

**Port of the Islands  
Community Improvement District**

**ANNUAL FINANCIAL REPORT**

**September 30, 2018**

**Port of the Islands Community Improvement District**

**ANNUAL FINANCIAL REPORT**

**September 30, 2018**

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Supervisors  
Port of the Islands Community Improvement District  
Collier County, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of Port of the Islands Community Improvement District as of and for the year ended September 30, 2018, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government 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

To the Board of Supervisors  
Port of the Islands Community Improvement 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 the General and Enterprise Funds of Port of the Islands Community Improvement District, as of September 30, 2018, and the respective changes in financial position and cash flows and the budgetary comparison for the General Fund 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 on pages 3-8 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 June 29, 2019 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 Port of the Islands Community Improvement District's internal control over financial reporting and compliance.



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

June 29, 2019

**Port of the Islands Community Improvement District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2018**

Management's discussion and analysis of Port of the Islands Community Improvement District (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 are 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 physical environment and general and government. Business-type activities financed by user charges include water and sewer services.

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

**Port of the Islands Community Improvement District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2018**

**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 Fund. For the water and sewer fund, 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, and roads are reported in the **statement of net position**. All liabilities, including principal outstanding on bond, 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 general obligation 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 and investments of the District are some of the items included in the *notes to the financial statements*.

**Financial Highlights**

The following are the highlights of financial activity for the year ended September 30, 2018.

- ◆ The District's total assets exceeded total liabilities by \$10,433,170. Unrestricted net position for Governmental Activities was \$762,539 and for Business-type activities was \$(511,509). Net investment in capital assets for Governmental Activities were \$1,799,521 and for Business-type activities were \$8,382,619.
- ◆ Governmental activities revenues totaled \$1,342,600 while governmental activities expenses totaled \$368,561. Business-type revenues totaled \$1,449,951 while business-type expenses totaled \$1,360,286.

**Port of the Islands Community Improvement District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2018**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**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	
	2018	2017	2018	2017	2018	2017
Current assets	\$ 773,349	\$ 790,207	\$ (441,474)	\$ (513,127)	\$ 331,875	\$ 277,080
Capital assets, net	1,799,521	797,814	9,818,119	10,258,341	11,617,640	11,056,155
Total Assets	2,572,870	1,588,021	9,376,645	9,745,214	11,949,515	11,333,235
Deferred Outflow of Resources	-	-	36,370	60,593	36,370	60,593
Current liabilities	10,810	-	584,905	588,862	595,715	588,862
Non-current liabilities	-	-	957,000	1,435,500	957,000	1,435,500
Total Liabilities	10,810	-	1,541,905	2,024,362	1,552,715	2,024,362
Net Position						
Net investment in capital assets	1,799,521	797,814	8,382,619	8,344,341	10,182,140	9,142,155
Unrestricted	762,539	790,207	(511,509)	(562,896)	251,030	227,311
Total Net Position	\$ 2,562,060	\$ 1,588,021	\$ 7,871,110	\$ 7,781,445	\$10,433,170	\$ 9,369,466

The increase in capital assets for governmental activities is primarily due land acquired through foreclosure in the current year.

The decrease in capital assets for business-type activities is primarily due to depreciation in the current year.

The decrease in non-current liabilities for business-type activities is primarily due to principal payments on bonds in the current year.

**Port of the Islands Community Improvement District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2018**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Financial Analysis of the District (Continued)**

The following schedule provides a summary of the changes in net position of the District and is presented at the government-wide level for comparison purposes. It is not intended to be a complete presentation of District-wide financial activity.

**Financial Activity**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>#</u>	<u>2018</u>	<u>2017</u>
Program Revenues							
Charges for services	\$ 313,065	\$ 391,318	\$ 1,435,056	\$ 1,625,873		\$ 1,748,121	\$ 2,017,191
General Revenues							
Investment earnings	6,086	42,793	189	107,601		6,275	150,394
Miscellaneous	1,023,449	10,990	14,706	5,076		1,038,155	16,066
<b>Total Revenues</b>	<b>1,342,600</b>	<b>445,101</b>	<b>1,449,951</b>	<b>1,738,550</b>		<b>2,792,551</b>	<b>2,183,651</b>
Expenses							
General government	122,563	172,418	-	-		122,563	172,418
Physical environment	245,998	220,092	-	-		245,998	220,092
Water and sewer	-	-	1,360,286	1,294,006		1,360,286	1,294,006
<b>Total Expenses</b>	<b>368,561</b>	<b>392,510</b>	<b>1,360,286</b>	<b>1,294,006</b>		<b>1,728,847</b>	<b>1,686,516</b>
Change in Net Position	974,039	52,591	89,665	444,544		1,063,704	497,135
Net Position -							
Beginning of Year	1,588,021	1,535,430	7,781,445	7,336,901		8,872,331	8,872,331
Net Position -							
End of Year	<u>\$ 2,562,060</u>	<u>\$ 1,588,021</u>	<u>\$ 7,871,110</u>	<u>\$ 7,781,445</u>		<u>\$ 9,936,035</u>	<u>\$ 9,369,466</u>

The decrease in charges for services and investment income in governmental activities and business-type activities is the result of the collection of back taxes and the interest associated with the collections in the prior year.

The increase in miscellaneous revenues in governmental activities is related to the land acquired through foreclosure in the current year.

The decrease in general government expenses for governmental activities in the current year is primarily related to real estate taxes on land purchased in the prior year.



**Port of the Islands Community Improvement District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2018**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Capital Assets Activity**

The following schedule provides a summary of the District's capital assets at September 30, 2018.

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land and improvements	\$ 1,365,636	\$ 599,675	\$ 1,965,311
Improvements other than buildings	110,121	15,474,044	15,584,165
Infrastructure	1,319,737	-	1,319,737
Equipment	27,355	287,662	315,017
Less: accumulated depreciation	<u>(1,023,328)</u>	<u>(6,543,262)</u>	<u>(7,566,590)</u>
 Total Capital Assets (Net)	 <u>\$ 1,799,521</u>	 <u>\$ 9,818,119</u>	 <u>\$ 11,617,640</u>

During the year, additions to governmental activities was \$1,042,195 and depreciation was \$40,488. Current year additions to business-type activities was \$51,209, and depreciation was \$475,732 for business-type activities.

**General Fund Budgetary Highlights**

Actual governmental expenditures were less than the budgeted amounts primarily because landscape maintenance expenditures were less than anticipated.

The September 30, 2018 budget was amended for increased irrigation repairs and maintenance.

**Debt Management**

Business-type Activities debt includes the following:

- In October 2010, the District issued \$5,500,000 Special Assessment Revenue, Series 2010 bonds. These bonds were issued to finance the construction of financing a potable water treatment plant within the District. The balance outstanding at September 30, 2018 was \$1,435,500.

**Port of the Islands Community Improvement District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2018**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Economic Factors and Next Year's Budget**

Port of the Islands Community Improvement 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 2019.

**Request for Information**

The financial report is designed to provide a general overview of Port of the Islands Community Improvement 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 District Manager, Premier District Management, 3820 Colonial Blvd, Suite 101, Fort Myers, Florida 33966.

**Port of the Islands Community Improvement District**  
**STATEMENT OF NET POSITION**  
**September 30, 2018**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and equivalents	\$ 237,791	\$ 47,998	\$ 285,789
Cash restricted for customer deposits	-	29,740	29,740
Accounts receivable	185	2,375	2,560
Prepaid expenses	13,786	-	13,786
Internal balances	521,587	(521,587)	-
Total Current Assets	<u>773,349</u>	<u>(441,474)</u>	<u>331,875</u>
<b>Non-current Assets</b>			
Capital assets, not being depreciated			
Land and improvements	1,365,636	599,675	1,965,311
Capital assets, being depreciated			
Infrastructure	1,319,737	-	1,319,737
Improvements other than buildings	110,121	15,474,044	15,584,165
Equipment	27,355	287,662	315,017
Less: accumulated depreciation	<u>(1,023,328)</u>	<u>(6,543,262)</u>	<u>(7,566,590)</u>
Total Non-current Assets	<u>1,799,521</u>	<u>9,818,119</u>	<u>11,617,640</u>
Total Assets	<u>2,572,870</u>	<u>9,376,645</u>	<u>11,949,515</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred amount on refunding	<u>-</u>	<u>36,370</u>	<u>36,370</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	10,810	58,432	69,242
Customer deposits payable from restricted assets	-	29,740	29,740
Accrued interest	-	18,233	18,233
Bonds payable	-	478,500	478,500
Total Current Liabilities	<u>10,810</u>	<u>584,905</u>	<u>595,715</u>
<b>Non-current Liabilities</b>			
Bonds payable	<u>-</u>	<u>957,000</u>	<u>957,000</u>
Total Liabilities	<u>10,810</u>	<u>1,541,905</u>	<u>1,552,715</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,799,521	8,382,619	10,182,140
Unrestricted	762,539	(511,509)	251,030
Total Net Position	<u>\$ 2,562,060</u>	<u>\$ 7,871,110</u>	<u>\$ 10,433,170</u>

See accompanying notes to financial statements.

**Port of the Islands Community Improvement District**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Primary government</b>					
Governmental Activities					
General government	\$ (122,563)	\$ 104,108	\$ (18,455)	\$ -	\$ (18,455)
Physical environment	(245,998)	208,957	(37,041)	-	(37,041)
Total Governmental Activities	<u>(368,561)</u>	<u>313,065</u>	<u>(55,496)</u>	<u>-</u>	<u>(55,496)</u>
Business-Type Activities					
Water and sewer	(1,360,286)	1,435,056	-	74,770	74,770
Total Primary Government	<u>\$ (1,728,847)</u>	<u>\$ 1,748,121</u>	<u>(55,496)</u>	<u>74,770</u>	<u>19,274</u>
General Revenues					
Investment earnings			6,086	189	6,275
Miscellaneous			1,023,449	14,706	1,038,155
Total General Revenues			<u>1,029,535</u>	<u>14,895</u>	<u>1,044,430</u>
Change in Net Position			974,039	89,665	1,063,704
Net Position - October 1, 2017			1,588,021	7,781,445	9,369,466
Net Position - September 30, 2018			<u>\$ 2,562,060</u>	<u>\$ 7,871,110</u>	<u>\$ 10,433,170</u>

See accompanying notes to financial statements.

**Port of the Islands Community Improvement District**  
**BALANCE SHEET –**  
**GENERAL FUND**  
**September 30, 2018**

<b>ASSETS</b>	
Cash and equivalents	\$ 237,791
Accounts receivable	185
Due from other funds	521,587
Prepaid expenses	13,786
Total Assets	<u>\$ 773,349</u>
 <b>LIABILITIES AND FUND BALANCES</b>	
Liabilities	
Accounts payable and accrued expenses	<u>\$ 10,810</u>
Fund Balances:	
Nonspendable:	
Prepaid expenses	13,786
Assigned - first quarter operations	103,762
Unassigned	644,991
Total Fund Balances	<u>762,539</u>
Total Liabilities and Fund Balances	<u>\$ 773,349</u>

*See accompanying notes to financial statements.*

**Port of the Islands Community Improvement District  
RECONCILIATION OF TOTAL GENERAL FUND BALANCES  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES  
September 30, 2018**

Total Governmental Fund Balances	\$ 762,539
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, \$2,822,849, net of accumulated depreciation, \$(1,023,328), used in governmental activities are not financial resources and; therefore, are not reported in the funds.	<u>1,799,521</u>
Net Position of Governmental Activities	<u>\$ 2,562,060</u>

*See accompanying notes to financial statements.*

**Port of the Islands Community Improvement District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES – GENERAL FUND**  
**For the Year Ended September 30, 2018**

Revenues	
Special assessments	\$ 313,065
Investment income	6,086
Miscellaneous revenues	5,249
Total Revenues	<u>324,400</u>
Expenditures	
Current	
General government	122,563
Physical environment	205,510
Capital outlay	23,995
Total Expenditures	<u>352,068</u>
Net change in fund balances	<u>(27,668)</u>
Fund Balances - October 1, 2017	<u>790,207</u>
Fund Balances - September 30, 2018	<u><u>\$ 762,539</u></u>

*See accompanying notes to financial statements.*

**Port of the Islands Community Improvement District  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GENERAL FUND  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2018**

Net Change in Fund Balances - Total Governmental Funds	\$ (27,668)
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 is allocated over their estimated useful lives as depreciation. This is the amount that capital outlay (\$23,995) was exceeded by depreciation (\$(40,488)) in the current year.	(16,493)
Capital assets acquired through foreclosure are recognized at the government-wide level as miscellaneous revenues, but not in the governmental funds.	<u>1,018,200</u>
Change in Net Position of Governmental Activities	<u><u>\$ 974,039</u></u>

*See accompanying notes to financial statements.*



**Port of the Islands Community Improvement District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND**  
**For the Year Ended September 30, 2018**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
Revenues				
Special assessments	\$ 413,375	\$ 313,233	\$ 313,065	\$ (168)
Investment income	1,617	6,717	6,086	(631)
Miscellaneous revenues	500	5,500	5,249	(251)
Total Revenues	<u>415,492</u>	<u>325,450</u>	<u>324,400</u>	<u>(1,050)</u>
Expenditures				
Current				
General government	104,033	117,324	122,563	(5,239)
Physical environment	221,030	290,174	205,510	84,664
Capital Outlay	-	-	23,995	(23,995)
Total Expenditures	<u>325,063</u>	<u>407,498</u>	<u>352,068</u>	<u>55,430</u>
Net change in fund balances	90,429	(82,048)	(27,668)	54,380
Fund Balances - October 1, 2017	<u>890,555</u>	<u>890,555</u>	<u>790,207</u>	<u>(100,348)</u>
Fund Balances - September 30, 2018	<u><u>\$ 980,984</u></u>	<u><u>\$ 808,507</u></u>	<u><u>\$ 762,539</u></u>	<u><u>\$ (45,968)</u></u>

See accompanying notes to financial statements.

**Port of the Islands Community Improvement District**  
**STATEMENT OF NET POSITION – WATER & SEWER FUND**  
**September 30, 2018**

<b>ASSETS</b>	
Current Assets	
Cash and equivalents	\$ 47,998
Cash restricted for customer deposits	29,740
Accounts receivable	2,375
Total Current Assets	80,113
Non-Current Assets	
Land and improvements	599,675
Improvements other than buildings	15,474,044
Equipment	287,662
Less: Accumulated depreciation	(6,543,262)
Total Non-Current Assets	9,818,119
Total Assets	9,898,232
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Deferred amount on refunding	36,370
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable and accrued expenses	58,432
Due to other funds	521,587
Customer deposits payable from restricted assets	29,740
Accrued interest	18,233
Bonds payable	478,500
Total Current Liabilities	1,106,492
Non-current Liabilities	
Bonds payable	957,000
Total Liabilities	2,063,492
<b>NET POSITION</b>	
Net investment in capital assets	8,382,619
Unrestricted	(511,509)
Total Net Position	\$ 7,871,110

*See accompanying notes to financial statements.*

**Port of the Islands Community Improvement District**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –**  
**WATER & SEWER FUND**  
**For the Year Ended September 30, 2018**

<b>Operating Revenues:</b>	
Charges for services	
Water	\$ 60,386
Sewer	85,103
Irrigation	94,263
Special assessments	1,195,304
Miscellaneous revenues	14,706
Total Operating Revenues	<u>1,449,762</u>
<b>Operating Expenses:</b>	
General and administrative	225,227
Plant operations	555,407
Depreciation	475,732
Total Operating Expenses	<u>1,256,366</u>
Operating Income(Loss)	193,396
<b>Non-Operating Revenues (Expenses):</b>	
Loss on sale of capital assets	(15,699)
Interest income	189
Interest expense	(88,221)
Total Non-Operating Revenues/(Expenses)	<u>(103,731)</u>
Change in Net Position	89,665
Net Position - October 1, 2017	<u>7,781,445</u>
Net Position - September 30, 2018	<u><u>\$ 7,871,110</u></u>

*See accompanying notes to financial statements.*

**Port of the Islands Community Improvement District**  
**STATEMENT OF CASH FLOWS – WATER & SEWER FUND**  
**For the Year Ended September 30, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers	\$ 242,574
Receipts from special assessments	1,195,304
Receipts from other sources	14,706
Payments to suppliers for goods and services	(829,482)
Net Cash Provided by Operating Activities	623,102

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchases of capital assets	(51,209)
Principal payments on long-term debt	(454,277)
Interest paid on long-term debt	(83,412)
Net Cash Used by Financing Activities	(588,898)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest income	189
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Net Increase in Cash and Cash Equivalents	34,393
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Cash and equivalents - October 1, 2017	43,345
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Cash and equivalents - September 30, 2018	\$ 77,738
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**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ 193,396
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	475,732
Decrease in accounts receivable	6,482
Decrease in prepaid expenses	1,951
Decrease in due to other funds	(45,693)
Decrease in accounts payable and accrued expenses	(5,106)
Decrease in customer deposits	(3,660)
	(47,179)

Net Cash Provided by Operating Activities	\$ 623,102
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*See accompanying notes to financial statements.*

**Port of the Islands Community Improvement District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Port of the Islands Community Improvement 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 is a local unit of special purpose government located in Collier County, Florida, (the “County”) which was established pursuant to Ordinance No. 86-64 (the “Act”) enacted by the County Commission effective September 16, 1986. The District was established for the purpose of establishing and maintaining a water and sewer system, road and drainage systems, and other systems and facilities as provided in Section 190 of the *Florida Statutes*.

The District is governed by a five-member Board of Supervisors (the “Board”). The District operates within the criteria established by Chapter 190. The Board has the final responsibility for: 1) assessing and levying maintenance taxes and special assessments, 2) approving budgets, 3) exercising control over facilities and properties, 4) controlling the use of funds generated by the District, 5) approving the hiring and firing of key personnel, and 6) financing improvements.

As required by GAAP, these financial statements present the Port of the Islands Community Improvement 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 which 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 by the Governmental Accounting Standards Board, 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

**Port of the Islands Community Improvement District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. Measurement Focus and Basis of Accounting (Continued)**

**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.

Governmental activities which normally are supported by special assessments and interest, are reported separately from business-type activities. Program revenues include charges for services and special assessments. 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**

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 classifications include non-spendable, restricted, committed, assigned and unassigned.

**Port of the Islands Community Improvement District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2018**

**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 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.

**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.

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 decreases (expenditures) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

**Port of the Islands Community Improvement District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. Measurement Focus and Basis of Accounting (Continued)**

**b. Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

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, the Enterprise Fund is 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 operating statements present increases (revenues) and decreases (expenses) in total net position. The District applies all GASB pronouncements as well as all FASB and AICPA pronouncements, issued on or before November 30, 1989, which do not conflict with, or contradict, GASB pronouncements.

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.



**Port of the Islands Community Improvement District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3. Basis of Presentation**

**a. Governmental Major 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.

**b. Enterprise Major Fund**

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 special assessments, user fees, meter fees and connection fees.

**c. 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;

**Port of the Islands Community Improvement District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**a. Cash and Investments (Continued)**

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 equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less and held in a qualified public depository as defined by Section 280.02, Florida Statutes.

**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. Restricted Net Position**

Certain net position of the District is 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.

**d. Capital Assets**

Capital assets, which include land, buildings, infrastructure, equipment and construction in progress, 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.

**Port of the Islands Community Improvement District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**d. Capital Assets (Continued)**

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:

Improvements other than buildings	5-48 years
Equipment	5-15 years
Infrastructure	15-30 years

**e. Deferred Outflow 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.

**f. Budgets**

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 fund. As a result, deficits in the budget columns of the accompanying financial statements may occur.

**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, \$762,539, differs from “net position” of governmental activities, \$2,562,060, 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 as follows.

**Port of the Islands Community Improvement District**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2018

**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)**

**Capital related items**

When capital assets (land, buildings, infrastructure 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 and improvements	\$	1,365,636
Infrastructure		1,319,737
Equipment		27,355
Improvements other than buildings		110,121
Accumulated depreciation		<u>(1,023,328)</u>
Total		<u>\$ 1,799,521</u>

**2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities**

The “net changes in fund balances” for government funds, \$(27,668), differs from the “change in net position” for governmental activities, \$974,039, 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 as follows.

**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.

Depreciation	\$	(40,488)
Capital outlay		<u>23,995</u>
Total		<u>\$ (16,493)</u>

**Port of the Islands Community Improvement District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2018**

**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. The District does, however, follow the provisions of Chapter 280, Florida Statutes regarding deposits and investments. As of September 30, 2018, the District's bank balance was \$303,132 and the carrying value was \$315,529. 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.

Investments

The District's investment policy allows management to invest funds in investments permitted under Section 218.415, Florida Statutes. Among other investments, the policy allows the District to invest in the State Board of Administration Local Government Surplus Trust Funds.

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.

Credit Risk

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 fund.

The types of deposits and investments and their level of risk exposure as of September 30, 2018 were typical.

**Port of the Islands Community Improvement District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2018**

**NOTE D – SPECIAL ASSESSMENT REVENUES**

Special assessment revenues recognized for the 2017-2018 fiscal year were levied in October 2017. 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 Section 197.162, Florida Statutes, 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; however, the District had \$1,487,339 in special assessments receivable at September 30, 2018 which were offset by an allowance for doubtful accounts in the same amount.

**NOTE E – RECEIVABLE AND PAYABLE BALANCES**

**Accounts Receivable**

Accounts receivable in the Enterprise Fund at September 30, 2018 consisted of trade receivables. Receivables are recorded at their net realizable value.

**Accounts Payable**

Accounts payable and accrued expenses in the Enterprise Fund consisted of vendor payables in the amount of \$58,432.

**Port of the Islands Community Improvement District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2018**

**NOTE F – CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended September 30, 2018 was as follows:

	Balance October 1, 2017	Additions	Deletions	Balance September 30, 2018
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land and improvements	\$ 347,436	\$ 1,018,200	\$ -	\$ 1,365,636
Capital assets, being depreciated:				
Infrastructure	1,313,611	12,253	(6,127)	1,319,737
Improvements other than buildings	110,121	-	-	110,121
Equipment	15,613	11,742	-	27,355
Total Capital Assets, Being Depreciated	<u>1,439,345</u>	<u>23,995</u>	<u>(6,127)</u>	<u>1,457,213</u>
Total Capital Assets	<u>1,786,781</u>	<u>1,042,195</u>	<u>(6,127)</u>	<u>2,822,849</u>
Less accumulated depreciation for:				
Infrastructure	(870,747)	(39,437)	6,127	(904,057)
Buildings and improvements	(102,607)	(408)	-	(103,015)
Equipment	(15,613)	(643)	-	(16,256)
Total Accumulated Depreciation	<u>(988,967)</u>	<u>(40,488)</u>	<u>6,127</u>	<u>(1,023,328)</u>
Total Capital Assets Being Depreciated, Net	<u>450,378</u>	<u>(16,493)</u>	<u>-</u>	<u>433,885</u>
Governmental Activities Capital Assets	<u>\$ 797,814</u>	<u>\$ 1,001,707</u>	<u>\$ -</u>	<u>\$ 1,799,521</u>

Depreciation of \$40,488 was charged to physical environment.

**Port of the Islands Community Improvement District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2018**

**NOTE F – CAPITAL ASSETS (CONTINUED)**

The following is a summary of changes in the Water & Sewer Fund capital assets for the year ended September 30, 2018.

	Balance October 1, 2017	Additions	Deletions	Balance September 30, 2018
<b><u>Business-type Activities:</u></b>				
Capital assets, not being depreciated:				
Land and improvements	\$ 599,675	\$ -	\$ -	\$ 599,675
Capital assets, being depreciated:				
Improvements other than buildings	15,448,440	51,209	(25,605)	15,474,044
Equipment	287,662	-	-	287,662
Total Capital Assets, Being Depreciated	<u>15,736,102</u>	<u>51,209</u>	<u>(25,605)</u>	<u>15,761,706</u>
Less accumulated depreciation for:				
Improvements other than buildings	(5,967,652)	(459,861)	9,906	(6,417,607)
Equipment	(109,784)	(15,871)	-	(125,655)
Total Accumulated Depreciation	<u>(6,077,436)</u>	<u>(475,732)</u>	<u>9,906</u>	<u>(6,543,262)</u>
Total Capital Assets Depreciated, Net	<u>9,658,666</u>	<u>(424,523)</u>	<u>(15,699)</u>	<u>9,218,444</u>
Business-Type Activities Capital Assets	<u>\$ 10,258,341</u>	<u>\$ (424,523)</u>	<u>\$ (15,699)</u>	<u>\$ 9,818,119</u>

Depreciation of \$475,732 was charged to water and sewer.

**NOTE G – LONG TERM DEBT**

The following is a summary of activity in the long-term debt of the District for the year ended September 30, 2018:

**Business-type Activities**

Long-term debt at October 1, 2017	\$ 1,914,000
Principal payments	<u>(478,500)</u>
Long-term debt at September 30, 2018	<u>\$ 1,435,500</u>



**Port of the Islands Community Improvement District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2018**

**NOTE G – LONG TERM DEBT (CONTINUED)**

Long-term debt is comprised of the following:

\$1,914,000 Series 2017 Refunding Bonds, due in annual principal installments, beginning May 2018. Interest is due semi-annually on May 1 and November 1 at a rate of 3.050%. \$ 1,435,500

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2018 are as follows:

Year Ending September 30,	Principal	Interest	Total
2019	\$ 478,500	\$ 43,783	\$ 522,283
2020	478,500	29,189	507,689
2021	478,500	14,594	493,094
Totals	<u>\$ 1,435,500</u>	<u>\$ 87,566</u>	<u>\$ 1,523,066</u>

**NOTE H – 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.

**NOTE I – LITIGATION**

The District is involved in litigation with a landowner related to the non-payment of fiscal year 2010 through 2017 special assessments. In total, the District has not received \$1,487,339 of assessments. During 2010, the landowner filed for Chapter 11 Bankruptcy; however, the bankruptcy was dismissed by the Judge. An allowance account has been established related to outstanding assessments. In the current year, the District completed foreclosure proceedings resulting in the cancellation of assessments receivable of \$1,197,094 and the acquisition of land, which was capitalized at fair market value of \$1,018,200.



Berger, Toombs, Elam,  
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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  
Port of the Islands Community Improvement District  
Collier 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 Port of the Islands Community Improvement District, as of and for the year ended September 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Port of the Islands Community Improvement 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 Port of the Islands Community Improvement District's internal control. Accordingly, we do not express an opinion on the effectiveness of Port of the Islands Community Improvement 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  
Port of the Islands Community Improvement District  
Collier County, Florida

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Port of the Islands Community Improvement 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 current status of the prior finding is as follows:

#### 2017-01

Finding: The General Fund actual expenditures exceeded the budget for the years ended September 30, 2017 which is in violation of Section 189.016, Florida Statutes.

Response: Management will review current year spending to ensure that expenditures do not exceed appropriations.

Status: The finding was corrected during the current year.

### **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

June 29, 2019



# Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL

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## MANAGEMENT LETTER

To the Board of Supervisors  
Port of the Islands Community Improvement District  
Collier County, Florida

### Report on the Financial Statements

We have audited the financial statements of the Port of the Islands Community Improvement District as of and for the year ended September 30, 2018, and have issued our report thereon dated June 29, 2019.

### 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 Reporting Requirements

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, AT-C Section 315 regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in that report, which is dated June 29, 2019, should be considered in conjunction with this Management Letter.

### Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. There were no findings or recommendations in the preceding audit other than noted on page 33.

### Financial Condition

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

To the Board of Supervisors  
Port of the Islands Community Improvement 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 as of September 30, 2018 for the Port of the Islands Community Improvement District. It is management's responsibility to monitor the Port of the Islands Community Improvement 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.

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

### **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 note a finding in the current year. Additionally, the prior year finding was corrected in the current year (see page 33 of this report).

### **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*

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

June 29, 2019



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

To the Board of Supervisors  
Port of the Islands Community Improvement District  
Collier County, Florida

We have examined Port of the Islands Community Improvement District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2018. Management is responsible for Port of the Islands Community Improvement District's compliance with those requirements. Our responsibility is to express an opinion on Port of the Islands Community Improvement 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 Port of the Islands Community Improvement 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 Port of the Islands Community Improvement District's compliance with the specified requirements.

In our opinion, Port of the Islands Community Improvement District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2018.

*Berger Toombs Elam  
Gaines & Frank*

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

June 29, 2019