

**Port of the Islands
Community Improvement District**

ANNUAL FINANCIAL REPORT

September 30, 2017

Port of the Islands Community Improvement District

ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2017

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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, 2017, 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

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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, 2017, 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 July 13, 2018 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*

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

July 13, 2018

**Port of the Islands Community Improvement District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2017**

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, 2017**

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, 2017.

- ◆ The District's total assets exceeded total liabilities by \$9,369,466. Unrestricted net position for Governmental Activities was \$790,207 and for Business-type activities was \$(562,896). Net investment in capital assets for Governmental Activities were \$797,814 and for Business-type activities were \$8,344,341.
- ◆ Governmental activities revenues totaled \$445,101 while governmental activities expenses totaled \$392,510. Business-type revenues totaled \$1,738,550 while business-type expenses totaled \$1,294,006.

**Port of the Islands Community Improvement District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2017**

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current assets	\$ 790,207	\$ 827,182	\$ (513,127)	\$ (598,391)	\$ 277,080	\$ 228,791
Capital assets, net	797,814	717,835	10,258,341	10,421,026	11,056,155	11,138,861
Total Assets	<u>1,588,021</u>	<u>1,545,017</u>	<u>9,745,214</u>	<u>9,822,635</u>	<u>11,333,235</u>	<u>11,367,652</u>
Deferred Outflow of Resources	-	-	60,593	-	60,593	-
Current liabilities	-	9,587	588,862	650,005	588,862	659,592
Non-current liabilities	-	-	1,435,500	1,835,729	1,435,500	1,835,729
Total Liabilities	<u>-</u>	<u>9,587</u>	<u>2,024,362</u>	<u>2,485,734</u>	<u>2,024,362</u>	<u>2,495,321</u>
Net Position						
Net investment in capital assets	797,814	717,835	8,344,341	8,014,410	9,142,155	8,732,245
Unrestricted	790,207	817,595	(562,896)	(677,509)	227,311	140,086
Total Net Position	<u>\$ 1,588,021</u>	<u>\$ 1,535,430</u>	<u>\$ 7,781,445</u>	<u>\$ 7,336,901</u>	<u>\$ 9,369,466</u>	<u>\$ 8,872,331</u>

The decrease in current assets for governmental activities is primarily due to the decrease in cash and investments as a result of advances to the enterprise fund.

The decrease in capital assets and 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, 2017**

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program Revenues						
Charges for services	\$ 391,318	\$ 313,127	\$ 1,625,873	\$ 1,117,799	\$ 2,017,191	\$ 1,430,926
General Revenues						
Investment earnings	42,793	521	107,601	105	150,394	626
Miscellaneous	10,990	1,740	5,076	12,360	16,066	14,100
Total Revenues	445,101	315,388	1,738,550	1,130,264	2,183,651	1,445,652
Expenses						
General government	172,418	101,854	-	-	172,418	101,854
Physical environment	220,092	266,598	-	-	220,092	266,598
Water and sewer	-	-	1,294,006	1,247,017	1,294,006	1,247,017
Total Expenses	392,510	368,452	1,294,006	1,247,017	1,686,516	1,615,469
Change in Net Position	52,591	(53,064)	444,544	(116,753)	497,135	(169,817)
Net Position -						
Beginning of Year	1,535,430	1,588,494	7,336,901	7,453,654	8,872,331	9,042,148
Net Position -						
End of Year	<u>\$ 1,588,021</u>	<u>\$ 1,535,430</u>	<u>\$ 7,781,445</u>	<u>\$ 7,336,901</u>	<u>\$ 9,369,466</u>	<u>\$ 8,872,331</u>

The increase 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.

The decrease in physical environment is primarily due to an decrease in repairs and maintenance.

The increase in water and sewer expenses is primarily related to an increase in repairs and maintenance.

**Port of the Islands Community Improvement District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Capital Assets Activity

The following schedule provides a summary of the District's capital assets at September 30, 2017.

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land and improvements	\$ 347,436	\$ 599,675	\$ 947,111
Improvements other than buildings	110,121	15,448,440	15,558,561
Infrastructure	1,313,611	-	1,313,611
Equipment	15,613	287,662	303,275
Less: accumulated depreciation	<u>(988,967)</u>	<u>(6,077,436)</u>	<u>(7,066,403)</u>
 Total Capital Assets (Net)	 <u>\$ 797,814</u>	 <u>\$ 10,258,341</u>	 <u>\$ 11,056,155</u>

During the year, additions to governmental activities was \$119,239 and depreciation was \$39,260. Current year additions to business-type activities was \$317,602, and depreciation was \$480,287 for business-type activities.

General Fund Budgetary Highlights

Actual governmental expenditures were more than the budgeted amounts because engineering fees, legal services, repairs and the purchase of land through the tax deed sale.

There was one amendment to the budget.

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, 2017 was \$1,914,000.

**Port of the Islands Community Improvement District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2017**

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 2018.

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, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and equivalents	\$ 218,274	\$ 9,945	\$ 228,219
Cash restricted for customer deposits	-	33,400	33,400
Investments	2,518	-	2,518
Accounts receivable	185	8,857	9,042
Prepaid expenses	1,950	1,951	3,901
Internal balances	567,280	(567,280)	-
Total Current Assets	<u>790,207</u>	<u>(513,127)</u>	<u>277,080</u>
Non-current Assets			
Capital assets, not being depreciated			
Land and improvements	347,436	599,675	947,111
Capital assets, being depreciated			
Infrastructure	1,313,611	-	1,313,611
Improvements other than buildings	110,121	15,448,440	15,558,561
Equipment	15,613	287,662	303,275
Less: accumulated depreciation	(988,967)	(6,077,436)	(7,066,403)
Total Non-current Assets	<u>797,814</u>	<u>10,258,341</u>	<u>11,056,155</u>
Total Assets	<u>1,588,021</u>	<u>9,745,214</u>	<u>11,333,235</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred amount on refunding	-	60,593	60,593
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	-	63,538	63,538
Customer deposits payable from restricted assets	-	33,400	33,400
Accrued interest	-	13,424	13,424
Bonds payable	-	478,500	478,500
Total Current Liabilities	<u>-</u>	<u>588,862</u>	<u>588,862</u>
Non-current Liabilities			
Bonds payable	-	1,435,500	1,435,500
Total Liabilities	<u>-</u>	<u>2,024,362</u>	<u>2,024,362</u>
NET POSITION			
Net investment in capital assets	797,814	8,344,341	9,142,155
Unrestricted	790,207	(562,896)	227,311
Total Net Position	<u>\$ 1,588,021</u>	<u>\$ 7,781,445</u>	<u>\$ 9,369,466</u>

See accompanying notes to financial statements.

Port of the Islands Community Improvement District
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017

<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>
Primary government					
Governmental Activities					
General government	\$ (172,418)	\$ 171,894	\$ (524)	\$ -	\$ (524)
Physical environment	(220,092)	219,424	(668)	-	(668)
Total Governmental Activities	<u>(392,510)</u>	<u>391,318</u>	<u>(1,192)</u>	<u>-</u>	<u>(1,192)</u>
Business-Type Activities					
Water and sewer	(1,294,006)	1,625,873	-	331,867	331,867
Total Primary Government	<u>\$ (1,686,516)</u>	<u>\$ 2,017,191</u>	<u>(1,192)</u>	<u>331,867</u>	<u>330,675</u>
General Revenues					
Investment earnings			42,793	107,601	150,394
Miscellaneous			10,990	5,076	16,066
Total General Revenues			<u>53,783</u>	<u>112,677</u>	<u>166,460</u>
Change in Net Position			52,591	444,544	497,135
Net Position - October 1, 2016			1,535,430	7,336,901	8,872,331
Net Position - September 30, 2017			<u>\$ 1,588,021</u>	<u>\$ 7,781,445</u>	<u>\$ 9,369,466</u>

See accompanying notes to financial statements.

**Port of the Islands Community Improvement District
BALANCE SHEET
GENERAL FUND
September 30, 2017**

ASSETS

Cash and equivalents	\$ 218,274
Investments	2,518
Accounts receivable	185
Due from other funds	567,280
Prepaid expenses	1,950
Total Assets	\$ 790,207

LIABILITIES AND FUND BALANCES

Fund Balances:

Nonspendable:

Prepaid expenses	1,950
Assigned - first quarter operations	103,762
Unassigned	684,495
Total Fund Balances	790,207

Total Liabilities and Fund Balances	\$ 790,207
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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, 2017**

Total Governmental Fund Balances	\$ 790,207
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, \$1,786,781, net of accumulated depreciation, \$(988,967), used in governmental activities are not financial resources and; therefore, are not reported in the funds.	<u>797,814</u>
Net Position of Governmental Activities	<u><u>\$ 1,588,021</u></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, 2017**

Revenues		
Special assessments		\$ 391,318
Investment income		42,793
Miscellaneous revenues		10,990
Total Revenues		<u>445,101</u>
Expenditures		
Current		
General government		172,418
Physical environment		180,832
Capital outlay		119,239
Total Expenditures		<u>472,489</u>
Net change in fund balances		<u>(27,388)</u>
Fund Balances - October 1, 2016		<u>817,595</u>
Fund Balances - September 30, 2017		<u><u>\$ 790,207</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, 2017**

Net Change in Fund Balances - Total Governmental Funds	\$ (27,388)
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 (\$119,239) exceeded depreciation (\$(39,260)) in the current year.	<u>79,979</u>
Change in Net Position of Governmental Activities	<u>\$ 52,591</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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Special assessments	\$ 413,375	\$ 413,375	\$ 391,318	\$ (22,057)
Investment income	1,617	1,617	42,793	41,176
Miscellaneous revenues	-	-	10,990	10,990
Total Revenues	<u>414,992</u>	<u>414,992</u>	<u>445,101</u>	<u>30,109</u>
Expenditures				
Current				
General government	107,489	107,489	172,418	(64,929)
Physical environment	242,786	170,231	180,832	(10,601)
Capital Outlay	-	-	119,239	(119,239)
Total Expenditures	<u>350,275</u>	<u>277,720</u>	<u>472,489</u>	<u>(194,769)</u>
Net change in fund balances	64,717	137,272	(27,388)	(164,660)
Fund Balances - October 1, 2016	<u>927,040</u>	<u>927,040</u>	<u>817,595</u>	<u>(109,445)</u>
Fund Balances - September 30, 2017	<u>\$ 991,757</u>	<u>\$1,064,312</u>	<u>\$ 790,207</u>	<u>\$ (274,105)</u>

See accompanying notes to financial statements.

Port of the Islands Community Improvement District
STATEMENT OF NET POSITION - WATER & SEWER FUND
September 30, 2017

ASSETS

Current Assets

Cash and equivalents	\$	9,945
Cash restricted for customer deposits		33,400
Accounts receivable		8,857
Prepaid expenses		1,951
Total Current Assets		54,153

Non-Current Assets

Land and improvements		599,675
Improvements other than buildings		15,448,440
Equipment		287,662
Less: Accumulated depreciation		(6,077,436)
Total Non-Current Assets		10,258,341
Total Assets		10,312,494

DEFERRED OUTFLOW OF RESOURCES

Deferred amount on refunding		60,593
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LIABILITIES

Current Liabilities

Accounts payable and accrued expenses		63,538
Due to other funds		567,280
Customer deposits payable from restricted assets		33,400
Accrued interest		13,424
Bonds payable		478,500
Total Current Liabilities		1,156,142

Non-current Liabilities

Bonds payable		1,435,500
Total Liabilities		2,591,642

NET POSITION

Net investment in capital assets		8,344,341
Unrestricted		(562,896)
Total Net Position		\$ 7,781,445

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, 2017

Operating Revenues:

Charges for services	
Water	\$ 52,065
Sewer	74,475
Irrigation	102,106
Special assessments	1,397,227
Miscellaneous revenues	3,426
Total Operating Revenues	<u>1,629,299</u>

Operating Expenses:

General and administrative	275,900
Plant operations	517,356
Depreciation	480,287
Total Operating Expenses	<u>1,273,543</u>

Operating Income(Loss)	355,756
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Non-Operating Revenues (Expenses):

Gain on sale of capital assets	1,650
Interest income	107,601
Interest expense	<u>(20,463)</u>
Total Non-Operating Revenues/(Expenses)	<u>88,788</u>

Change in Net Position	444,544
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Net Position - October 1, 2016	<u>7,336,901</u>
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Net Position - September 30, 2017	<u><u>\$ 7,781,445</u></u>
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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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 217,039
Receipts from special assessments	1,397,227
Receipts from other sources	3,426
Payments to suppliers for goods and services	(830,966)
Net Cash Provided by Operating Activities	786,726

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of capital assets	(317,602)
Proceeds from sale of capital assets	1,650
Principal payments on long-term debt	(553,209)
Interest paid on long-term debt	(42,236)
Net Cash Used by Financing Activities	(911,397)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	107,601
Net Decrease in Cash and Cash Equivalents	(17,070)
Cash and equivalents - October 1, 2016	60,415
Cash and equivalents - September 30, 2017	\$ 43,345

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 355,756
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	480,287
Increase in accounts receivable	(8,857)
Decrease in prepaid expenses	1,130
Decrease in due to other funds	(94,607)
Increase in accounts payable and accrued expenses	55,767
Decrease in customer deposits	(2,750)
Net Cash Provided by Operating Activities	\$ 786,726

See accompanying notes to financial statements.

Port of the Islands Community Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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, 2017**

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, \$790,207, differs from “net position” of governmental activities, \$1,588,021, 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, 2017

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	\$ 347,436
Infrastructure	1,313,611
Equipment	15,613
Improvements other than buildings	110,121
Accumulated depreciation	<u>(988,967)</u>
Total	<u>\$ 797,814</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, \$(27,388), differs from the “change in net position” for governmental activities, \$52,591, 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	\$ (39,260)
Capital outlay	<u>119,239</u>
Total	<u>\$ 79,979</u>

Port of the Islands Community Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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, 2017, the District's bank balance was \$273,701 and the carrying value was \$264,137. 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, 2017 were typical.

Port of the Islands Community Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE D – SPECIAL ASSESSMENT REVENUES

Special assessment revenues recognized for the 2016-2017 fiscal year were levied in October 2016. 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, 2017 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, 2017 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 \$63,538.

Port of the Islands Community Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE F – CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended September 30, 2017 was as follows:

	Balance October 1, 2016	Additions	Deletions	Balance September 30, 2017
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land and improvements	\$ 228,197	\$ 119,239	\$ -	\$ 347,436
Capital assets, being depreciated:				
Infrastructure	1,313,611	-	-	1,313,611
Improvements other than buildings	110,121	-	-	110,121
Equipment	15,613	-	-	15,613
Total Capital Assets, Being Depreciated	<u>1,439,345</u>	<u>-</u>	<u>-</u>	<u>1,439,345</u>
Total Capital Assets	<u>1,667,542</u>	<u>119,239</u>	<u>-</u>	<u>1,786,781</u>
Less accumulated depreciation for:				
Infrastructure	(831,895)	(38,852)	-	(870,747)
Buildings and improvements	(102,199)	(408)	-	(102,607)
Equipment	(15,613)	-	-	(15,613)
Total Accumulated Depreciation	<u>(949,707)</u>	<u>(39,260)</u>	<u>-</u>	<u>(988,967)</u>
Total Capital Assets Being Depreciated, Net	<u>489,638</u>	<u>(39,260)</u>	<u>-</u>	<u>450,378</u>
Governmental Activities Capital Assets	<u>\$ 717,835</u>	<u>\$ 79,979</u>	<u>\$ -</u>	<u>\$ 797,814</u>

Depreciation of \$39,260 was charged to physical environment.

Port of the Islands Community Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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, 2017.

	Balance October 1, 2016	Additions	Deletions	Balance September 30, 2017
<u>Business-type Activities:</u>				
Capital assets, not being depreciated:				
Land and improvements	\$ 293,061	\$ 306,614	\$ -	\$ 599,675
Capital assets, being depreciated:				
Improvements other than buildings	15,437,452	10,988	-	15,448,440
Equipment	327,167	-	(39,505)	287,662
Total Capital Assets, Being Depreciated	<u>15,764,619</u>	<u>10,988</u>	<u>(39,505)</u>	<u>15,736,102</u>
Less accumulated depreciation for:				
Improvements other than buildings	(5,503,412)	(464,240)	-	(5,967,652)
Equipment	(133,242)	(16,047)	39,505	(109,784)
Total Accumulated Depreciation	<u>(5,636,654)</u>	<u>(480,287)</u>	<u>39,505</u>	<u>(6,077,436)</u>
Total Capital Assets Depreciated, Net	<u>10,127,965</u>	<u>(469,299)</u>	<u>-</u>	<u>9,658,666</u>
Business-Type Activities Capital Assets	<u>\$ 10,421,026</u>	<u>\$ (162,685)</u>	<u>\$ -</u>	<u>\$ 10,258,341</u>

Depreciation of \$480,287 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, 2017:

Business-type Activities

Long-term debt at October 1, 2016	\$ 2,406,616
Principal payments	(2,406,616)
Proceeds from bond refunding	<u>1,914,000</u>
Long-term debt at September 30, 2017	<u>\$ 1,914,000</u>

**Port of the Islands Community Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2017**

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%. \$ 1,914,000

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2017 are as follows:

Year Ending September 30,	Principal	Interest	Total
2018	\$ 478,500	\$ 58,377	\$ 536,877
2019	478,500	43,783	522,283
2020	478,500	29,189	507,689
2021	<u>478,500</u>	<u>14,594</u>	<u>493,094</u>
Totals	<u>\$ 1,914,000</u>	<u>\$ 145,943</u>	<u>\$ 2,059,943</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 2016 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. As of the date of the audit report, a foreclosure action has been filed and the property owners have been served.



Berger, Toombs, Elam,
Gaines & Frank

Certified Public Accountants PL

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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, 2017, and the related notes to the financial statements, and have issued our report thereon dated July 13, 2018.

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 results of our tests we disclosed one instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Status: The District has a budget over expenditure in the General Fund during the current year.

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

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
Certified Public Accountants
Fort Pierce, Florida

July 13, 2018



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, 2017, and have issued our report thereon dated July 13, 2018.

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, 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 July 13, 2018, 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.

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, 2017 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.

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 communicate the results of our determination as to whether the annual financial report for the Port of the Islands Community Improvement District for the fiscal year ended September 30, 2017, 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, 2017. In connection with our audit, we determined that these two reports were in agreement.

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 note a finding (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

July 13, 2018



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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, 2017. 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, 2017.

*Berger Toombs Elam
Gaines & Frank*

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

July 13, 2018