

**Gateway Services Community
Development District**

ANNUAL FINANCIAL REPORT

September 30, 2016

Gateway Services Community Development District

ANNUAL FINANCIAL REPORT

September 30, 2016

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REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying financial statements of Gateway Services Community Development District as of and for the year ended September 30, 2016, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Accounting Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Fort Pierce / Stuart

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To the Board of Supervisors
Gateway Services Community Development District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of Gateway Services Community Development District, as of September 30, 2016, and the respective changes in financial position and the budgetary comparison for the General Fund and Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 30, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gateway Services Community Development District's internal control over financial reporting and compliance.

*Berger, Toombs, Elam,
Gaines & Frank*

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

May 30, 2017

**Gateway Services Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016**

Management's 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.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

**Gateway Services Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

Financial Highlights:

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

- ◆ The District's total assets exceeded total liabilities by \$49,152,851 (net position). Unrestricted net position for Governmental Activities was \$6,029,343 and Business-type Activities was \$3,113,447. Restricted net position for Governmental Activities was \$610,500 and Business-type Activities was \$867,764. Net investment in capital assets for Governmental Activities was \$26,949,004 and Business-type Activities was \$11,582,793.

**Gateway Services Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Highlights (Continued)

- ◆ Governmental Activities revenues totaled \$5,099,999 while Governmental Activities expenses totaled \$5,692,208. Business-type Activities revenues totaled \$6,848,126 while Business-type Activities expenses totaled \$3,808,281.

Financial Analysis of the District

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

Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current assets	\$ 5,637,085	\$ 6,024,186	\$ 4,857,372	\$ 4,068,758	\$ 10,494,457	\$ 10,092,944
Restricted assets	1,452,747	1,445,750	1,157,481	1,148,090	2,610,228	2,593,840
Capital assets, net	29,220,539	29,510,947	13,492,835	11,668,721	42,713,374	41,179,668
Total Assets	36,310,371	36,980,883	19,507,688	16,885,569	55,818,059	53,866,452
Deferred outflows of resources	53,465	56,689	48,841	68,377	102,306	125,066
Current liabilities	485,965	477,492	2,033,567	2,360,476	2,519,532	2,837,968
Non-current liabilities	2,289,024	2,379,024	1,958,958	2,069,311	4,247,982	4,448,335
Total Liabilities	2,774,989	2,856,516	3,992,525	4,429,787	6,767,514	7,286,303
Net Position						
Net investment in capital assets	26,949,004	27,152,636	11,582,793	10,477,860	38,531,797	37,630,496
Restricted	610,500	1,331,777	867,764	988,060	1,478,264	2,319,837
Unrestricted	6,029,343	5,696,643	3,113,447	1,058,239	9,142,790	6,754,882
Total Net Position	\$ 33,588,847	\$ 34,181,056	\$ 15,564,004	\$ 12,524,159	\$ 49,152,851	\$ 46,705,215

The decrease in current assets for governmental activities is primarily due to expenditures in excess of revenues in the governmental funds in the current year.

The increase in current assets for business-type activities is primarily due to revenues in excess of expenses in the current year.

**Gateway Services Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District (Continued)

The decrease in capital assets, net for governmental activities is primarily due to depreciation and disposal of capital assets in excess of capital additions in the current year.

The increase in capital assets, net for business-type activities is primarily due to capital additions in excess of depreciation and disposal of capital assets in the current year.

The decrease in non-current liabilities for governmental activities and business-type activities is the result of principal payments on long-term debt in the current year.

The decrease in net position – net investment in capital assets for governmental activities is primarily due to depreciation and disposal of capital assets in excess of principal payments on debt and capital additions in the current year.

The increase in net position – net investment in capital assets for business-type activities is the result of principal payments and capital additions in excess of depreciation in the current year.

The decrease in net position – restricted for governmental activities is primarily due to capital projects expenditures in the current year at the fund level.

**Gateway Services Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District (Continued)

	<u>Financial Activity</u>					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program Revenues						
Charges for services	\$ 5,043,323	\$ 4,557,690	\$ 4,690,350	\$ 4,387,401	\$ 9,733,673	\$ 8,945,091
Capital contributions	-	-	2,147,631	-	2,147,631	-
General Revenues						
Investment earnings	28,626	5,906	8,665	2,014	37,291	7,920
Miscellaneous	28,050	120,478	1,480	74,504	29,530	194,982
Total Revenue	5,099,999	4,684,074	6,848,126	4,463,919	11,948,125	9,147,993
Expenses						
General government	303,698	324,940	-	-	303,698	324,940
Physical environment	4,715,661	3,959,658	-	-	4,715,661	3,959,658
Culture and recreation	534,031	464,830	-	-	534,031	464,830
Interest on long-term debt	138,818	143,390	-	-	138,818	143,390
Water and sewer	-	-	3,808,281	3,590,735	3,808,281	3,590,735
Total Expenses	5,692,208	4,892,818	3,808,281	3,590,735	9,500,489	8,483,553
Change in Net Position	(592,209)	(208,744)	3,039,845	873,184	2,447,636	664,440
Net Position - beginning of year	34,181,056	34,389,800	12,524,159	11,650,975	46,705,215	46,040,775
Net Position - end of year	<u>\$ 33,588,847</u>	<u>\$ 34,181,056</u>	<u>\$ 15,564,004</u>	<u>\$ 12,524,159</u>	<u>\$ 49,152,851</u>	<u>\$ 46,705,215</u>

The increase in charges for services for governmental activities is the result of a budgeted increase in special assessments in the current year.

The increase in charges for services for business-type activities is the result of an increase in water and sewer customers in the current year.

The increase in capital contributions is due to the transfer of water and sewer lines to the District from a developer in the current year.

The decrease in miscellaneous revenues for governmental activities is due to the settlement income received in the prior year.

The increase in physical environment for governmental activities is primarily the result of an increase in lake maintenance and storm drain cleaning in the current year.

**Gateway Services Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District (Continued)

The increase in water and sewer expenses for business-type activities is the result of an increase in the water purchases and other administrative costs in the current year.

Capital Assets Activity

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

Description	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land and improvements	\$ 5,900,668	\$ 5,900,668	\$ -	\$ -	\$ 5,900,668	\$ 5,900,668
Construction in progress	1,021,432	517,820	1,222,515	1,953,795	2,243,947	2,471,615
Building and improvements	2,291,710	2,275,910	1,731,840	1,695,440	4,023,550	3,971,350
Infrastructure	39,987,040	39,306,348	20,521,515	17,498,476	60,508,555	56,804,824
Equipment	601,764	584,951	758,420	694,453	1,360,184	1,279,404
Accumulated depreciation	(20,582,075)	(19,074,750)	(10,741,455)	(10,173,443)	(31,323,530)	(29,248,193)
Total Capital Assets (Net)	<u>\$ 29,220,539</u>	<u>\$ 29,510,947</u>	<u>\$ 13,492,835</u>	<u>\$ 11,668,721</u>	<u>\$ 42,713,374</u>	<u>\$ 41,179,668</u>

Governmental activities had current year additions of \$1,248,253, the transfer of construction in progress to infrastructure of \$173,847, depreciation of \$1,525,521 and a deletion with a net value of \$13,140.

Business-type activities had current year additions of \$2,464,942, the transfer of construction in progress to infrastructure of \$850,193, depreciation of \$606,255 and deletions with a net value of \$34,573.

General Fund Budgetary Highlights

Budgeted expenditures exceeded actual expenditures primarily because of lower capital outlay expenditures than were anticipated.

The budget for September 30, 2016 was amended to increase capital outlay and repairs and maintenance.

**Gateway Services Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Debt Management

Governmental Activities debt includes the following:

- ◆ In November 2013, the District issued \$2,630,000 Series 2013 Special Assessment Refunding Bonds. These bonds were issued to pay and redeem the outstanding Series 2003 bonds. The outstanding balance at September 30, 2016 was \$2,375,000.

Business-type Activities debt includes the following:

- ◆ In January 2014, the District issued \$1,600,000 Series 2014 Water and Sewer Refunding Bonds. These bonds were issued to pay and redeem the outstanding Series 2003 bonds. The outstanding balance at September 30, 2016 was \$1,140,000.
- ◆ In October 2014, the District issued \$1,350,000 Series 2014-2 Water and Sewer Revenue Draw Down Bonds. These bonds were issued to fund certain construction projects within the District. As of September 30, 2016, the District has received bond advances totaling \$1,077,383.

Economic Factors and Next Year's Budget

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

Request for Information

The financial report is designed to provide a general overview of 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, Severn Trent Management Services, 210 N. University Drive, Suite 702, Coral Springs, FL 33071.

Gateway Services Community Development District
STATEMENT OF NET POSITION
September 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and investments	\$ 5,478,620	\$ 3,452,824	\$ 8,931,444
Restricted Assets			
Cash and investments - customer deposits	-	723,642	723,642
Accounts receivable and accrued revenues	12,456	723,781	736,237
Accrued interest receivable	667	-	667
Prepaid items	83,178	15,822	99,000
Deposits	375	-	375
Due from other governments	3,092	-	3,092
Internal balances	58,697	(58,697)	-
Total Current Assets	5,637,085	4,857,372	10,494,457
Non-current Assets			
Restricted Assets			
Cash and investments	1,452,747	1,157,481	2,610,228
Land and improvements	5,900,668	-	5,900,668
Construction in progress	1,021,432	1,222,515	2,243,947
Buildings and improvements	2,291,710	1,731,840	4,023,550
Infrastructure	39,987,040	20,521,515	60,508,555
Equipment	601,764	758,420	1,360,184
Less: accumulated depreciation	(20,582,075)	(10,741,455)	(31,323,530)
Total Non-current Assets	30,673,286	14,650,316	45,323,602
Total Assets	36,310,371	19,507,688	55,818,059
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	53,465	48,841	102,306
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	340,616	442,736	783,352
Due to other governments	-	286,620	286,620
Customer deposits, payable from restricted assets	-	723,642	723,642
Customer prepayments	-	283,620	283,620
Accrued interest payable	55,349	21,949	77,298
Bonds and notes payable	90,000	275,000	365,000
Total Current Liabilities	485,965	2,033,567	2,519,532
Non-current Liabilities			
Bonds and notes payable, net	2,285,000	1,942,383	4,227,383
Compensated absences	4,024	16,575	20,599
Total Non-current Liabilities	2,289,024	1,958,958	4,247,982
Total Liabilities	2,774,989	3,992,525	6,767,514
NET POSITION			
Net investment in capital assets	26,949,004	11,582,793	38,531,797
Restricted			
Debt service	56,218	328,518	384,736
Capital projects	554,282	-	554,282
Rate stabilization	-	539,246	539,246
Unrestricted	6,029,343	3,113,447	9,142,790
Total Net Position	\$ 33,588,847	\$ 15,564,004	\$ 49,152,851

See accompanying notes to financial statements

Gateway Services Community Development District
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities						
General government	\$ (303,698)	\$ 260,518	\$ -	\$ (43,180)	\$ -	\$ (43,180)
Physical environment	(4,715,661)	4,045,191	-	(670,470)	-	(670,470)
Culture and recreation	(534,031)	503,946	-	(30,085)	-	(30,085)
Interest on long-term debt	(138,818)	233,668	-	94,850	-	94,850
Total Governmental Activities	(5,692,208)	5,043,323	-	(648,885)	-	(648,885)
Business-type Activities						
Water and sewer utilities	(3,808,281)	4,690,350	2,147,631	-	3,029,700	3,029,700
Total Primary Government	\$ (9,500,489)	\$ 9,733,673	\$ 2,147,631	(648,885)	3,029,700	2,380,815
		General Revenues				
		Investment earnings		28,626	8,665	37,291
		Miscellaneous revenues		28,050	1,480	29,530
		Total General Revenues		56,676	10,145	66,821
		Change in Net Position		(592,209)	3,039,845	2,447,636
		Net Position - October 1, 2015		34,181,056	12,524,159	46,705,215
		Net Position - September 30, 2016		\$ 33,588,847	\$ 15,564,004	\$ 49,152,851

See accompanying notes to financial statements.

Gateway Services Community Development District
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2016

	Special Revenue						Governmental Funds
	General	Pelican Preserve	Stoneybrook	Towne Lakes	Debt Service	Capital Projects	
ASSETS							
Cash and cash equivalents	\$ 2,392,919	\$ 922,200	\$ 216,138	\$ 37,535	\$ -	\$ -	\$ 3,568,792
Investments, at fair value	-	1,909,828	-	-	-	-	1,909,828
Accounts receivable	12,456	-	-	-	-	-	12,456
Accrued interest receivable	667	-	-	-	-	-	667
Due from other funds	133,285	737,048	1,064	114	-	1,552	873,063
Due from other governments	1,371	1,310	257	4	150	-	3,092
Prepaid items	18,175	64,805	198	-	-	-	83,178
Deposits	375	-	-	-	-	-	375
Restricted assets							
Investments, at fair value	-	-	-	-	162,969	1,289,778	1,452,747
Total Assets	<u>\$ 2,559,248</u>	<u>\$ 3,635,191</u>	<u>\$ 217,657</u>	<u>\$ 37,653</u>	<u>\$ 163,119</u>	<u>\$ 1,291,330</u>	<u>\$ 7,904,198</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued expenses	\$ 160,054	\$ 106,836	\$ 73,726	\$ -	\$ -	\$ -	\$ 340,616
Due to other funds	1,178	71,045	3,543	-	1,552	737,048	814,366
Total Liabilities	<u>161,232</u>	<u>177,881</u>	<u>77,269</u>	<u>-</u>	<u>1,552</u>	<u>737,048</u>	<u>1,154,982</u>
Deferred Inflows of Resources:							
Deferred revenues	11,647	-	-	-	-	-	11,647
Fund Balances:							
Nonspendable							
Prepaid items	18,175	64,805	198	-	-	-	83,178
Deposits	375	-	-	-	-	-	375
Restricted							
Debt service	-	-	-	-	161,567	-	161,567
Capital projects	-	-	-	-	-	554,282	554,282
Assigned							
Emergency reserve	700,000	-	-	-	-	-	700,000
Capital projects	1,667,819	-	-	-	-	-	1,667,819
Special revenue	-	3,392,505	140,190	37,653	-	-	3,570,348
Total Fund Balances	<u>2,386,369</u>	<u>3,457,310</u>	<u>140,388</u>	<u>37,653</u>	<u>161,567</u>	<u>554,282</u>	<u>6,737,569</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,559,248</u>	<u>\$ 3,635,191</u>	<u>\$ 217,657</u>	<u>\$ 37,653</u>	<u>\$ 163,119</u>	<u>\$ 1,291,330</u>	<u>\$ 7,904,198</u>

See accompanying notes to financial statements.

Gateway Services Community Development District
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2016

Total Governmental Fund Balances		\$ 6,737,569
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets (land (\$5,900,668), construction in progress (\$1,021,432), buildings and improvements (\$2,291,710), infrastructure (\$39,987,040), and equipment (\$601,764), net of accumulated depreciation (\$20,582,075)) used in governmental activities are not current financial resources and therefore, are not reported at the governmental fund level.		29,220,539
Deferred outflows of resources, deferred amount on refunding, net, are not current financial resources and therefore, are not reported at the governmental fund level.		53,465
Long-term liabilities, including bonds payable (\$2,375,000), and accrued compensated absences, (\$4,024) are not due and payable in the current period and therefore, are not reported at the governmental fund level.		(2,379,024)
Certain receivables were not collected within 60 days of year end and thus, are not current financial resources and therefore, are reported as deferred inflows of resources at the governmental fund level.		11,647
Accrued interest expense for long-term debt is not a current financial use and therefore, is not reported at the governmental fund level.		<u>(55,349)</u>
Net Position of Governmental Activities		<u><u>\$ 33,588,847</u></u>

See accompanying notes to financial statements.

Gateway Services Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2016

	Special Revenue					Capital Projects	Totals Governmental Funds
	General	Pelican Preserve	Stoneybrook	Towne Lakes	Debt Service		
Revenues							
Special assessments	\$ 2,138,954	\$ 2,042,907	\$ 400,736	\$ 6,924	\$ 233,668	\$ -	\$ 4,823,189
Charges for services	45,843	-	-	-	-	-	45,843
Investment earnings	13,346	15,080	99	11	13	77	28,626
Miscellaneous revenues	16,403	-	-	-	-	-	16,403
Impact fees	-	174,291	-	-	-	-	174,291
Total Revenues	<u>2,214,546</u>	<u>2,232,278</u>	<u>400,835</u>	<u>6,935</u>	<u>233,681</u>	<u>77</u>	<u>5,088,352</u>
Expenditures							
Current							
General government	136,783	155,700	10,934	18	263	-	303,698
Physical environment	1,532,306	1,158,336	360,434	612	-	147,238	3,198,926
Culture and recreation	512,105	-	-	-	-	-	512,105
Capital outlay	742,327	-	62,762	-	-	443,164	1,248,253
Debt service							
Principal	-	-	-	-	90,000	-	90,000
Interest	-	-	-	-	137,563	-	137,563
Total Expenditures	<u>2,923,521</u>	<u>1,314,036</u>	<u>434,130</u>	<u>630</u>	<u>227,826</u>	<u>590,402</u>	<u>5,490,545</u>
Excess (deficiency) of revenues over (under) expenditures	(708,975)	918,242	(33,295)	6,305	5,855	(590,325)	(402,193)
Other financing sources (uses)							
Transfers in	-	138,776	-	-	-	-	138,776
Transfers out	-	-	-	-	-	(138,776)	(138,776)
Total Other Financing Sources (Uses)	<u>-</u>	<u>138,776</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(138,776)</u>	<u>-</u>
Net change in fund balances	<u>(708,975)</u>	<u>1,057,018</u>	<u>(33,295)</u>	<u>6,305</u>	<u>5,855</u>	<u>(729,101)</u>	<u>(402,193)</u>
Fund Balances - October 1, 2015	<u>3,095,344</u>	<u>2,400,292</u>	<u>173,683</u>	<u>31,348</u>	<u>155,712</u>	<u>1,283,383</u>	<u>7,139,762</u>
Fund Balances - September 30, 2016	<u>\$ 2,386,369</u>	<u>\$ 3,457,310</u>	<u>\$ 140,388</u>	<u>\$ 37,653</u>	<u>\$ 161,567</u>	<u>\$ 554,282</u>	<u>\$ 6,737,569</u>

See accompanying notes to financial statements.

Gateway Services Community Development District
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2016

Net Change in Fund Balances -Total Governmental Funds	\$ (402,193)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation. This is the amount that depreciation (\$1,525,521) and loss on disposal of capital assets (\$13,140) exceeded capital additions (\$1,248,253).	(290,408)
Repayments of bond principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position.	90,000
The deferred outflows of resources for refunding debt is recognized as a component of interest expense in the Statement of Activities, but not in the governmental funds. This is the amount of interest in the current period.	(3,224)
Revenues in the Statement of Activities that do not provide current financial resources are reported as deferred inflows of resources in the governmental funds. This is the change in deferred inflows of resources in the current period.	11,647
In the Statement of Activities, interest is accrued on outstanding bonds; whereas in the governmental funds, interest is reported when due. This is the change in accrued interest in the current period.	<u>1,969</u>
Change in Net Position of Governmental Activities	<u><u>\$ (592,209)</u></u>

See accompanying notes to financial statements.

Gateway Services Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended September 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Special assessments	\$ 2,159,071	\$ 2,159,071	\$ 2,138,954	\$ (20,117)
Charges for services	43,500	43,500	45,843	2,343
Investment earnings	15,000	15,000	13,346	(1,654)
Miscellaneous revenues	1,500	1,500	16,403	14,903
Total Revenues	<u>2,219,071</u>	<u>2,219,071</u>	<u>2,214,546</u>	<u>(4,525)</u>
Expenditures				
Current				
General government	154,305	154,305	136,783	17,522
Physical environment	1,242,666	1,298,616	1,532,306	(233,690)
Culture and recreation	556,956	549,956	512,105	37,851
Capital outlay	842,003	2,091,896	742,327	1,349,569
Total Expenditures	<u>2,795,930</u>	<u>4,094,773</u>	<u>2,923,521</u>	<u>1,171,252</u>
Net change in fund balances	(576,859)	(1,875,702)	(708,975)	1,166,727
Fund Balances - October 1, 2015	<u>576,859</u>	<u>1,875,702</u>	<u>3,095,344</u>	<u>1,219,642</u>
Fund Balances - September 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,386,369</u>	<u>\$ 2,386,369</u>

See accompanying notes to financial statements.

Gateway Services Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - PELICAN PRESERVE FUND
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Special assessments	\$ 2,036,099	\$ 2,036,099	\$ 2,042,907	\$ 6,808
Investment earnings	10,000	10,000	15,080	5,080
Impact fees	25,000	25,000	174,291	149,291
Total Revenues	<u>2,071,099</u>	<u>2,071,099</u>	<u>2,232,278</u>	<u>161,179</u>
Expenditures				
Current				
General government	145,619	145,619	155,700	(10,081)
Physical environment	1,461,936	1,461,936	1,158,336	303,600
Capital outlay	100,000	100,000	-	100,000
Total Expenditures	<u>1,707,555</u>	<u>1,707,555</u>	<u>1,314,036</u>	<u>393,519</u>
Other financing sources (uses)				
Transfers in	-	-	138,776	138,776
Net change in fund balances	363,544	363,544	1,057,018	693,474
Fund Balances - October 1, 2015	-	-	2,400,292	2,400,292
Fund Balances - September 30, 2016	<u>\$ 363,544</u>	<u>\$ 363,544</u>	<u>\$ 3,457,310</u>	<u>\$ 3,093,766</u>

See accompanying notes to financial statements.

Gateway Services Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - STONEYBROOK FUND
For the Year Ended September 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Special assessments	\$ 399,401	\$ 399,401	\$ 400,736	\$ 1,335
Investment earnings	-	-	99	99
Total Revenues	<u>399,401</u>	<u>399,401</u>	<u>400,835</u>	<u>1,434</u>
Expenditures				
Current				
General government	10,852	10,852	10,934	(82)
Physical environment	378,549	387,175	360,434	26,741
Capital outlay	-	62,762	62,762	-
Total Expenditures	<u>389,401</u>	<u>460,789</u>	<u>434,130</u>	<u>26,659</u>
Net change in fund balances	10,000	(61,388)	(33,295)	28,093
Fund Balances - October 1, 2015	<u>-</u>	<u>173,683</u>	<u>173,683</u>	<u>-</u>
Fund Balances - September 30, 2016	<u>\$ 10,000</u>	<u>\$ 112,295</u>	<u>\$ 140,388</u>	<u>\$ 28,093</u>

See accompanying notes to financial statements.

Gateway Services Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - TOWNE LAKES FUND
For the Year Ended September 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Special assessments	\$ 6,900	\$ 6,900	\$ 6,924	\$ 24
Investment earnings	-	-	11	11
Total Revenues	<u>6,900</u>	<u>6,900</u>	<u>6,935</u>	<u>35</u>
Expenditures				
Current				
General government	150	150	18	132
Physical environment	<u>6,750</u>	<u>6,750</u>	<u>612</u>	<u>6,138</u>
Total Expenditures	<u>6,900</u>	<u>6,900</u>	<u>630</u>	<u>6,270</u>
Net change in fund balances	-	-	6,305	6,305
Fund Balances - October 1, 2015	<u>-</u>	<u>-</u>	<u>31,348</u>	<u>31,348</u>
Fund Balances - September 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,653</u>	<u>\$ 37,653</u>

See accompanying notes to financial statements.

Gateway Services Community Development District
STATEMENT OF NET POSITION –
WATER & SEWER FUND
September 30, 2016

ASSETS	
Current Assets	
Cash and investments	\$ 3,452,824
Restricted Assets	
Cash and investments - customer deposits	723,642
Accounts receivable and accrued revenues	723,781
Due from other funds	9,225
Prepaid items	15,822
Total Current Assets	<u>4,925,294</u>
Non-current Assets	
Restricted Assets	
Cash and investments	1,157,481
Construction in progress	1,222,515
Buildings and improvements	1,731,840
Infrastructure	20,521,515
Equipment	758,420
Accumulated depreciation	<u>(10,741,455)</u>
Total Non-current Assets	<u>14,650,316</u>
Total Assets	<u>19,575,610</u>
DEFERRED OUTFLOW OF RESOURCES	
Deferred amount on refunding	<u>48,841</u>
LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	442,736
Due to other funds	67,922
Due to other governments	286,620
Customer deposits, payable from restricted assets	723,642
Customer prepayments	283,620
Accrued interest payable	21,949
Bonds payable	275,000
Total Current Liabilities	<u>2,101,489</u>
Non-current Liabilities	
Bonds payable, net	1,942,383
Compensated absences	16,575
Total Non-current Liabilities	<u>1,958,958</u>
Total Liabilities	<u>4,060,447</u>
NET POSITION	
Net investment in capital assets	11,582,793
Restricted	
Debt service	328,518
Rate stabilization	539,246
Unrestricted	<u>3,113,447</u>
Total Net Position	<u>\$ 15,564,004</u>

See accompanying notes to financial statements.

Gateway Services Community Development District
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - WATER & SEWER FUND
For The Year Ended September 30, 2016

Operating revenues:	
Water and sewer charges	\$ 4,690,350
Other miscellaneous revenues	1,480
Total Operating Revenues	4,691,830
Operating Expenses:	
Water purchases	1,492,538
Administrative and other	621,381
Depreciation	606,255
Personnel services	433,004
Repairs and maintenance	365,976
Utilities	169,117
Insurance	22,278
Total Operating Expenses	3,710,549
Operating Income (Loss)	981,281
Non-operating Revenues (Expenses):	
Interest earnings	8,665
Loss on disposal of capital assets	(34,573)
Interest expense and other debt service costs	(63,159)
Total Non-operating Revenues (Expenses)	(89,067)
Income before contributions	892,214
Capital contributions	2,147,631
Change in Net Position	3,039,845
Net Position - October 1, 2015	12,524,159
Net Position - September 30, 2016	\$ 15,564,004

See accompanying notes to financial statements.

Gateway Services Community Development District
STATEMENT OF CASH FLOWS –
WATER & SEWER FUND
For The Year Ended September 30, 2016

	Water & Sewer Fund
Cash Flows From Operating Activities	
Cash received from customers	\$ 4,273,448
Cash paid to suppliers	(2,820,739)
Cash paid for employee services	(428,500)
Net Cash Provided By Operating Activities	1,024,209
Cash Flows From Capital Activities and Related Financing Activities	
Investment in capital assets	(317,311)
Interest paid on capital debt	(40,516)
Proceeds from long-term debt	160,143
Principal payments on long-term debt	(270,000)
Net Cash Used By Capital Activities and Related Financing Activities	(467,684)
Cash Flows From Investing Activities	
Interest income	8,665
Net increase in cash and investments	565,190
Cash and investments, October 1, 2015	4,768,757
Cash and investments, September 30, 2016	\$ 5,333,947
Noncash investing, capital, and financing activities:	
Capital contributions	\$ 2,147,631
Reconciliation of Net Operating Income to Net Cash Provided By Operating Activities	
Cash Flows From Operating Activities:	
Operating income	981,281
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	606,255
Changes in assets and liabilities:	
Increase in accounts receivable	(11,573)
Increase in prepaid expenses	(8,465)
Decrease in due from other funds	94
Decrease in accounts payable	(134,613)
Decrease in due to other funds	(212,871)
Increase in due to other governments	205,020
Increase in customer deposits	59,505
Decrease in customer prepayments	(464,928)
Increase in accrued compensation	4,504
Total Adjustments	42,928
Net Cash Provided By Operating Activities	\$ 1,024,209

See accompanying notes to financial statements.

Gateway Services Community Development District
STATEMENT OF FIDUCIARY NET POSITION
September 30, 2016

	Agency Fund
ASSETS	
Current assets	
Cash and investments	\$ 242,926
Due from other governments	171
Total Assets	\$ 243,097
 LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	\$ 4,337
Agency funds on hand	238,760
Total Liabilities	\$ 243,097

See accompanying notes to financial statements.

Gateway Services Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE A - SUMMARY OF ACCOUNTING POLICIES

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

1. Reporting Entity

The District was established on May 22, 1986 by the Florida Land and Water Adjudicatory Commission Chapter 42F-1, pursuant to the provisions of Chapter 190, Florida Statutes, for the purpose of planning, financing, constructing, operating, and maintaining certain community-wide infrastructure. The District consists of approximately 4,488 acres located in Lee County, Florida, and is governed by a five member Board of Supervisors, who are elected to a term of four years, by qualified electors.

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

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

2. Measurement Focus and Basis of Accounting

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

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

a. Government-wide Financial Statements

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

Gateway Services Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE A - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

a. Government-wide Financial Statements (Continued)

Governmental activities which normally are supported by special assessments, rents and interest, are reported separately from business-type activities. Program revenues include charges for services, special assessments and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

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

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

b. Fund Financial Statements

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

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

Governmental Funds

When both restricted and unrestricted resources are combined in a fund, qualified expenses are considered to be paid first from restricted resources, and then from unrestricted resources. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collected within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Gateway Services Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

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

The District has various policies governing the fund balance classifications.

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

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

Assigned Fund Balance – This classification consists of the Board of Supervisors' intent to be used for specific purposes, but are neither restricted nor committed. The assigned fund balances can also be assigned by the District's management company.

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

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

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

Gateway Services Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

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

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

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

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

Enterprise Funds

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

Gateway Services Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Enterprise Funds (Continued)

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

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

3. Basis of Presentation

a. Governmental Funds

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

Special Revenue Fund – Pelican Preserve

This special revenue fund is used to account for the activity of Pelican Preserve, which is located within the boundaries of the District.

Special Revenue Fund – Stoneybrook

This special revenue fund is used to account for the activity of Stoneybrook, which is located within the boundaries of the District.

Special Revenue Fund – Towne Lakes

This special revenue fund is used to account for the activity of Towne Lakes, which is located within the boundaries of the District.

Debt Service Fund – Series 2013

The Debt Service Fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term general obligation debt on the Series 2013 Bonds.

Capital Projects Fund – Series 2013

The Capital Project Fund accounts for construction of infrastructure improvements located within the boundaries of the district.

Gateway Services Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of Presentation (Continued)

b. Enterprise Funds

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

c. Fiduciary Funds

Agency Fund – The Agency Fund is used to account for the collection and disbursement of monies by the District for the Series 2007 Bonds, in which the District has no debt obligation.

d. Non-current Governmental Assets/Liabilities

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

4. Assets, Liabilities, and Net Position or Equity

a. Cash and Investments

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

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

1. Direct obligations of the United States Treasury;
2. The Local Government Surplus Funds Trust or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperative Act of 1969;
3. Interest-bearing time deposits or savings accounts in authorized qualified public depositories;
4. Securities and Exchange Commission, registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

For purposes of the statement of cash flows, cash and investments include time deposits, certificates of deposit, money market funds, and all highly liquid debt instruments with original maturities of three months or less.

**Gateway Services Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

b. Receivables and Payables

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

c. Inventories

Inventories are valued at cost in the enterprise fund.

d. Restricted Net Position

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

e. Capital Assets

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

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

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

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

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

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

Gateway Services Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

f. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position/fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred amount on refunding reported on the Statement of Net Position. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred inflows of resources represent an acquisition of net position that applies to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until then. The District only has one item that qualifies for reporting in this category. Deferred revenues are reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amounts become available.

g. Accrued Compensated Absences

The District accrues unused portions of vacation pay in the period the fund liability is incurred. As permitted by Governmental Accounting Standards Board Statement No. 16, the vesting method is used to accrue sick leave liability. The liability is based on the sick leave accumulated at year-end by those employees who are currently eligible to receive termination payments as well as other employees who are expected to become eligible to receive such payments.

Even though the District has accumulated and earmarked expendable available fund resources for these amounts, the portion not normally expected to be liquidated with expendable available financial resources is not reported as a fund liability in the governmental fund financial statements.

h. Budget

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

Gateway Services Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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

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

“Total fund balances” of the District’s governmental funds (\$6,737,569) differs from “net position” of governmental activities (\$33,588,847) reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund balance sheet. The effect of the differences is illustrated below:

Capital related items

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

Land	\$ 5,900,668
Construction in progress	1,021,432
Buildings and improvements	2,291,710
Infrastructure	39,987,040
Equipment	601,764
Accumulated depreciation	<u>(20,582,075)</u>
Total	<u>\$ 29,220,539</u>

Deferred amount on refunding

Deferred outflows of resources are not financial resources, and therefore, are not recognized at the governmental fund level.

Deferred amount on refunding, net	<u>\$ 53,465</u>
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Long-term debt transactions

Long-term liabilities applicable to the District’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position.

Bonds payable	\$ (2,375,000)
Accrued compensated absences	<u>(4,024)</u>
Total	<u>\$ (2,379,024)</u>

Gateway Services Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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

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

Deferred inflows of resources

Deferred inflows of resources in the Statement of Net Position differ from the amount reported in the governmental funds due to deferred settlements. Governmental fund financial statements report revenues which are not available as deferred inflows of resources. However, deferred revenues in governmental funds are susceptible to full accrual in the government-wide financial statements.

Deferred inflows of resources	\$ <u>11,647</u>
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Accrued interest

Accrued liabilities in the Statement of Net Position differ from the amount reported in governmental funds due to accrued interest on bonds.

Accrued interest	\$ <u>(55,349)</u>
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2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities

The “net change in fund balances” for government funds (\$402,193) differs from the “change in net position” for governmental activities (\$592,209) reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below:

Capital related items

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

Capital outlay	\$ 1,248,253
Loss on disposal of capital assets	(13,140)
Depreciation	<u>(1,525,521)</u>
Total	<u>\$ (290,408)</u>

**Gateway Services Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016**

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

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

Long-term debt transactions

Repayments of bond principal are reported as an expenditure in the governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used.

Bonds principal payments	\$	90,000
Deferred amount on refunding		<u>(3,224)</u>
Total		<u>\$ 86,776</u>

Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest payable	\$	<u>1,969</u>
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Deferred inflows of resources

Deferred inflows of resources reported in the governmental funds have been recognized as revenues in the current fiscal year in the Statement of Activities.

Deferred inflows of resources	\$	<u>11,647</u>
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NOTE C - CASH AND INVESTMENTS

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk, however, they follow the provisions of Chapter 280, Florida Statutes regarding deposits and investments. As of September 30, 2016, the District's balance was \$7,978,296 and the carrying value was \$7,745,258. Exposure to custodial credit risk was as follows. The District maintains all deposits in a qualified public depository in accordance with the provisions of Chapter 280, Florida Statutes, which means that all deposits are fully insured by Federal Depositors Insurance or collateralized under Chapter 280, Florida Statutes.

**Gateway Services Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016**

NOTE C – CASH AND INVESTMENTS (CONTINUED)

As of September 30, 2016, the District had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
First American Government Obligation	25 days*	\$ 2,610,228
Certificates of Deposit	12/2016 - 8/2017	1,909,828
Total		<u>\$ 4,520,056</u>

* Maturity is a weighted average maturity.

The District categorizes its fair value measurements within the fair value hierarchy recently established by generally accepted accounting principles. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The District uses a market approach in measuring fair value that uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities, or groups of assets and liabilities.

Assets or liabilities are classified into one of three levels. Level 1 is the most reliable and is based on quoted price for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtaining quoted prices for identical or similar assets, or liabilities, in markets that are not active. Level 3 is the least reliable and uses significant unobservable inputs that uses the best information available under the circumstances, which includes the District's own data in measuring unobservable inputs.

Based on the criteria in the preceding paragraph, investments in First American Government Obligation are Level 1 assets.

As of September 30, 2016, the Agency Fund for the District had investments in Florida Government Obligation of \$242,926.

Investments

The District's investment policy allows management to invest funds in investments permitted under Section 218.415, Florida Statutes.

Interest Rate Risk

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

Gateway Services Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE C – CASH AND INVESTMENTS (CONTINUED)

Credit Risk

The District's investments in treasury funds, commercial paper, and government loans are limited by state statutory requirements and bond compliance. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one investment. The investments in First American Government Obligation Fund are 60% of the District's total investments. The investments in Certificates of Deposit are 40% of the District's total investments.

The types of deposits and investments and their level of risk exposure as of September 30, 2016 were typical of these items during the fiscal year then ended. The District considers any decline in fair value for certain investments to be temporary. As of September 30, 2016, the District's investment in the First American Government Obligation Fund was rated AAAm by Standard & Poor's.

NOTE D – SPECIAL ASSESSMENT REVENUES

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

All unpaid taxes become delinquent as of April 1. Virtually all unpaid taxes are collected via the sale of tax certificates on or prior to, June 1; therefore, there were no material taxes receivable at fiscal year end.

Gateway Services Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE E – INTERFUND BALANCES

Interfund balances at September 30, 2016, consisted of the following:

	Payable Fund						Total
	<u>Special Revenue Funds</u>			Debt Service Fund	Capital Projects Fund	Water and Sewer Fund	
Receivable Fund	General Fund	Pelican Preserve	Stoneybrook				
General Fund	\$ -	\$ 65,363	\$ -	\$ -	\$ -	\$ 67,922	\$ 133,285
Pelican Preserve	-	-	-	-	737,048	-	737,048
Stoneybrook	1,064	-	-	-	-	-	1,064
Towne Lakes	114	-	-	-	-	-	114
Capital Projects Fund	-	-	-	1,552	-	-	1,552
Water and Sewer Fund	-	5,682	3,543	-	-	-	9,225
Total	<u>\$ 1,178</u>	<u>\$ 71,045</u>	<u>\$ 3,543</u>	<u>\$ 1,552</u>	<u>\$ 737,048</u>	<u>\$ 67,922</u>	<u>\$ 882,288</u>

Interfund activity between governmental funds is eliminated at the government-wide level.

Gateway Services Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE F - CHANGES IN CAPITAL ASSETS

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

	Balance October 1, 2015	Additions	Deletions	Balance September 30, 2016
<u>Governmental Activities:</u>				
Capital assets, not depreciated:				
Land and improvements	\$ 5,900,668	\$ -	\$ -	\$ 5,900,668
Construction in progress	517,820	677,459	(173,847)	1,021,432
Total Capital Assets, Not Depreciated	<u>6,418,488</u>	<u>677,459</u>	<u>(173,847)</u>	<u>6,922,100</u>
Capital assets, being depreciated:				
Building and improvements	2,275,910	15,800	-	2,291,710
Infrastructure	39,306,348	712,028	(31,336)	39,987,040
Equipment	584,951	16,813	-	601,764
Total Capital Assets, Being Depreciated	<u>42,167,209</u>	<u>744,641</u>	<u>(31,336)</u>	<u>42,880,514</u>
Less accumulated depreciation for:				
Building and improvements	(2,064,494)	(25,734)	-	(2,090,228)
Infrastructure	(16,572,308)	(1,471,110)	18,196	(18,025,222)
Equipment	(437,948)	(28,677)	-	(466,625)
Total Accumulated Depreciation	<u>(19,074,750)</u>	<u>(1,525,521)</u>	<u>18,196</u>	<u>(20,582,075)</u>
Total Capital Assets Depreciated, Net	<u>23,092,459</u>	<u>(780,880)</u>	<u>(13,140)</u>	<u>22,298,439</u>
Governmental Activities Capital Assets	<u>\$ 29,510,947</u>	<u>\$ (103,421)</u>	<u>\$ (186,987)</u>	<u>\$ 29,220,539</u>

Depreciation of \$1,503,595 was charged to physical environment and \$21,926 was charged to culture and recreation.

Gateway Services Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE F - CHANGES IN CAPITAL ASSETS (CONTINUED)

	Balance October 1, 2015	Additions	Deletions	Balance September 30, 2016
<u>Business-type Activities:</u>				
Capital assets, not depreciated:				
Construction in progress	\$ 1,953,795	\$ 118,913	\$ (850,193)	\$ 1,222,515
Capital assets, being depreciated:				
Building and improvements	1,695,440	72,800	(36,400)	1,731,840
Infrastructure	17,498,476	3,048,254	(25,215)	20,521,515
Equipment	694,453	75,168	(11,201)	758,420
Total Capital Assets, Being Depreciated	<u>19,888,369</u>	<u>3,196,222</u>	<u>(72,816)</u>	<u>23,011,775</u>
Less accumulated depreciation for:				
Building and improvements	(394,997)	(69,769)	9,707	(455,059)
Infrastructure	(9,312,048)	(491,341)	17,335	(9,786,054)
Equipment	(466,398)	(45,145)	11,201	(500,342)
Total Accumulated Depreciation	<u>(10,173,443)</u>	<u>(606,255)</u>	<u>38,243</u>	<u>(10,741,455)</u>
Total Capital Assets Depreciated, Net	<u>9,714,926</u>	<u>2,589,967</u>	<u>(34,573)</u>	<u>12,270,320</u>
Business-type Activities Capital Assets	<u>\$ 11,668,721</u>	<u>\$ 2,708,880</u>	<u>\$ (884,766)</u>	<u>\$ 13,492,835</u>

Depreciation of \$606,255 was charged to Water and Sewer.

Gateway Services Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE G - LONG-TERM DEBT

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

Governmental Activities

Long-term debt at October 1, 2015	\$ 2,465,000
Bond principal payments	<u>(90,000)</u>
Long-term debt at September 30, 2016	<u>\$ 2,375,000</u>

Business-type Activities

Long-term debt at October 1, 2015	\$ 2,327,240
Bond payable advances	160,143
Bond principal payments	<u>(270,000)</u>
Long-term debt at September 30, 2016	<u>\$ 2,217,383</u>

Long-term debt is comprised of the following:

Governmental Activities

\$2,630,000 Series 2013 Special Assessment Revenue Refunding Bond, due in annual principal installments beginning May 2014 and maturing May 1, 2033. Interest payable in May and November from 5.25% to 5.75% beginning in May 2014. Current portion is \$90,000.

\$ 2,375,000

The issuance of the Series 2013 Special Assessment Revenue Refunding Bonds resulted in a deferred amount on refunding which is reported a deferred outflow of resources in the Statement of Net Position.

**Gateway Services Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016**

NOTE G - LONG-TERM DEBT (CONTINUED)

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 90,000	\$ 132,838	\$ 222,838
2018	95,000	128,113	223,113
2019	100,000	123,125	223,125
2020	105,000	117,875	222,875
2021	115,000	112,363	227,363
2022-2026	665,000	464,238	1,129,238
2027-2031	815,000	256,450	1,071,450
2032-2033	<u>390,000</u>	<u>34,213</u>	<u>424,213</u>
Totals	<u>\$ 2,375,000</u>	<u>\$ 1,369,215</u>	<u>\$ 3,744,215</u>

Summary of Significant Bond Resolution Terms and Covenant

The bonds are subject to mandatory redemption at par on a schedule of annual redemptions through May 2033, the maturity date. The District is required to redeem the Bonds at par prior to schedule from the proceeds of any assessments prepaid or if certain events occur as outlined in the Bond Indenture. Only the bonds maturing on or after May 1, 2024 are subject to redemption at the option of the District.

The following is a schedule of the debt service reserve requirement and balance in the reserve account at September 30, 2016:

	<u>Reserve Balance</u>	<u>Reserve Requirement</u>
Series 2013 Special Assessment Revenue Refunding Bond	<u>\$ 50,000</u>	<u>\$ 50,000</u>

Gateway Services Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE G - LONG-TERM DEBT (CONTINUED)

Business-type Activities

Revenue Bonds

\$1,600,000 Series 2014 Water and Sewer Revenue Refunding Bonds, due in annual principal installments beginning October 2014 and maturing October 1, 2019. Interest payable in April and October at a rate of 1.97% beginning in April 2014. Current portion is \$275,000. \$ 1,140,000

The District issued Series 2014-2 Water and Sewer Draw Down Revenue Bonds on October 31, 2014, due in annual principal installments beginning October 2017 and maturing October 2024. Interest payable in April and October at a rate of 1.99% beginning April 2015. 1,077,383

Bonds payable, net \$ 2,217,383

The issuance of the Series 2014 Water and Sewer Revenue Refunding Bonds resulted in a deferred amount on refunding which is reported as deferred outflow of resources in the Statement of Net Position.

The District has drawn \$1,077,383 of the total Series 2014-2 Water and Sewer Draw Down Revenue Bonds of \$1,350,000, leaving \$272,617 still available. The payment terms will not be finalized until the amounts available are drawn, and therefore, the amortization is not known.

The annual requirements to amortize the principal and interest of long-term debt outstanding, excluding the Series 2014-2 Bonds, as of September 30, 2016 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 275,000	\$ 19,749	\$ 294,749
2018	280,000	14,283	294,283
2019	290,000	8,668	298,668
2020	<u>295,000</u>	<u>2,906</u>	<u>297,906</u>
Totals	<u>\$ 1,140,000</u>	<u>\$ 45,606</u>	<u>\$ 1,185,606</u>

**Gateway Services Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016**

NOTE G - LONG-TERM DEBT (CONTINUED)

Summary of Significant Bond Resolution Terms and Covenant

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. The Bond Indenture contains a rate covenant that requires net revenues to be at least 110% of the debt service requirements for that fiscal year. At September 30, 2016, the District is in compliance with the rate covenant.

The following is a schedule of the debt service reserve requirement and balance in the reserve account at September 30, 2016:

	Reserve Balance	Reserve Requirement
Series 2014 Water and Sewer Revenue Refunding Bonds	\$ 150,803	\$ 150,762
Series 2014-2 Water and Sewer Draw Down Revenue Bonds	107,738	107,738
	\$ 258,541	\$ 258,500

NOTE H – SPECIAL ASSESSMENT DEBT WITHOUT GOVERNMENTAL COMMITMENT

Special assessment debt has been issued to finance certain improvement projects. The District collects assessments from the property owners and accounts for these funds in an agency fund until remitted to the trustee for bond payments, but has no direct or contingent liability or moral obligation for the payment of this debt. Therefore, this debt is not included in the long-term debt of the District.

The outstanding debt balance as of September 30, 2016 is as follows:

\$2,450,000 Series 2007 Bonds, interest at 5.25% payable on May 1 and November 1; collateralized by the pledged revenues of special assessments levied against the benefited property owners. \$ 935,000

Gateway Services Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE I – OPERATING LEASE – BUSINESS-TYPE ACTIVITIES

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

Year Ending September 30,	Payments
2017	\$ 172,335
2018	172,335
2019	172,335
2020	172,335
2021	172,335
2022-2026	861,675
2027-2031	861,675
2032-2033	344,670
Total	<u>\$ 2,929,695</u>

NOTE J – RETIREMENT PLAN

Under the provisions of IRS Code Section 457 and GASB Statement No. 32 *Accounting and Financial Reporting for IRS Code Section 547 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 K - RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. These risks are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for each of the past three fiscal years.

NOTE L – CONTINGENCIES

Various suits and claims arising in the ordinary course of district operations are pending. The District is party to litigation under which it is the opinion of the District's counsel that the potential amount of the District's liability in these matters will not be material to the financial statements. Accordingly, no provision has been made in the financial statements for these contingencies.

Gateway Services Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE M – SUBSEQUENT EVENT

In February 2017, the District's board of supervisors approved the District to borrow funds from the State of Florida Department of Environmental Protection through the State Revolving Fund Program for non-point source water pollution control in the amount of \$6,000,000.

In March 2017, the District issued a promissory note for \$4,400,000 to provide an immediate source of financing for the lake restoration project.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Gateway Services Community Development District, as of and for the year ended September 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated May 30, 2017.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gateway Services Community Development District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

*Berger Toombs Elam
Gaines & Frank*

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

May 30, 2017



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MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the Gateway Services Community Development District as of and for the year ended September 30, 2016, and have issued our report thereon dated May 30, 2017.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Auditor's Report on an examination conducted in accordance with AICPA Professionals Standards, Section 601 regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in that report, which is dated May 30, 2017, should be considered in conjunction with this Management Letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we address in the Management Letter, if not already addressed in the auditor's report on compliance and internal controls, whether or not recommendations made in the preceding annual financial report have been followed. There were no recommendations made in the preceding audit report.

Financial Condition

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

To the Board of Supervisors
Gateway Services Community Development District

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Gateway Services Community Development District for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

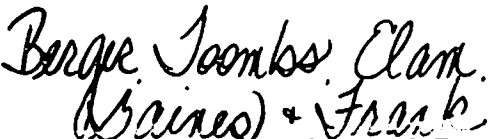
Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the Management Letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

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


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

May 30, 2017



Berger, Toombs, Elam,
Gaines & Frank

Certified Public Accountants PL

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

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

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

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

In our opinion, Gateway Services Community Development District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2016.

*Berger, Toombs, Elam,
Gaines & Frank*

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

May 30, 2017