide additional information concerning the District's finances that are not disclosed in the government-wide or fund financial statements.

Government-Wide Financial Statements

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

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

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

GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2012

Fund Financial Statements

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

Fund financial statements include a balance sheet and a statement of revenues, expenditures and change in fund balance for the governmental funds. For enterprise funds, a statement of net assets, a statement of revenues, expenses and change in net assets, and a statement of cash flows are presented. Fund financial statements provide more detailed information about the District's activities. Individual funds are established by the District to track revenues that are restricted to certain uses and to comply with legal requirements.

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

Notes to the Basic Financial Statements

The notes provide additional detail concerning the financial activities and financial balances of the District. Additional information about the accounting practices of the District, investments of the District, debt, and retirement plans are some of the items included in the notes to basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The following table reflects the condensed government-wide statements of net assets as of September 30, 2012 and 2011:

**GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2012**

**Gateway Services Community Development District
Statements of Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
CURRENT AND OTHER ASSETS	\$ 7,227,166	\$ 7,857,276	\$ 3,746,348	\$ 3,902,124	\$ 10,973,514	\$ 11,759,400
CAPITAL ASSETS (NET)	<u>32,084,677</u>	<u>33,037,700</u>	<u>10,853,104</u>	<u>11,236,413</u>	<u>42,937,781</u>	<u>44,274,113</u>
Total assets	<u>39,311,843</u>	<u>40,894,976</u>	<u>14,599,452</u>	<u>15,138,537</u>	<u>53,911,295</u>	<u>56,033,513</u>
OTHER LIABILITIES	326,958	353,459	2,644,922	2,587,356	2,971,880	2,940,815
NONCURRENT LIABILITIES	<u>2,635,749</u>	<u>2,796,000</u>	<u>2,021,494</u>	<u>2,485,496</u>	<u>4,657,243</u>	<u>5,281,496</u>
Total liabilities	<u>2,962,707</u>	<u>3,149,459</u>	<u>4,666,416</u>	<u>5,072,852</u>	<u>7,629,123</u>	<u>8,222,311</u>
NET ASSETS						
Invested in capital assets, net of related debt	29,670,325	30,556,370	9,139,133	9,336,565	38,809,458	39,892,935
Restricted	2,038,686	2,496,185	1,134,996	1,104,866	3,173,682	3,601,051
Unrestricted (deficit)	<u>4,640,125</u>	<u>4,692,962</u>	<u>(341,093)</u>	<u>(375,746)</u>	<u>4,299,032</u>	<u>4,317,216</u>
Total net assets	<u>\$ 36,349,136</u>	<u>\$ 37,745,517</u>	<u>\$ 9,933,036</u>	<u>\$ 10,065,685</u>	<u>\$ 46,282,172</u>	<u>\$ 47,811,202</u>

During the fiscal year ended September 30, 2012, total assets and liabilities for the primary government decreased approximately \$ 2,122,000 and \$ 593,000, respectively. Total assets and liabilities of the District's governmental activities decreased by approximately \$ 1,583,000 and \$ 188,000, respectively. These decreases were largely the result of depreciation on capital infrastructure and principal payments on long-term debt.

Net assets of the business-type activities decreased by approximately \$ 133,000. Included in this decrease is depreciation and amortization expense totaling approximately \$ 556,000. Total assets and liabilities of the business-type activities decreased by approximately \$ 539,000 and \$ 206,000, respectively. These decreases were largely the result of depreciation on capital infrastructure, timing of vendor payments and principal payments on long-term debt.

Governmental and Business-Type Activities

Governmental activities decreased the District's net assets by \$ 1,396,381, while business-type activities decreased the District's net assets by \$ 132,649, as reflected in the table below:

**Gateway Services Community Development District
Statements of Activities**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
REVENUES:						
Charges for services	\$ 2,585,537	\$ 2,688,489	\$ 3,359,573	\$ 3,021,214	\$ 5,945,110	\$ 5,709,703
Operating grants	-	831	-	-	-	831
General revenue:						
Interest income	40,453	136,372	15,192	33,291	55,645	169,663
Other income	<u>101,241</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,241</u>	<u>-</u>
Total revenues	<u>2,727,231</u>	<u>2,825,692</u>	<u>3,374,765</u>	<u>3,054,505</u>	<u>6,101,996</u>	<u>5,880,197</u>

**GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2012**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
EXPENSES:						
General government	227,336	258,636	-	-	227,336	258,636
Maintenance and operations	3,708,446	3,943,233	-	-	3,708,446	3,943,233
Interest and other debt service costs	187,830	188,291	-	-	187,830	188,291
Water and sewer	-	-	<u>3,507,414</u>	<u>3,385,848</u>	<u>3,507,414</u>	<u>3,385,848</u>
Total expenses	<u>4,123,612</u>	<u>4,390,160</u>	<u>3,507,414</u>	<u>3,385,848</u>	<u>7,631,026</u>	<u>7,776,008</u>
Change in net assets	(1,396,381)	(1,564,468)	(132,649)	(331,343)	(1,529,030)	(1,895,811)
NET ASSETS, beginning of the year	<u>37,745,517</u>	<u>39,309,985</u>	<u>10,065,685</u>	<u>10,397,028</u>	<u>47,811,202</u>	<u>49,707,013</u>
NET ASSETS, end of the year	<u>\$ 36,349,136</u>	<u>\$ 37,745,517</u>	<u>\$ 9,933,036</u>	<u>\$ 10,065,685</u>	<u>\$ 46,282,172</u>	<u>\$ 47,811,202</u>

Governmental Activities

Revenues of the District's governmental activities decreased by approximately \$ 98,000, while expenses decreased by approximately \$ 267,000 over the prior year. The decrease in revenues was due to a decrease in assessments. The decrease in expenses was due to a decrease in wetland maintenance expense. The overall results produced an approximate \$ 1,400,000 decrease in net assets for fiscal year 2012.

Business-type Activities

Revenues and expenses of the District's business-type activities increased by approximately \$ 320,000 and \$ 122,000, respectively. The increase in revenues was due to an increase in rates for water, sewer, and irrigation usage. The increase in expenses was due to repairs and maintenance of infrastructure. The overall results produced a \$ 133,000 decrease in net assets for fiscal year 2012.

ANALYSIS OF THE GOVERNMENTAL FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported an ending fund balance of \$ 6,972,220.

**GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2012**

CAPITAL ASSETS AND DEBT ADMINISTRATION

The District's capital assets less accumulated depreciation for its governmental activities and business-type activities as of September 30, 2012 amounts to \$ 42,937,781.

Gateway Services Community Development District
Capital Assets (net of accumulated depreciation)

	Governmental Activities	Business- Type Activities
Land and land improvements	\$ 5,439,433	\$ -
Construction in progress	461,235	-
Building and improvements	305,746	-
Infrastructure	25,682,600	-
Equipment	195,663	26,000
Water and sewer lines	-	9,417,995
Meters in the field	-	163,204
Plant and equipment	-	1,245,905
	\$ 32,084,677	\$ 10,853,104

At the end of the year, the District's governmental activities had special assessment bond debt outstanding of \$ 2,695,531 net of unamortized bond discount of \$ 19,469 and the District's business-type activities had water and sewer revenue bond debt outstanding of \$ 2,243,465, net of unamortized bond discount of \$ 21,535

Additional information on the District's debt can be found in Notes 6 and 7 on pages 31 through 34 of this report.

General Fund Budgetary Highlights

An operating budget was established by the governing board for the District pursuant to the requirements of Florida Statutes. The budget to actual comparisons for the general fund and special revenue funds, including the original budget and final adopted budgets are shown on pages 36 and 37.

The District experienced an unfavorable variance in revenues and expenditures as compared to the general fund budget in the amount of \$ 80,682 and \$ 115,882, respectively.

The District experienced a favorable variance in expenditures from the Stoneybrook Special Revenue Fund budget in the amount of \$ 27,481. This difference occurred primarily due to anticipated budgeted operating expenditures that were not incurred during the year. Actual revenues were not substantially different from budgeted amounts.

**GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2012**

The District experienced a favorable variance in revenues over the Pelican Preserve Special Revenue Fund budget in the amount of \$ 48,823. Conversely, the District experienced an unfavorable variance in expenditures compared to the budget in the amount of \$ 757.

FUTURE FINANCIAL FACTORS

Gateway Services Community Development District is an independent special district that operates under the provisions of Chapter 190, Florida Statutes. The District operates under an elected Board of Supervisors, which establishes policy and sets assessment rates. Assessment rates for fiscal year 2013 were established to provide for the operations of the District.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Gateway Services Community Development District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Gateway Services Community Development District, 5680 W Cypress Street, Suite A, Tampa, Florida 33607.

GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF NET ASSETS
September 30, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Current:			
Cash and cash equivalents	\$ 6,965,362	\$ 1,496,005	\$ 8,461,367
Accounts receivable, net	-	689,295	689,295
Accrued interest receivable	2,841	-	2,841
Prepaid expenses	16,985	-	16,985
Internal balances	171,396	(171,396)	-
Restricted assets:			
Cash and cash equivalents	-	1,503,563	1,503,563
Investments	-	66,502	66,502
Deferred charges, net	70,582	162,379	232,961
Capital assets:			
Non depreciable	5,900,668	-	5,900,668
Depreciable, net	<u>26,184,009</u>	<u>10,853,104</u>	<u>37,037,113</u>
Total assets	<u>39,311,843</u>	<u>14,599,452</u>	<u>53,911,295</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	184,364	64,979	249,343
Accrued interest payable	77,594	67,950	145,544
Customer prepayments	-	2,056,374	2,056,374
Due to other governments	-	225,619	225,619
Bonds payable	65,000	230,000	295,000
Noncurrent liabilities:			
Compensated absences payable	5,218	8,029	13,247
Bonds payable, less current portion	<u>2,630,531</u>	<u>2,013,465</u>	<u>4,643,996</u>
Total liabilities	<u>2,962,707</u>	<u>4,666,416</u>	<u>7,629,123</u>
NET ASSETS:			
Invested in capital assets, net of related debt	29,670,325	9,139,133	38,809,458
Restricted:			
Debt service	215,389	296,229	511,618
Rate stabilization	-	540,296	540,296
Maintenance reserve	-	298,471	298,471
Capital projects	1,823,297	-	1,823,297
Unrestricted (deficit)	<u>4,640,125</u>	<u>(341,093)</u>	<u>4,299,032</u>
Total net assets	<u>\$ 36,349,136</u>	<u>\$ 9,933,036</u>	<u>\$ 46,282,172</u>

The accompanying notes to basic financial statements are an integral part of these statements.

GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS:						
Governmental activities:						
General government	\$ 227,336	\$ 190,230	\$ -	\$ (37,106)	\$ -	\$ (37,106)
Maintenance and operations	3,708,446	2,141,199	-	(1,567,247)	-	(1,567,247)
Interest and other debt service costs	187,830	254,108	-	66,278	-	66,278
Total governmental activities	4,123,612	2,585,537	-	(1,538,075)	-	(1,538,075)
Business-type activities:						
Water and sewer	3,507,414	3,359,573	-	-	(147,841)	(147,841)
Total business-type activities	3,507,414	3,359,573	-	-	(147,841)	(147,841)
Total primary government	\$ 7,631,026	\$ 5,945,110	\$ -	(1,538,075)	(147,841)	(1,685,916)
General revenues:						
Interest income				40,453	15,192	55,645
Other income				101,241	-	101,241
Total general revenues				141,694	15,192	156,886
Change in net assets				(1,396,381)	(132,649)	(1,529,030)
Net assets, October 1, 2011				37,745,517	10,065,685	47,811,202
Net assets, September 30, 2012				\$ 36,349,136	\$ 9,933,036	\$ 46,282,172

The accompanying notes to basic financial statements are an integral part of these statements.

GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
 September 30, 2012

A S S E T S

		Stoneybrook	Special Revenue Funds	Town Lakes	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
			Pelican Preserve				
ASSETS:							
Cash and cash equivalents	\$ 4,289,277	\$ -	\$ 295,879	\$ -	\$ 1,881,152	\$ 499,054	\$ 6,965,362
Interest receivable	-	-	-	-	-	2,841	2,841
Prepaid expenses	16,985	-	-	-	-	-	16,985
Due from other funds	179,338	6,668	116,622	12,320	-	1,685	316,633
Total assets	\$ 4,485,600	\$ 6,668	\$ 412,501	\$ 12,320	\$ 1,881,152	\$ 503,580	\$ 7,301,821

LIABILITIES AND FUND BALANCES

LIABILITIES AND FUND BALANCES:							
Accounts payable	\$ 77,891	\$ -	\$ 106,473	\$ -	\$ -	\$ -	\$ 184,364
Due to other funds	79,440	2,035	5,907	-	57,855	-	145,237
Total liabilities	157,331	2,035	112,380	-	57,855	-	329,601

FUND BALANCES:

Nonspendable:							
Prepays	16,985	-	-	-	-	-	16,985
Restricted for:							
Debt service	-	-	-	-	-	503,580	503,580
Capital projects	-	-	-	-	1,823,297	-	1,823,297
Assigned for:							
Emergency funds	700,000	-	-	-	-	-	700,000
Operating reserve	287,794	-	-	-	-	-	287,794
Capital assets	3,323,490	-	-	-	-	-	3,323,490
Special revenue activities	-	4,633	300,121	12,320	-	-	317,074
Total fund balances	4,328,269	4,633	300,121	12,320	1,823,297	503,580	6,972,220
Total liabilities and fund balances	\$ 4,485,600	\$ 6,668	\$ 412,501	\$ 12,320	\$ 1,881,152	\$ 503,580	\$ 7,301,821

The accompanying notes to basic financial statements are an integral part of these statements.

GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 September 30, 2012

AMOUNTS REPORTED FOR GOVERNMENTAL
 ACTIVITIES IN THE STATEMENT OF NET ASSETS
 ARE DIFFERENT BECAUSE:

Total fund balance of the governmental funds in the balance sheet, page 11	\$ 6,972,220
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Capital assets used in governmental activities are not
 financial resources and, therefore, are not reported
 in the governmental funds:

Governmental capital assets	\$ 46,596,195	
Less accumulated depreciation	<u>(14,511,518)</u>	32,084,677

Other assets used in governmental activities are not
 financial resources and therefore are not reported
 in the governmental funds:

Bond issuance costs, net	70,582
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Certain liabilities are not due and payable in the
 current period and, therefore, are not reported
 in the governmental funds:

Accrued interest payable	(77,594)
Compensated absences payable	(5,218)
Governmental bonds payable	<u>(2,695,531)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 9	\$ <u><u>36,349,136</u></u>
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The accompanying notes to basic financial statements are an integral part of these statements.

GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2012

	General Fund	Special Revenue Funds			Capital Projects Fund	Debt Service Fund	Total Governmental Funds
		Stoneybrook	Pelican Preserve	Town Lakes			
REVENUES:							
Assessments	\$ 1,754,932	\$ 429,064	\$ 140,126	\$ 7,307	\$ -	\$ 254,108	\$ 2,585,537
Interest and other revenues	77,630	-	59,628	-	174	4,262	141,694
Total revenues	1,832,562	429,064	199,754	7,307	174	258,370	2,727,231
EXPENDITURES:							
Current:							
General government	162,630	17,356	63,575	-	-	-	243,561
Maintenance and operations	1,674,899	327,205	124,975	462	-	-	2,127,541
Capital outlay	157,954	-	8,693	-	461,235	-	627,882
Debt service:							
Principal payments	-	-	-	-	-	80,000	80,000
Interest	-	-	-	-	-	181,431	181,431
Total expenditures	1,995,483	344,561	197,243	462	461,235	261,431	3,260,415
Net change in fund balances	(162,921)	84,503	2,511	6,845	(461,061)	(3,061)	(533,184)
FUND BALANCES (DEFICIT)							
October 1, 2011	4,491,190	(79,870)	297,610	5,475	2,284,358	506,641	7,505,404
FUND BALANCES, September 30, 2012	\$ 4,328,269	\$ 4,633	\$ 300,121	\$ 12,320	\$ 1,823,297	\$ 503,580	\$ 6,972,220

The accompanying notes to basic financial statements are an integral part of these statements.

GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2012

AMOUNTS REPORTED FOR GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF ACTIVITIES
ARE DIFFERENT BECAUSE:

Net change in fund balance - total governmental funds,
page 13 \$ (533,184)

Governmental funds report capital outlays as
expenditures. However, in the statement of activities,
the cost of those assets is depreciated over their
estimated useful lives.

Expenditures for capital assets	\$ 584,499	
Current year provision for depreciation	<u>(1,537,522)</u>	(953,023)

Repayment of debt principal in an expenditure in the
governmental funds, but the repayment reduces long-term
liabilities in the statement of net assets:

Bond principal payments		80,000
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Certain items reported in the statement of activities do not
require the use of current financial resources and therefore
are not reported as expenditures in the governmental funds:

Change in accrued interest payable		(1,896)
Change in compensated absences		16,225
Provision for amortization of bond issuance costs		(3,529)
Provision for amortization of bond discount		<u>(974)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 10		\$ <u><u>(1,396,381)</u></u>
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The accompanying notes to basic financial statements are an integral part of these statements.

GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF NET ASSETS - PROPRIETARY FUND
September 30, 2012

	<u>Water and Sewer Fund</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 1,496,005
Accounts receivable, net	689,295
Due from other funds	<u>6,710</u>
Total current assets	<u>2,192,010</u>
Restricted assets:	
Cash and cash equivalents	1,503,563
Investments	<u>66,502</u>
Total restricted assets	<u>1,570,065</u>
Non-current assets:	
Unamortized bond issuance costs	162,379
Capital assets (net)	<u>10,853,104</u>
Total non-current assets	<u>11,015,483</u>
Total assets	<u>\$ 14,777,558</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 64,979
Accrued interest payable	67,950
Customer prepayments	2,056,374
Due to other governments	225,619
Due to other funds	178,106
Current portion of bonds payable	<u>230,000</u>
Total current liabilities	2,823,028
Noncurrent liabilities:	
Compensated absences payable	8,029
Bonds payable, less current portion	<u>2,013,465</u>
Total liabilities	<u>4,844,522</u>
NET ASSETS:	
Invested in capital assets, net of related debt	9,139,133
Restricted:	
Debt service	296,229
Rate stabilization	540,296
Maintenance reserve	298,471
Unrestricted (deficit)	<u>(341,093)</u>
Total net assets	<u>9,933,036</u>
Total liabilities and net assets	<u>\$ 14,777,558</u>

The accompanying notes to basic financial statements are an integral part of these statements.

GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET ASSETS - PROPRIETARY FUND
For the Year Ended September 30, 2012

	<u>Water and Sewer Fund</u>
OPERATING REVENUES:	
Charges for services	\$ <u>3,359,573</u>
OPERATING EXPENSES:	
Water purchases	1,643,515
Administrative and other	531,436
Depreciation and amortization	556,027
Personnel services	267,035
Repairs and maintenance	195,260
Utilities	148,876
Insurance	<u>26,288</u>
Total operating expenses	<u>3,368,437</u>
Operating loss	<u>(8,864)</u>
NONOPERATING REVENUES (EXPENSES):	
Interest earnings	15,192
Interest expense	<u>(138,977)</u>
Total nonoperating revenues (expenses)	<u>(123,785)</u>
Change in net assets	(132,649)
NET ASSETS, October 1, 2011	<u>10,065,685</u>
NET ASSETS, September 30, 2012	<u>\$ <u>9,933,036</u></u>

The accompanying notes to basic financial statements are an integral part of these statements.

GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended September 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers and users	\$ 3,249,068
Cash paid to employees for services	(276,907)
Cash paid to suppliers for goods and services	<u>(2,759,844)</u>
Net cash provided by operating activities	<u>212,317</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Net cash received from other governments	64,052
Net cash payments to other funds	<u>(399,151)</u>
Net cash used in noncapital financing activities	<u>(335,099)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Interest paid	(142,350)
Bond principal payments	(215,000)
Purchase of capital assets	<u>(149,521)</u>
Net cash used in capital and related financing activities	<u>(506,871)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received	15,201
Net sale of investments	<u>1,482,728</u>
Net cash provided by investing activities	<u>1,497,929</u>
Net increase in cash and cash equivalents	868,276

CASH AND CASH EQUIVALENTS, October 1, 2011	<u>2,131,292</u>
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CASH AND CASH EQUIVALENTS, September 30, 2012	\$ <u><u>2,999,568</u></u>
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The accompanying notes to basic financial statements are an integral part of these statements.

GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
(continued)
For the Year Ended September 30, 2012

RECONCILIATION OF OPERATING LOSS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES:

Operating loss	\$ <u>(8,864)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Provision for depreciation	532,830
Provision for amortization	23,197
Changes in assets and liabilities:	
Increase in accounts receivable	(91,680)
Decrease in prepaid expenses	8,949
Decrease in accounts payable	(223,418)
Decrease in deferred revenue	(4,186)
Decrease in customer prepayments	(14,639)
Decrease in compensated absences payable	<u>(9,872)</u>
Total adjustments	<u>221,181</u>
Net cash provided by operating activities	<u><u>\$ 212,317</u></u>

The accompanying notes to basic financial statements are an integral part of these statements.

GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
September 30, 2012

	<u>Pension Trust Fund</u>	<u>Agency Fund</u>	<u>Total</u>
ASSETS:			
Cash	\$ -	\$ 268,915	\$ 268,915
Investments	-	249,958	249,958
Total assets	<u>\$ -</u>	<u>\$ 518,873</u>	<u>\$ 518,873</u>
LIABILITIES:			
Due to HOA	\$ -	\$ 262,512	\$ 262,512
Agency funds on hand	-	256,361	256,361
Total liabilities	<u>-</u>	<u>\$ 518,873</u>	<u>518,873</u>
NET ASSETS:			
Held in trust for:			
Employee's pension benefits	<u>-</u>		<u>-</u>
Total net assets	<u>-</u>		<u>-</u>
Total liabilities and net assets	<u>\$ -</u>		<u>\$ -</u>

The accompanying notes to basic financial statements are an integral part of these statements.

GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF CHANGES IN PENSION TRUST FUND
For the Year Ended September 30, 2012

ADDITIONS:		
Investment gains	\$	<u>23,319</u>
DELETIONS:		
Distributions	\$	<u>204,939</u>
Change in net assets		(181,620)
NET ASSETS, October 1, 2011		<u>181,620</u>
NET ASSETS, September 30, 2012	\$	<u><u>-</u></u>

The accompanying notes to basic financial statements are an integral part of these statements.

GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2012

NOTE 1 - ORGANIZATION AND OPERATIONS

The Gateway Services Community Development District (the "District") was established on May 22, 1986 pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes, by the Florida Land and Water Adjudicatory Commission Chapter 42F-1. 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 a Board of Supervisors (the "Board"), which is comprised of five members. The Supervisors are elected on an at large basis by registered voters residing within the boundaries of the District. The Board exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the final responsibility for:

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The District's more significant accounting policies are described below.

Reporting entity:

The criteria used for including component units consists of identification of legally separate organizations for which the Board of Supervisors of the District are financially accountable. This criteria also includes identification of organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete. Based upon this review, there were no potential component units of the District.

Basis of Presentation:

FINANCIAL STATEMENTS – GOVERNMENT WIDE STATEMENTS

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District has both governmental and business-type activities.

GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis, if applicable, and is reported on a full-accrual, economic resource basis, which recognizes all noncurrent assets and receivables as well as all noncurrent debt and obligations. The effect of inter-fund activity has been eliminated from the government-wide financial statements.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The net costs, by function, are also supported by general revenues, other revenue, etc. The statement of activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflect capital-specific grants.

This government-wide focus is more on the ability to sustain the District as an entity and the change in the District's net assets resulting from the current year's activities.

FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues and expenditures (expenses).

The District reports the following major funds:

GOVERNMENTAL FUND TYPE

General Fund – The General Fund is the primary operating fund of the District. It is used to account for all the financial resources except those required to be accounted for in other funds.

Stoneybrook, Pelican Preserve and Town Lakes Special Revenue Funds – These Special Revenue Funds are the primary operating funds of their respective developments which are located within the boundaries of the District.

Capital Projects Fund – The Capital Projects Fund accounts for the financial resources to be used in the acquisition or construction of major infrastructure within the District financed with the Bonds.

PROPRIETARY FUND TYPE

Water and Sewer Fund – The Water and Sewer Fund is used to account for the operations of the water and sewer facilities, which are funded by the proceeds from operations of these facilities, including user fees, meter fees, and connection fees.

GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition, the District reports the following fiduciary funds which account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement.

Pension Trust Fund – The Pension Trust Fund is used to account for the changes in net assets held in trust for the employees' pension benefit.

Agency Fund – The Agency Fund is used to account for the collection and remittance of monies by the District on behalf of other governments and entities.

Measurement focus, basis of accounting, and presentation:

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the basic financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. Governmental funds use the current financial resources measurement focus and the government-wide statements use the economic resources measurement focus.

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available for use. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers revenues available if they are collected within sixty days after year end. Expenditures are generally recognized when the liability is incurred, except that interest payable on debt is recognized only when due.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund are charges to customers for water and sewer usage. The District's operating expenses within its proprietary fund include the cost of water, administrative expenses, insurance, repairs and maintenance, utilities, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The District has elected not to follow subsequent private sector guidance.

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

GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and budgetary accounting:

The District is required to establish a budgetary system and an approved annual budget. Annual budgets are legally adopted on a basis consistent with generally accepted accounting principles (GAAP) for the General Fund and the special revenue funds. Any revision to the budget must be approved by the District Board. The budgets are compared to actual expenditures. In instances where budget appropriations and estimated revenues have been revised during the year, budget data presented in the financial statements represent final authorization amounts.

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. A public hearing is conducted to obtain 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. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

For the year ended September 30, 2012, expenditures exceeded the budget in the General Fund by \$ 115,882 and in Pelican Preserve Fund by \$ 757.

Cash equivalents:

For purposes of the statement of cash flows, the Water and Sewer Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Investments:

Investments are stated at their fair value, which is based on quoted market prices. Unrealized gains and losses in fair value are recognized. Certain investments are stated at amortized cost if they have a remaining maturity of one year or less when purchased.

Restricted assets:

Certain proceeds of the District's Water and Sewer Refunding Revenue Bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Prepaid expenses/expenditures:

When applicable, certain payments reflect costs applicable to a future accounting period and are recorded as prepaid items in both the government-wide and fund financial statements.

GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 September 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets:

Capital assets, which include primarily infrastructure assets (e.g. roads, sidewalks, water management systems and similar items), are reported in the governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial/individual cost of more than \$ 5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost and estimated historical cost if purchased or constructed. Donated assets are recorded at fair market value at the date of donation.

Proprietary fund capital assets are capitalized and depreciated over useful lives of the assets. The District's proprietary fund capital assets include water and sewer lines, meters in the field and equipment for the water and sewer facilities. Property, plant and equipment of the business-type activities are depreciated using the straight line method over the following estimated useful lives.

Water and sewer lines	30-40 years
Meters in the field	15-20 years
Plant and equipment	10-39 years
Equipment	5-10 years

The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Infrastructure	20-40 years
Buildings and improvements	7-39 years
Equipment	5-10 years

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.

Accounts receivable:

Accounts receivable reflected in the Water and Sewer Fund consist of charges to customers for services including water, sewer and irrigation revenues on services which have been rendered whether billed or not. Accounts receivable in the Water and Sewer Fund are shown net of an allowance for doubtful accounts of \$ 156,098.

Due to/from other funds:

Short-term inter-fund advances, when applicable, are recorded by the advancing fund as a receivable with a corresponding payable recorded by the receiving fund. Repayments reduce the corresponding receivable and payable. Inter-fund balances are eliminated in the government-wide financial statements.

GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated absences:

Vested or accumulated leave (annual, personal and sick) that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. All vested or accumulated leave is accrued when incurred in the government-wide and proprietary fund financial statements. In accordance with the provisions of governmental accounting standards, no liability is recorded for nonvesting accumulating rights to receive sick pay or personal leave benefits.

Long term obligations and bond issuance costs:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method or effective-interest method. Bonds payable are reported net of premiums or discounts. Bond issuance costs are shown as deferred charges and are presented net of accumulated amortization.

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

Equity classifications:

Government-wide statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets - consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund statements

The District presents fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement requires that governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Board of Supervisors (the "Board"). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District Manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned: This classification includes the residual fund balance for the General Fund.

When the District has expenditures for which committed, assigned or unassigned fund balance is available, the District would consider committed funds to be spent first, then assigned funds and lastly unassigned funds.

Assessments:

Assessments, including debt services assessments and operation and maintenance assessments, are non-ad valorem assessments imposed on all lands located within the District and benefitted by the District's activities. Operation and maintenance assessments are imposed upon all benefitted lands located in the District. Debt service special assessments are imposed upon certain lots and lands as described in each resolution imposing the special assessment for each series of bonds issued by the District.

GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 September 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Date of management review:

Subsequent events were evaluated through June 27, 2013, which is the date the financial statements were available for issuance.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits:

The District's deposits must be placed with banks and savings and loans which are qualified as public depositories prior to receipt of public monies under Chapter 280, Florida Statutes. These deposits are insured by the FDIC up to \$ 250,000. Monies deposited in amounts greater than the insurance coverage are secured by the banks pledging securities with the State Treasurer in the collateral pool. At year end, the carrying amount of the District's bank deposits, excluding the Agency Fund, was \$ 6,081,161 and the bank balance was \$ 6,136,880.

Investments:

The District is authorized to invest in financial instruments as established by Section 218.415, Florida Statutes. The authorized investments include among others, negotiable direct or indirect obligation which are secured by the United States Government; the Local Government Surplus Funds Trust as created by Section 218.405, Florida Statute; SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and interest bearing time deposits or savings accounts in authorized financial institutions. In addition, the District's Bond Indentures allow it to invest in highly rated commercial paper and other securities including government obligations of any political subdivision of any state within the United States.

Investments as of September 30, 2012 were as follows:

	Reported Amount - Fair Value	Maturity
Money market mutual funds	\$ 3,883,770	N/A
Certificate of Deposit	66,501	11/27/12
	\$ 3,950,271	

GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

These deposits and investments are reflected in the accompanying statement of net assets as follows:

Cash and cash equivalents	\$ 9,964,930
Investments	<u>66,502</u>
	<u>\$ 10,031,432</u>

Credit risk:

Florida Statutes require the money market mutual funds held by the District to have the highest credit quality rating from a nationally recognized rating agency. The money market mutual funds held by the District are rated AAAM by Standard and Poor's and Aaa by Moody's Investors Service.

Interest rate risk:

The District does not have a formal policy for addressing interest rate risk; however, investments are made with discretion, to seek reasonable returns, preserve capital, and in general, avoid speculative investments. The District manages its exposure to declines in fair values from interest rate changes by reviewing the portfolio on an ongoing basis for changes in effective yield amounts.

Custodial credit risk:

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has adopted a policy for custodial credit risk, however, at September 30, 2012, no investments are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration risk:

The District's investment policy requires diversification, but does not specify limits on types of investments.

Restricted cash, cash equivalents and investments:

The proprietary fund maintains cash, cash equivalents and investments in the amounts of \$ 1,570,065 that are restricted under the terms of the bond indenture.

GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2012

NOTE 4 - INTERFUND BALANCES

At September 30, 2012, interfund receivables and payables are as follows:

	General Fund	Pelican Preserve	Stoneybrook	Capital Projects Fund	Water and Sewer Fund	Total
Due to:						
General Fund	\$ -	\$ -	\$ 1,232	\$ -	\$ 178,106	\$ 179,338
Pelican Preserve	58,767	-	-	57,855	-	116,622
Stoneybrook	6,668	-	-	-	-	6,668
Town Lakes	12,320	-	-	-	-	12,320
Debt Service Fund	1,685	-	-	-	-	1,685
Water and Sewer Fund	-	5,907	803	-	-	6,710
	<u>\$ 79,440</u>	<u>\$ 5,907</u>	<u>\$ 2,035</u>	<u>\$ 57,855</u>	<u>\$ 178,106</u>	<u>\$ 323,343</u>

The outstanding balances between the funds resulted primarily from borrowings to pay certain expenses and the differences in the dates that certain transactions are received by the District and the time for the receipt of funds to clear before these funds can be transferred to the applicable account.

NOTE 5 - CAPITAL ASSETS

The following is a schedule of changes in capital assets during the year ended September 30, 2012:

	Balance, October 1, 2011	Additions	Deletions	Balance, September 30, 2012
Governmental Activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 5,439,433	\$ -	\$ -	\$ 5,439,433
Construction in progress	-	461,235	-	461,235
Total capital assets, not being depreciated	<u>5,439,433</u>	<u>461,235</u>	<u>-</u>	<u>5,900,668</u>
Capital assets, being depreciated:				
Building and improvements	2,217,817	-	-	2,217,817
Infrastructure	37,918,254	-	-	37,918,254
Equipment	436,192	123,264	-	559,456
Total capital assets, being depreciated	<u>40,572,263</u>	<u>123,264</u>	<u>-</u>	<u>40,695,527</u>
Less accumulated depreciation for:				
Building and improvements	1,822,466	89,605	-	1,912,071
Infrastructure	10,805,675	1,429,979	-	12,235,654
Equipment	345,855	17,938	-	363,793
Total accumulated depreciation	<u>12,973,996</u>	<u>1,537,522</u>	<u>-</u>	<u>14,511,518</u>
Total capital assets, being depreciated, net	<u>27,598,267</u>	<u>(1,414,258)</u>	<u>-</u>	<u>26,184,009</u>
Governmental activities capital assets, net	<u>\$ 33,037,700</u>	<u>\$ (953,023)</u>	<u>\$ -</u>	<u>\$ 32,084,677</u>

GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2012

NOTE 5 - CAPITAL ASSETS (continued)

	Balance, October 1, 2011	Additions	Deletions	Balance, September 30, 2012
Business-Type Activities:				
Capital assets, being depreciated:				
Water and sewer lines	17,384,597	-	-	17,384,597
Equipment	230,337	-	-	230,337
Meters in the field	344,649	-	-	344,649
Plant and equipment	<u>1,290,698</u>	<u>149,521</u>	<u>-</u>	<u>1,440,219</u>
Total capital assets, being depreciated	<u>19,250,281</u>	<u>149,521</u>	<u>-</u>	<u>19,399,802</u>
Less accumulated depreciation for:				
Water and sewer lines	7,514,732	451,870	-	7,966,602
Equipment	188,064	16,273	-	204,337
Meters in the field	167,725	13,720	-	181,445
Plant and equipment	<u>143,347</u>	<u>50,967</u>	<u>-</u>	<u>194,314</u>
Total accumulated depreciation	<u>8,013,868</u>	<u>532,830</u>	<u>-</u>	<u>8,546,698</u>
Total capital assets, being depreciated, net	<u>11,236,413</u>	<u>(383,309)</u>	<u>-</u>	<u>10,853,104</u>
Business-type activities capital assets, net	<u>\$ 11,236,413</u>	<u>\$ (383,309)</u>	<u>\$ -</u>	<u>\$ 10,853,104</u>

Provision for depreciation was charged as follows:

Total provision for depreciation - governmental activities	\$ <u>1,537,522</u>
Total provision for depreciation - business-type activities	\$ <u>532,830</u>

NOTE 6 - DEBT

a. Summary of Long-Term Debt of Governmental Activities:

Debt of governmental activities at September 30, 2012 included the following:

\$ 3,200,000 Special Assessment Bonds, Series 2003A; due in semi-annual installments through May 2033; interest payable semi-annually at 6.50% (net of unamortized bond discount of \$ 19,469).	\$ <u>2,695,531</u>
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GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2012

NOTE 6 – DEBT (continued)

The following is a summary of the changes in governmental activities long-term debt during the year ended September 30, 2012:

	Balance, October 1, 2011	Additions	Deletions	Balance, September 30, 2012	Due Within One Year
Special Assessment Revenue Bonds, Series 2003A	\$ 2,795,000	\$ -	\$ 80,000	\$ 2,715,000	\$ 65,000
Original issue discount	(20,443)	-	(974)	(19,469)	-
Compensated absences	21,443	-	16,225	5,218	-
	<u>\$ 2,796,000</u>	<u>\$ -</u>	<u>\$ 95,251</u>	<u>\$ 2,700,749</u>	<u>\$ 65,000</u>

b. **Summary of Significant Debt Terms of Governmental Activities:**

\$ 3,200,000 Special Assessment Revenue Bonds, Series 2003A - The District previously issued \$ 3,200,000 of Series 2003A Special Assessment Revenue Bonds. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. The bonds bear interest at 6.50% and mature in May 2033. Interest is payable semiannually on each May first and November 1. Principal on the Bonds is paid serially commencing on May 1, 2004 through May 1, 2033.

The Bond Indenture has certain restrictions and requirements relating principally to the use of the proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agreed to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirement. The District is in compliance with the requirements of the Bond Indenture.

The annual debt service requirements to maturity for the outstanding bonds of governmental activities are as follows:

2013	\$ 65,000	\$ 177,126	\$ 242,126
2014	70,000	172,900	242,900
2015	75,000	168,350	243,350
2016	80,000	163,474	243,474
2017	85,000	158,275	243,275
2018-2022	510,000	701,575	1,211,575
2023-2027	690,000	513,825	1,203,825
2028-2032	930,000	259,350	1,189,350
2033	210,000	14,300	224,300
	<u>\$ 2,715,000</u>	<u>\$ 2,329,175</u>	<u>\$ 4,819,875</u>

GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2012

NOTE 6 – DEBT (continued)

c. Summary of Long-Term Debt of Business-Type Activities:

Debt of business-type activities at September 30, 2012 included the following:

\$ 3,815,000 Water and Sewer Refunding Revenues Bonds, Series 2003; due in semi-annual installments through October 2019; interest payable semi-annually at 6.00% (net of unamortized bond discount of \$ 21,535). \$ 2,243,465

The following is a summary of the changes in governmental activities long-term debt during the year ended September 30, 2012:

	Balance, October 1, 2011	Additions	Deletions	Balance, September 30, 2012	Due Within One Year
Water and Sewer Refunding Revenue Bonds, Series 2003	\$ 2,480,000	\$ -	\$ 215,000	\$ 2,265,000	\$ 230,000
Original issue discount	(24,612)	-	(3,077)	(21,535)	-
Compensated absences	17,901	-	9,872	8,029	-
	<u>\$ 2,473,289</u>	<u>\$ -</u>	<u>\$ 221,795</u>	<u>\$ 2,251,494</u>	<u>\$ 230,000</u>

d. Summary of Significant Debt Terms of Business-Type Activities:

\$ 3,815,000 Water and Sewer Refunding Revenue Bonds, Series 2003 - The District previously issued \$ 3,815,000 of Series 2003 Water and Sewer Refunding Revenue Bonds. The Bonds were issued to refinance the Water and Sewer Revenue Bonds, Series 1989. The bonds bear interest at 6.00% and mature in October 2019. Interest is payable semiannually on each April 1 and October 1. Principal on the Bonds is paid serially commencing on October 1, 2003 through October 1, 2019.

The Bond Indenture has certain restrictions and requirements relating principally to the use of the proceeds to refund and defease the Water and Sewer Revenue Bonds, Series 1989. The District pledged as security for payment of the principal and interest on the Bonds the net revenues (gross revenues less cost of operations and maintenance) derived from the operation of the District's water and sewer system. At September 30, 2012, the District is in compliance with the requirements of the Bond Indenture.

The annual debt service requirements to maturity for the outstanding bonds of business-type activities are as follows:

Year Ending September 30,	Principal	Interest	Total
2013	\$ 230,000	\$ 129,000	\$ 359,000
2014	245,000	114,750	359,750
2015	255,000	99,750	354,750
2016	270,000	84,000	354,000
2017	290,000	67,200	357,200
2018-2019	975,000	90,150	1,065,150
	<u>\$ 2,265,000</u>	<u>\$ 584,850</u>	<u>\$ 2,849,850</u>

GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2012

NOTE 7 - LONG TERM DEBT SPECIAL ASSESSMENT BONDS

Special assessment debt has been issued to finance certain improvement projects. The District collects assessments from the property owners and remits them to the trustee for bond payments, but has no direct or contingent liability or moral obligation for the payment of this debt. Therefore, this activity is reported in an agency fund, and the debt is not included in the financial statements of the District.

On August 20, 2007, the District issued \$2,450,000 of Water Management Benefit Tax Refunding Bonds, Series 2007 with a fixed interest rate of 5.25%. The Bonds were issued to refund and defease the Second Assessment Area - Phase One Water Management Benefit Tax Bonds, Series 1995. Interest is paid semiannually on each May 1 and November 1.

Principal on the Series 2007 Bonds is paid serially commencing on May 1, 2008 through May 1, 2020.

The following is a summary of the changes in long-term debt for which there is no governmental commitment during the year ended September 30, 2012:

	<u>Balance, October 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, September 30, 2012</u>	<u>Due Within One Year</u>
Water Management Benefit Tax Refunding Bonds, Series 2007	\$ <u>1,865,000</u>	\$ <u>-</u>	\$ <u>165,000</u>	\$ <u>1,700,000</u>	\$ <u>175,000</u>

NOTE 8 - RETIREMENT PLAN

The District previously voted to terminate the District’s Money Purchase Pension Plan (the “Pension Plan”) and to cease contributions effective September 30, 2011. During the year, the District voted to establish a deferred compensation plan under IRS Code Section 457 (the “Plan”). During the year, Pension Plan participants were given the option to either rollover their vested balances from the Pension Plan into the Plan, or to receive a lump sum distribution if they chose not to participate in the Plan. A total of \$ 204,939 of Pension Plan assets was either rolled over into the Plan or distributed to Pension Plan participants. This amount is reflected as a distribution in the Statement of Changes in Pension Trust Fund.

Under the provisions of IRS Code Section 457 and GASB Statement No. 32 *Accounting and Financial Reporting for IRS Code Section 457 Deferred Compensation Plans* all assets and income of the Plan are held in trust for the benefits of participants. Accordingly, the assets of the Plan are not included in the District’s financial statements. The Plan is administered by ICMA Retirement Corporation.

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District carries commercial insurance to handle these various risks of losses. Coverage may not extend to all situations. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage during the last three years.

GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 September 30, 2012

NOTE 10 – MANAGEMENT COMPANY

The District has contracted with a management company to perform management advisory services, which include financial and accounting advisory services. Certain employees of the management company also serve as officers (Board appointed non-voting positions) of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting and other administrative costs.

NOTE 11 – OPERATING LEASE

The District is obligated to Lee County under a wholesale wastewater treatment and reuse water service agreement. Future minimum required payments are as follows:

<u>Year Ending September 30,</u>	
2013	\$ 172,335
2014	172,335
2015	172,335
2016	172,335
2017	172,335
2018-2022	861,675
2023-2027	861,675
2028-2032	861,675
2033	<u>172,335</u>
	<u>\$ 3,619,035</u>

NOTE 12 – CONTINGENCIES

The District is involved in various litigation, claims and investigations arising in the normal course of business. These include actions in which the District is the plaintiff and others where the District is the defendant. Certain of these actions involve various residents making assertions with respect to fees collected and aspects of the District’s relationship with Lee County. Others are comprised of the District negotiating items with the original developer of the District for latent deficiencies and other amounts spent to remedy identified problems.

The outcome of these various items is currently unknown. However, District management believes, after consulting with District counsel, that the potential amount of the District’s liability in these matters will not be material to the financial statements.

NOTE 13 – IMPACT FEES

On April 14, 2011, the City of Fort Myers, Florida issued fire impact fee credits to the District totaling \$ 1,510,505. The credits are valid for use in the City of Fort Myers and will expire on March 31, 2015, ten years from the date the certificate of occupancy was obtained for the Public Safety Building on Treeline Avenue. The credits could be used to offset future impact fee charges or could be sold or transferred to another entity. The ultimate amount received as a result of sale of transfer is subject to negotiation and may be less than the full amount of the credits. Because of the uncertainty regarding the ultimate amount to be realized, if any, from these credits, no amounts are recorded on the accompanying financial statements.

**REQUIRED
SUPPLEMENTARY INFORMATION**

GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For the Year Ended September 30, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Assessments	\$ 1,831,627	\$ 1,754,932	\$ (76,695)
Interest and other revenues	<u>81,617</u>	<u>77,630</u>	<u>(3,987)</u>
Total revenues	<u>1,913,244</u>	<u>1,832,562</u>	<u>(80,682)</u>
EXPENDITURES:			
Current:			
General government	126,029	162,630	(36,601)
Maintenance and operations	1,718,572	1,674,899	43,673
Capital outlay	<u>35,000</u>	<u>157,954</u>	<u>(122,954)</u>
Total expenditures	<u>1,879,601</u>	<u>1,995,483</u>	<u>(115,882)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 33,643</u>	<u>\$ (162,921)</u>	<u>\$ (196,564)</u>

GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
BUDGETARY COMPARISON SCHEDULES - SPECIAL REVENUE FUNDS
For the Year Ended September 30, 2012

	Stoneybrook			Pelican Preserve			Town Lakes		
	Original And Final Budget	Actual	Variance	Original And Final Budget	Actual	Variance	Original And Final Budget	Actual	Variance
REVENUES:									
Assessments	\$ 427,842	\$ 429,064	\$ 1,222	\$ 149,027	\$ 140,126	\$ (8,901)	\$ 7,320	\$ 7,307	(13)
Interest and other revenues	-	-	-	1,904	59,628	57,724	-	-	-
Total revenues	427,842	429,064	1,222	150,931	199,754	48,823	7,320	7,307	(13)
EXPENDITURES:									
Current:									
General government	17,757	17,356	401	49,727	63,575	(13,848)	3,288	-	3,288
Maintenance and operations	354,285	327,205	27,080	146,759	124,975	21,784	4,032	462	3,570
Capital outlay	-	-	-	-	8,693	(8,693)	-	-	-
Total expenditures	372,042	344,561	27,481	196,486	197,243	(757)	7,320	462	6,858
Excess (deficiency) of revenues over expenditures	\$ 55,800	\$ 84,503	\$ 28,703	\$ (45,555)	\$ 2,511	\$ 48,066	\$ -	\$ 6,845	\$ 6,845

**OTHER REPORTS OF
INDEPENDENT AUDITORS**



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*

The Board of Supervisors
Gateway Services Community Development District
Lee County, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gateway Services Community Development District (the "District") as of and for the year ended September 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents and have issued our report thereon dated June 27, 2013. 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.

Internal Control over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 basic 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*.

Gateway Services Community Development District

This report is intended solely for the information and use of District management, members of the Board of Supervisors, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Keefe, McCullough & Co., LLP

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
June 27, 2013



INDEPENDENT AUDITORS' REPORT TO DISTRICT MANAGEMENT

The Board of Supervisors
Gateway Services Community Development District
Lee County, Florida

We have audited the basic financial statements of Gateway Services Community Development District (the "District"), as of and for the year ended September 30, 2012, and have issued our report thereon dated June 27, 2013.

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. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated June 27, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned reports.

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. The status of prior year findings and recommendations is discussed in the Schedule of Findings and Recommendations.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i) 3., 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)4., Rules of the Auditor General, requires that we address violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Gateway Services Community Development District

Section 10.554(1)(i)6., 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 basic financial statements. This information is disclosed in the notes to the financial statements. The District does not have any component units.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity 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 District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the District for the fiscal year ended September 30, 2012, 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, 2012. In connection with our audit, we determined that these two reports were in agreement.

Section 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. It is management's responsibility to monitor the 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.

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, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Keefe, McCullough & Co., LLP

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
June 27, 2013

GATEWAY SERVICES COMMUNITY DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
September 30, 2012

PRIOR YEAR FINDING AND RECOMMENDATION

	<u>STILL APPLICABLE</u>	<u>IMPLEMENTED OR NO LONGER RELEVANT</u>
IC2011-1: Utility Fund Billings		X