

CAPTIVA EROSION PREVENTION DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2014

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Captiva Erosion Prevention District
Captiva, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Captiva Erosion Prevention District (the "District") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the District as of September 30, 2014, and the respective changes in financial position for the year then ended in accordance 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's Discussion and Analysis (on pages 3 through 8) and the General Fund and Capital Projects Fund Budgetary Comparison Schedules (on pages 27 through 29) 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 our report dated January 23, 2015, 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, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Bradenton, Florida
January 23, 2015

CAPTIVA EROSION PREVENTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Captiva Erosion Prevention District (the "District") financial statements is designed to introduce the basic financial statements and provides an analytical overview of the District's financial activities for the fiscal year ended September 30, 2014. The basic financial statements are comprised of the government-wide financial statements, governmental fund financial statements, and footnotes. We hope this will assist readers in identifying significant financial issues and changes in the District's financial position.

DISTRICT HIGHLIGHTS

At the close of fiscal year 2013-2014, the District's assets exceed its liabilities, resulting in a net position of \$22,729,149. The District's net position increased \$12,675,808 or 126.09 percent, in comparison to the prior year. Total revenues increased \$12,074,532 or 346.30 percent, in comparison to the prior year. The increase in revenues is primarily attributable to an increase in grant monies received from state and local agencies and a \$5,685,599 special assessment levied on District taxpayer's to help fund the 2013-2014 beach renourishment project. Total expenses increased \$107,383 or 3.86 percent, in comparison to the prior year.

Government-Wide Financial Statements

Government-wide financial statements (Statement of Net Position and Statement of Activities found on pages on 9 and 10) are intended to allow a reader to assess a government's operational accountability. Operational accountability is defined as the extent to which the government has met its operating objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to meet its objectives for the foreseeable future. Government-wide financial statements concentrate on the District as a whole and do not emphasize fund types.

The Statement of Net Position (page 9) presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. The District's capital assets (property, plant and equipment) are included in this statement and reported net of their accumulated depreciation.

The Statement of Activities (page 10) presents revenue and expense information showing how the District's net position changed during the fiscal year. Both statements are measured and reported using the economic resource measurement focus (revenues and expenses) and the accrual basis of accounting (revenue recognized when earned and expense recognized when a liability is incurred).

Governmental Fund Financial Statements

The accounts of the District are organized on the basis of governmental funds, each of which is considered 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 or retained earnings, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental fund financial statements (found on pages 11 and 13) are prepared on the modified accrual basis using the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized when they become measureable and available as net current assets.

Notes to the Financial Statements

The notes to the financial statements explain in detail some of the data contained in the preceding statements and begin on page 15. These notes are essential to a full understanding of data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial statements were designed so that the user could determine if the District is in a better or a worse financial condition from the prior year.

The following is a condensed summary of net position for the District.

Statement of Net Position As of September 30, 2014 and 2013

	2014	2013
Current and other assets	\$ 5,679,038	\$16,528,442
Capital assets	21,321,522	3,601,864
Total assets	<u>27,000,560</u>	<u>20,130,306</u>
Other liabilities	71,411	476,965
Long-term liabilities	4,200,000	9,600,000
Total liabilities	<u>4,271,411</u>	<u>10,076,965</u>
Net position:		
Net investment in capital assets	17,121,522	3,601,864
Restricted	2,737,812	6,061,945
Unrestricted	2,869,815	389,532
Total net position	<u>22,729,149</u>	<u>10,053,341</u>
Total liabilities and net position	<u>\$27,000,560</u>	<u>\$20,130,306</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Current and other assets represent 21.00 percent of total assets. Current assets are comprised of cash and cash equivalents of \$737,096, restricted cash and cash equivalents of \$2,078,891, special assessments receivable of \$2,647,408, and investments of \$215,643.

Capital assets represent 79.00 percent of total assets and are comprised of the cost, less accumulated depreciation of the cost, to renourish the Captiva Island beach, to extend the groin at Redfish Pass, and renourish a portion of Bowman's Beach on Sanibel Island. The increase in capital assets is attributable to the capitalized cost of the 2013-2014 beach renourishment project, net of accumulated depreciation.

The following schedule reports the revenues, expenses and changes in net position for the District:

Statement of Activities As of September 30, 2014 and 2013

	2014	2013
Revenues:		
Program revenues:		
Charges for services	\$ 165,182	\$ 174,663
Operating grants and contributions	9,015,979	2,504,929
General revenues:		
Property taxes	361,969	370,161
Special assessments	6,010,614	425,758
Other	7,523	11,224
Total revenues	15,561,267	3,486,735
Operating Expenses:		
General government	2,376,923	2,428,975
Physical environment	339,345	349,101
Interest	169,191	-
Total operating expenses	2,885,459	2,778,076
Change in net position	12,675,808	708,659
Net position, beginning	10,053,341	9,344,682
Net position, ending	\$22,729,149	\$10,053,341

MANAGEMENT'S DISCUSSION AND ANALYSIS

Total revenues increased \$12,074,532 or 346.30 percent, in comparison to the prior year. Total expenses increased \$107,383 or 3.86 percent, in comparison to the prior year. As mentioned earlier, the District levied a \$5,685,599 special assessment to help finance the cost of the 2013-2014 beach renourishment project. District property owners had the option to pay their special assessments levied in full during the sixty (60) day window ending on July 18, 2014. Special assessments not paid in full will be collected over seven years beginning during the year ended September 30, 2015, at 3.87% interest. District property owners who sell their property are required to pay their assessment in full at the date of closing. Additionally, the District received an increase in grant funding from state and local agencies totaling \$6,511,050. Parking revenues decreased \$9,481 or 5.43 percent in comparison to the prior year.

Property values with the District decreased \$28,526,524 or 2.33 percent, in comparison to the prior year. Cumulatively over the past 5 years, properties with the District have decreased by \$206,146,388 or 14.73 percent.

The following schedule compares the change in property value and growth in millage rates for the past years ending September 30:

Year	2010	2011	2012	2013	2014
Millage Rate	0.2322	0.2522	0.2823	0.3064	0.3124
Property Value	\$1,399,615,720	\$1,299,528,531	\$1,276,826,812	\$1,221,995,856	\$1,193,469,332

BUDGETARY HIGHLIGHTS

Budget versus actual comparisons are reported on pages 27-29. Major variances from budgeted amounts in the General Fund include lower than expected consulting, professional fees and property appraiser fees. There were no major variances in which the actual expenditure was higher than the budgeted amount.

Major variances from budgeted amounts in the Capital Projects Fund include under estimate of special assessment collections, parking lot revenue and local grant revenues, and an over estimate of state grant revenues. Net engineering fees were higher than expected, as were parking maintenance fees, and sales tax. The District experienced significant savings on the budget amount for the 2013-2014 renourishment project as a result of enhanced monitoring and planning initiatives undertaken by the District.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Depreciable assets included equipment, infrastructure and construction in progress. The significant increase in capital assets is due to the addition of the renourishment project at a final cost of approximately \$20.35 million. The following is a schedule of the District's capital assets:

Capital Assets As of September 30, 2014 and 2013

	2014	2013
Construction in progress – projects	\$ -	\$ 447,310
Infrastructure	21,296,339	3,139,801
Equipment	25,183	14,753
Total capital assets	<u>\$21,321,522</u>	<u>\$ 3,601,864</u>

Additional information on the District's capital assets can be found in Note 3 on page 22.

Debt

Debt of the District includes a note payable to a financial institution obtained for the purpose of funding the 2014 beach renourishment project. The District paid \$5,400,000 of principal during the year.

Debt Outstanding As of September 30, 2014 and 2013

	2014	2013
Note payable	<u>\$ 4,200,000</u>	<u>\$ 9,600,000</u>
Total debt	<u>\$ 4,200,000</u>	<u>\$ 9,600,000</u>

Additional information on the District's debt can be found in Note 4 on pages 22-23.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETED RATES

The following were factors considered during the preparation of next year's budget (2014-2015):

- Property values decreased on the island.
- Replenishing reserves for future unexpected occurrences.
- The monitoring and post-construction phase of the 2013/2014 renourishment project begins.
- Special assessment collections remain a currently priority.
- Interest payments on the Fifth/Third Bank loan for new beach nourishment project will be due
in November 2014 and May 2015.
- Purchase of new parking meter machine.

MANAGEMENT'S DISCUSSION AND ANALYSIS

REQUESTS FOR INFORMATION

This financial report is designed to provide the reader with a general overview of the District's finances and to demonstrate the District's accountability. Questions regarding any information provided here within should be directed to: Captiva Erosion Prevention District, P.O. Box 365, Captiva Island, Florida, 33924-0365 or by phone (239) 472-2472.

CAPTIVA EROSION PREVENTION DISTRICT

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 737,096
Restricted cash and cash equivalents	2,078,891
Investments	113
Investments, restricted	215,530
Accounts receivables, net	2,647,408
Capital assets	
Depreciable, net	<u>21,321,522</u>
Total assets	<u><u>\$ 27,000,560</u></u>
Liabilities	
Accounts payable	\$ 6,981
Accrued liabilities	64,430
Noncurrent liabilities	
Due within one year	1,371,429
Due in more than one year	<u>2,828,571</u>
Total liabilities	<u>4,271,411</u>
Net position	
Net investment in capital assets	17,121,522
Restricted for:	
Debt service	2,737,812
Unrestricted	<u>2,869,815</u>
Total net position	<u>22,729,149</u>
Total liabilities and net position	<u><u>\$ 27,000,560</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CAPTIVA EROSION PREVENTION DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

Functions/programs	Program Revenues			Net (Expense)	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental activities					Governmental Activities
General government	\$ 2,376,923	\$ -	\$ -	\$ -	\$ (2,376,923)
Physical environment	339,345	165,182	9,015,979	-	8,841,816
Interest on long-term debt	169,191	-	-	-	(169,191)
Total governmental activities	2,885,459	165,182	9,015,979	-	6,295,702
General revenues					
					361,969
					6,010,614
					3,502
					4,021
					6,380,106
					12,675,808
					10,053,341
					\$ 22,729,149

The accompanying notes to financial statements are an integral part of this statement.

CAPTIVA EROSION PREVENTION DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 737,096	\$ -	\$ 737,096
Restricted cash and cash equivalents	-	2,078,891	2,078,891
Investments	113	-	113
Investments, restricted	-	215,530	215,530
Accounts receivable, net	-	2,647,408	2,647,408
Due from other funds	-	378,147	378,147
	<u>\$ 737,209</u>	<u>\$ 5,319,976</u>	<u>\$ 6,057,185</u>
Liabilities, deferred inflows of resources and fund balances			
Liabilities			
Accounts payable	\$ 3,836	\$ 3,145	\$ 6,981
Due to other funds	378,147	-	378,147
Total liabilities	<u>381,983</u>	<u>3,145</u>	<u>385,128</u>
Deferred inflows of resources			
Unavailable revenue	-	2,579,019	2,579,019
Fund balances			
Restricted	-	2,737,812	2,737,812
Unassigned	355,226	-	355,226
Total fund balances	<u>355,226</u>	<u>2,737,812</u>	<u>3,093,038</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 737,209</u>	<u>\$ 5,319,976</u>	<u>\$ 6,057,185</u>

The accompanying notes to financial statements are an integral part of this statement.

CAPTIVA EROSION PREVENTION DISTRICT
RECONCILIATION OF THE BALANCE SHEET–
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

Fund Balances, total governmental funds	\$ 3,093,038
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	
Governmental capital assets	39,658,848
Accumulated depreciation	(18,337,326)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
	2,579,019
Noncurrent liabilities, are not due and payable in the current period and therefore, are not reported in the funds.	
Accrued interest payable	(64,430)
Note payable	(4,200,000)
Net position of governmental activities	<u>\$ 22,729,149</u>

The accompanying notes to financial statements are an integral part of this statement.

CAPTIVA EROSION PREVENTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 361,969	\$ -	\$ 361,969
Intergovernmental revenues			
Grant income – State	-	1,973,083	1,973,083
Grant income – Local	-	7,042,896	7,042,896
Special assessments	-	3,431,595	3,431,595
Charges for services – parking revenues	-	165,182	165,182
Investment earnings	292	3,210	3,502
Miscellaneous revenues	4,021	-	4,021
Total revenues	<u>366,282</u>	<u>12,615,966</u>	<u>12,982,248</u>
Expenditures			
Current:			
General government:			
Operating expenditures	214,637	-	214,637
Physical environment:			
Operating expenditures	-	20,254,049	20,254,049
Debt service:			
Principal retirement	-	5,400,000	5,400,000
Interest	-	169,191	169,191
Total expenditures	<u>214,637</u>	<u>25,823,240</u>	<u>26,037,877</u>
Excess (deficiency) of revenues over (under) expenditures	<u>151,645</u>	<u>(13,207,274)</u>	<u>(13,055,629)</u>
Other financing sources (uses)			
Transfers in	-	216,330	216,330
Transfers out	(216,330)	-	(216,330)
Total other financing sources (uses)	<u>(216,330)</u>	<u>216,330</u>	<u>-</u>
Change in fund balances	(64,685)	(12,990,944)	(13,055,629)
Fund balances, beginning of year	<u>419,911</u>	<u>15,728,756</u>	<u>16,148,667</u>
Fund balances, end of year	<u>\$ 355,226</u>	<u>\$ 2,737,812</u>	<u>\$ 3,093,038</u>

The accompanying notes to financial statements are an integral part of this statement.

CAPTIVA EROSION PREVENTION DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

Net Change in Fund Balances – Total Governmental Funds		\$ (13,055,629)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is depreciated over their estimated useful lives.</p>		
Capital outlay	\$ 19,914,704	
Less current year depreciation	<u>(2,195,046)</u>	17,719,658
Special assessment revenues not recognized in the fund statements that were not considered available.		2,579,019
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		
Debt repayments:		
Notes payable		5,400,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		<u>32,760</u>
Change in net position of governmental activities		<u><u>\$ 12,675,808</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CAPTIVA EROSION PREVENTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization:

The Captiva Erosion Prevention District (the "District") was established as a beach and shore preservation district on Captiva Island, Florida in 1959 by an act of the Florida Legislature. The District was reestablished on July 6, 1981 (LOF 81-413), by a Special Act of the Legislature of the State of Florida (House Bill 760). The District Enabling Act has been amended periodically since formation, most recently on May 22, 2000 by House Bill 927, Chapter 2000-399. The most recent bill validated the District as a beach and shore preservation authority under the provisions of Chapter 161.32 of the Florida Statutes. The District's programs shall include construction and maintenance of any seawalls, groins, breakwaters, bulkheads, fills and other works, structures, and equipment or other facilities used for beach renourishment or erosion control.

The District boundary includes all of Captiva Island, Florida. A five (5) member elected Board of Commissioners governs the District. The Board is elected by the voters of the District and serves staggered four (4) year terms.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 more significant of the District's accounting policies are described below.

Significant Accounting Policies:

Reporting Entity:

The District adheres to GASB Statement Number 61, *the Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. This Statement requires the basic financial statements of the District (the primary government) to include any component units. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. Based on the criteria established in GASB 61, the District has no component units.

Government-wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. The District has only governmental activities, which are supported primarily by taxes and special assessments and are reported in the General Fund and Capital Projects Fund.

CAPTIVA EROSION PREVENTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The District has only governmental activities that are reported in the entity's General Fund and Capital Projects Fund.

Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The government reports the following major governmental funds:

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

CAPTIVA EROSION PREVENTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

**NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

The *Capital Projects Fund* is used to account for major infrastructure projects related to beach maintenance and renourishment.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents:

Cash includes petty cash and amounts on deposit in banks. All funds on deposit are insured and fully collateralized as required by Chapter 280 of the Florida Statutes.

Investments:

The District adheres to the requirements of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, in which all investments are required to be reported at fair value.

Capital Assets:

Capital assets, which include infrastructure, construction in progress, equipment, and machinery, are reported in the government-wide statement of net position at cost. Capital assets are defined by the District as assets with an initial, individual cost of \$500 and an estimated useful life in excess of one year. Expenditures for maintenance, repairs and minor renewals and betterments are expensed as incurred. Major renewals and betterments are treated as property additions. Maintenance and repairs of capital assets are charged to operations and major improvements are capitalized. Upon retirement, sale or other disposition of capital assets, the cost and accumulated depreciation is eliminated from the accounts and gain or loss is recognized. There were no gains or losses recognized on disposals for the year ended September 30, 2014.

Depreciation commences when a project is ready for its intended use or when equipment is placed in service, and is computed using the straight-line method over the following estimated useful lives of assets.

Infrastructure (beach renourishment projects)	7 to 30 years
Machinery and Equipment	3 to 10 years

CAPTIVA EROSION PREVENTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that may affect the reported amounts of certain assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Budgets and Budgetary Accounting:

The District adopts an annual budget for the General Fund and the Capital Projects Fund. The budget is formally reviewed and approved by the District's Board of Commissioners. Budgets are prepared on the accrual basis. Neither the District's statute nor any debt covenants require the District to report budgetary information in its financial statements.

The District follows these procedures in establishing budgetary data for the General Fund and the Capital Projects Fund:

1. During the summer of each year, the District Administrator submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing on the upcoming October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is adopted by approval of the Board of Commissioners.
4. Budget amounts, as shown in these financial statements, are as originally adopted or as amended by the Board of Commissioners.
5. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.
6. The level of control for appropriations is exercised at the fund level.
7. Appropriations lapse at year-end.

Fund Equity:

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

CAPTIVA EROSION PREVENTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance: Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- *Nonspendable:* Fund balances are reported as nonspendable when amounts cannot be spent because they are either: (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- *Restricted:* Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- *Committed:* Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners through the adoption of a resolution. Only the Board of Commissioners may modify or rescind the commitment.
- *Assigned:* Fund balances are reported as assigned when amounts are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Currently, the Board of Commissioners is authorized to assign fund balances.
- *Unassigned:* Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The District reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in other funds should the District establish other funds at a later time.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the District's policy to use fund balance in the following order: (1) committed, (2) assigned, and (3) unassigned.

Deferred Outflows/Inflows of Resources:

The District has implemented GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. These standards establish accounting and financial reporting for deferred outflows/inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

CAPTIVA EROSION PREVENTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District did not have any items that qualified for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of this item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

Encumbrances:

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District because, at present, it is not necessary in order to assure effective budgetary control or to facilitate effective cash planning and control.

Interfund Transactions:

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” in the fund financial statements. These transactions arise to cover temporary (three months or less) cash needs.

Interfund transfers consist of funds reallocated from the General Fund to the Capital Projects Fund on a permanent basis.

CAPTIVA EROSION PREVENTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS

The District's deposit policy allows deposits to be held in demand deposit or money market accounts. The District maintains its cash balances at various financial institutions, which are insured by the FDIC for up to \$250,000. As of September 30, 2014, the District did not have any uninsured cash balances as all of the District deposits were held in banks or savings institutions designated as qualified public depositories by the State Treasurer (Florida Statute 280).

At September 30, 2014, the District's total cash balances were \$2,815,987. Of this amount, \$2,078,891 was held in the District's Capital Project Fund and was classified as restricted.

Florida Statutes and the District's investment policy authorize investments in the Local Government Surplus Funds Trust Fund administered by the State Board of Administration (SBA). At September 30, 2014, the District's General Fund and Capital Projects Fund had investments held in the Local Government Surplus Funds Trust Fund with balances of \$113 and \$215,530, respectively. The District's total investment held in the SBA at September 30, 2014, was \$215,643. All investments held in the Capital Projects Fund are restricted.

The Local Government Surplus Funds Trust Fund (Florida PRIME) is an external 2A7-like investment pool administered by the Florida State Board of Administration. The District's investment in Florida PRIME represented less than 2% of Florida PRIME's total investments. Investments held in Florida PRIME include, but are not limited to, short-term Federal agency obligations, treasury bills, repurchase agreements, and commercial paper. These short-term investments are stated at cost, which approximates market value. Investment income is recognized as earned and is allocated to participants of Florida PRIME based on their equity participation.

These investments were entirely covered by Federal depository insurance or by collateral pursuant to the Public Depository Security Act (Florida Statute 280) of the State of Florida. The Local Government Surplus Fund Investment Pool Trust Fund is not categorized by risk assessment as it is not evidenced by securities that exist in physical or book entry form.

CAPTIVA EROSION PREVENTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, is as follows:

	Balance October 1	Increases	Decreases	Balance September 30
Capital assets, not being depreciated:				
Construction in progress	\$ 447,310	\$19,899,789	\$(20,347,099)	\$ -
Total capital assets, not being depreciated	<u>447,310</u>	<u>19,899,789</u>	<u>(20,347,099)</u>	<u>-</u>
Capital assets, being depreciated:				
Infrastructure	19,232,498	-	20,347,099	39,579,597
Equipment	64,336	14,915	-	79,251
Total capital assets, being depreciated	<u>19,296,834</u>	<u>14,915</u>	<u>20,347,099</u>	<u>39,658,848</u>
Less accumulated depreciation for:				
Infrastructure	(16,092,697)	(2,190,561)	-	(18,283,258)
Equipment	(49,583)	(4,485)	-	(54,068)
Total accumulated depreciation	<u>(16,142,280)</u>	<u>(2,195,046)</u>	<u>-</u>	<u>(18,337,326)</u>
Total capital assets, being depreciated, net	<u>3,154,554</u>	<u>(2,180,131)</u>	<u>20,347,099</u>	<u>21,321,522</u>
Total capital assets, net	<u>\$ 3,601,864</u>	<u>\$17,719,658</u>	<u>\$ -</u>	<u>\$ 21,321,522</u>

Depreciation expense for the year ended September 30, 2014, was \$2,195,046 and was charged to general governmental expenses.

NOTE 4. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2014, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities					
Note payable	\$9,600,000	\$ -	\$(5,400,000)	\$4,200,000	\$ 1,371,429
Total governmental activities	<u>\$9,600,000</u>	<u>\$ -</u>	<u>\$(5,400,000)</u>	<u>\$4,200,000</u>	<u>\$ 1,371,429</u>

CAPTIVA EROSION PREVENTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4. LONG-TERM DEBT (CONTINUED)

Note Payable:

During the year ended September 30, 2013, the District obtained a \$9,600,000 promissory note payable to a financial institution for the purpose of funding the 2014 beach renourishment project. This note requires annual principal payments of \$1,371,429 starting in May of 2015, plus interest at 1.87%. This note is collateralized by a special assessment being levied to District property owners beginning in November 2014. Final payment of the note is due in May 2021. Due to significant cash flows during the year, the District paid in advance \$5,400,000 of the note payable.

Utilizing the original amortization schedule and accounting for the significant principal reduction noted above, the anticipated note payable maturities are as follows:

Fiscal Year	Principal	Interest	Total
2015	\$ 1,371,429	\$ 78,540	\$ 1,449,969
2016	1,371,429	52,894	1,424,323
2017	1,371,429	27,249	1,398,678
2018	85,713	1,603	87,316
	<u>\$ 4,200,000</u>	<u>\$ 160,286</u>	<u>\$ 4,360,286</u>

Compensated Absences Payable:

Currently the District does not have any paid employees as all District personnel are paid through a contract with a local consulting firm. As such, there are no recorded compensated absences payable, as of September 30, 2014.

NOTE 5. SPECIAL ASSESSMENTS

In July 2014, the District Board adopted a non-ad valorem special assessment to be levied against each property owner within the District in order to pay for the 2013/2014 beach maintenance renourishment project and outstanding debt related to the project. The non grant funded portion of the project was paid via in-house cash and related long-term debt.

All proceeds from the collection of the special assessments are restricted to fund the cost of the specific construction project and the related debt.

CAPTIVA EROSION PREVENTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5. SPECIAL ASSESSMENTS (CONTINUED)

The 2013/2014 Beach Renourishment Project commenced sand placement on October 7, 2013, with completion on December 16th for Captiva and December 26, 2013, for Sanibel. Approximately 6 miles of shoreline were nourished with approximately 864,000 cubic yards of sand. The project also included dune rehabilitation and the planting of new vegetation. The total cost of the project capitalized by the District was approximately \$20.3 million. Grant funding was provided by the Florida Department of Environmental Protection and Lee County. The remaining costs of the project (\$5,685,599) were financed by the special assessment imposed on the property owners of Captiva.

The 2014 special assessment was levied against the following property types at the indicated millage rates as determined by the District's Board and economic consultant:

<u>Property Type</u>	<u>Just Value</u>	<u>Recreation</u>		<u>Storm</u>		<u>Total</u>
		<u>Mills</u>	<u>Assessment</u>	<u>Mills</u>	<u>Assessment</u>	<u>Assessment</u>
Commercial	\$ 69,306,760	11.4999	\$ 797,021	Various	\$ 156,779	\$ 953,800
Interval	64,800,260	4.6620	302,099	2.5211	65,924	368,023
Multi-Family	362,262,258	4.3430	1,564,053	Various	429,537	1,993,590
Nonrecreational	3,001,387	-	-	Various	9,721	9,721
Single Family	808,166,716	1.2070	983,026	Various	1,377,439	2,360,465
	<u>\$ 1,307,537,381</u>		<u>\$ 3,646,199</u>		<u>\$ 2,039,400</u>	<u>\$ 5,685,599</u>

NOTE 6. PROPERTY TAXES

Property taxes are levied after formal adoption of the District's budget and become due and payable on November 1 of each year and are delinquent on April 1 of the following year. Discounts on property taxes are allowed for payments made prior to the April 1 delinquent date. Tax certificates are sold to the public for the full amount of any unpaid taxes and must be sold not later than June 1 of each year. The billing, collection and related record keeping of all property taxes is performed for the District by the Lee County Tax Collector. No accrual for the property tax levy becoming due in November 2014 is included in the accompanying financial statements, since such taxes are collected to finance expenditures of the subsequent period.

CAPTIVA EROSION PREVENTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 6. PROPERTY TAXES (CONTINUED)

Procedures for collecting delinquent taxes, including applicable tax certificate sales and tax deed sales, are provided for by Florida Statutes. The enforceable lien date is approximately two years after taxes become delinquent and occurs only upon request of a holder of a delinquent tax certificate.

Important dates in the property tax cycle are as follows:

Assessment roll certified	July 1
Millage resolution approved	No later than 93 days following certification of assessment roll
Taxes due and payable (Levy date)	November, with various discount provisions through March 31
Property taxes payable - maximum discount (4 percent)	30 days after levy date
Beginning of fiscal year for which taxes have been levied	October 1
Due date	March 31
Taxes become delinquent (lien date)	April 1
Tax certificates sold by the Lee County Tax Collector	Prior to June 1

For the year ended September 30, 2014, the Board of Commissioners of the District levied ad valorem taxes at a millage rate of \$.3124 per \$1,000 (0.3124 mills) of the 2013 net taxable value of real property located within the District.

NOTE 7. COMMITMENTS AND CONTINGENCIES

The District has received grants which are subject to special compliance requirements by the grantor agency. The grantor agency may at times disallow expenditure amounts associated with a contract based on the outcome of an audit. These amounts would constitute a contingent liability of the District. The District has not, as of September 30, 2014, been notified of any existing contingent liabilities related to prior grants or the grants currently in process. The management of the District does not believe contingent liabilities, if any exist, to be material.

CAPTIVA EROSION PREVENTION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the public entity risk pool administered by the Florida League of Cities, Inc. for workers' compensation, general/professional liability and property insurance. The District pays an annual premium to the Florida League of Cities, Inc. for this insurance program. Participation in this risk pool is non-assessable. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. The District retains the risk of loss up to a deductible amount (ranging from \$0 to \$500) with the risk of loss in excess of this amount transferred to the pool with limits of liability of \$1,500,000 per occurrence for general/professional liability, and property and \$1,000,000 per accident for workers' compensation.

The District has also obtained a Directors and Officer's insurance policy. The District retains the risk of loss up to a deductible amount of \$10,000 with aggregate limits of liability of \$10,000,000 for the policy year. The policy has been renewed for the year ending September 30, 2015.

NOTE 9. OPERATING LEASE

The District on December 1, 2012, entered into an operating lease agreement for office space on Captiva Island. This lease expires November 1, 2016, and the base annual rental is \$16,637, or \$1,386 per month, plus common area maintenance (CAM) charges. Rent expense for the year ended September 30, 2014 was \$16,637.

Total future minimum lease payments required under the lease is as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$ 16,637
2016	16,637
2017	2,773
	<u>\$ 36,047</u>

NOTE 10. SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 23, 2015, the date which the financial statements were available to be issued and has determined that no material transactions have occurred that would warrant additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CAPTIVA EROSION PREVENTION DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES—BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Property taxes	\$ 359,517	\$ 359,517	\$ 361,969	\$ 2,452
Investment earnings	-	-	292	292
Miscellaneous revenues	1,100	1,100	4,021	2,921
Total revenues	<u>360,617</u>	<u>360,617</u>	<u>366,282</u>	<u>5,665</u>
Expenditures				
Current				
General government				
Operating expenditures				
Advertising	3,700	3,700	3,705	(5)
Board meeting	600	600	-	600
Copier lease	2,400	2,400	2,050	350
Dues and subscriptions	250	250	210	40
Equipment rental	4,000	-	-	-
General insurance	8,500	8,500	8,325	175
Newsletter	2,600	2,600	1,953	647
Office	3,800	3,800	4,173	(373)
Postage	500	1,600	1,534	66
Rent	17,100	17,100	16,637	463
Repairs	3,000	1,700	1,168	532
Telephone	4,000	2,500	2,693	(193)
Travel and per diem	10,000	10,000	10,453	(453)
Utilities	1,600	1,600	1,885	(285)
Website maintenance	3,700	3,700	3,869	(169)
Consulting	135,874	135,874	124,800	11,074
Professional fees	64,328	29,328	23,212	6,116
Property appraiser fees	3,500	4,500	3,495	1,005
Tax Collector commissions	7,500	3,600	4,475	(875)
Capital Outlay - Equipment purchase	4,000	-	-	-
Total expenditures	<u>280,952</u>	<u>233,352</u>	<u>214,637</u>	<u>18,715</u>
Excess of revenues over expenditures	<u>79,665</u>	<u>127,265</u>	<u>151,645</u>	<u>24,380</u>
Other financing uses				
Transfers out	(79,665)	(127,265)	(216,330)	(89,065)
Total other financing uses	<u>(79,665)</u>	<u>(127,265)</u>	<u>(216,330)</u>	<u>(89,065)</u>
Change in fund balance	-	-	(64,685)	(64,685)
Fund balance, beginning of year	<u>419,911</u>	<u>419,911</u>	<u>419,911</u>	<u>-</u>
Fund balance, end of year	<u>\$ 419,911</u>	<u>\$ 419,911</u>	<u>\$ 355,226</u>	<u>\$ (64,685)</u>

The accompanying notes to financial statements are an integral part of this statement.

CAPTIVA EROSION PREVENTION DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES—BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental revenues			
Grant income – State	\$ 4,600,000	\$ 1,973,083	\$ (2,626,917)
Grant income – Local	6,121,000	7,042,896	921,896
Special assessments	395,717	3,431,595	3,035,878
Charges for services – parking revenues	120,000	165,182	45,182
Investment earnings	500	3,210	2,710
Total revenues	<u>11,237,217</u>	<u>12,615,966</u>	<u>1,378,749</u>
Expenditures			
Current			
Physical environment			
Operating expenditures			
Advertising	1,000	594	406
Annual membership and fees	1,000	1,000	-
Beach maintenance	-	800	(800)
Blind Pass Project	8,100	-	8,100
Cost of assessment collections	1,800	382	1,418
Bank service fee	-	620	(620)
Engineering	35,000	66,727	(31,727)
Engineering – permitting	99,000	78,885	20,115
Insurance	12,808	12,904	(96)
Parking lot machine	15,000	15,948	(948)
Parking lot expenses	-	440	(440)
Mobi mat and bench	-	309	(309)
Parking maintenance	17,640	23,943	(6,303)
Portable toilets	7,500	7,296	204
Sales tax expense	7,200	8,717	(1,517)
Professional fees	63,500	62,262	1,238
Project consultant	67,662	67,200	462
Renourishment Projects:			
Construction services	399,721	357,825	41,896
Dune vegetation	165,000	126,835	38,165
Mobilization, dredging and fill	19,485,279	19,387,758	97,521
Monitoring – sea turtles	30,997	26,951	4,046
Preliminary planning	-	420	(420)
Contingency	50,000	-	50,000
Tilling	10,000	-	10,000
Bidding, negotiation and award	15,000	-	15,000
Economic study and apportionment plan	20,000	-	20,000
Long range plan update	1,000	-	1,000
Post construction survey and reporting	124,206	-	124,206

The accompanying notes to financial statements are an integral part of this statement.

CAPTIVA EROSION PREVENTION DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES—BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Expenditures (Continued)			
Rent	\$ 5,400	\$ 4,178	\$ 1,222
Records storage	2,028	2,055	(27)
Debt service			
Principal	-	5,400,000	(5,400,000)
Interest	180,000	169,191	10,809
Total expenditures	<u>20,825,841</u>	<u>25,823,240</u>	<u>(4,997,399)</u>
Deficiency of revenues under expenditures	<u>(9,588,624)</u>	<u>(13,207,274)</u>	<u>(3,618,650)</u>
Other financing sources			
Transfers in	79,665	216,330	136,665
Total other financing sources	<u>79,665</u>	<u>216,330</u>	<u>136,665</u>
Change in fund balance	(9,508,959)	(12,990,944)	(3,481,985)
Fund balance, beginning of year	<u>15,728,756</u>	<u>15,728,756</u>	<u>-</u>
Fund balance, end of year	<u>\$ 6,219,797</u>	<u>\$ 2,737,812</u>	<u>\$ (3,481,985)</u>

The accompanying notes to financial statements are an integral part of this statement.

OTHER INDEPENDENT AUDITOR'S REPORTS

**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***

Board of Commissioners
Captiva Erosion Prevention District
Captiva, 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 the governmental activities and each major fund of the Captiva Erosion Prevention District (the "District"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 23, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bradenton, Florida
January 23, 2015

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

Board of Commissioners
Captiva Erosion Prevention District
Captiva, Florida

Report on Compliance for Each Major State Project

We have audited the Captiva Erosion Prevention District's (the "District") compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the District's major State projects for the year ended September 30, 2014. The District's major State projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major State projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General. Those standards, Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State project occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Project

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State projects for the year ended September 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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

Mauldin & Jenkins, LLC

Bradenton, Florida
January 23, 2015

CAPTIVA EROSION PREVENTION DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>CFDA/CSFA Number</u>	<u>Grant ID Number</u>	<u>Actual Expenditures</u>
State Financial Assistance			
Florida Department of Environmental Protection Beach Management Funding Assistance Program	37.003	12LE2	<u>\$ 4,442,816</u>
Total expenditures of State financial assistance			<u><u>\$ 4,442,816</u></u>

This Schedule includes the State grant activity of the Captiva Erosion Prevention District, for the fiscal year ended September 30, 2014, and is presented using the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Chapter 10.550 Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts in, or used in the preparation of the basic financial statements.

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Board of Commissioners
Captiva Erosion Prevention District
Fernandina Beach, Florida

Report on the Financial Statements

We have audited the financial statements of the Captiva Erosion Prevention District (the "District") as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated January 23, 2015.

Auditor's Responsibility

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

Other Reports and 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*. Disclosures in that report, which are dated January 23, 2015, 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 annual financial audit report. No audit findings were noted in the District's September 30, 2013, audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Captiva Erosion Prevention District is an independent special district in Lee County, created by an act of the Florida Legislature in 1959. The District has no component units.

Financial Condition

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

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

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

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

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

Purpose of this Letter

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

Bradenton, Florida
January 23, 2015



CAPTIVA EROSION PREVENTION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:
 Material weaknesses identified? ___ yes X no

Significant deficiencies identified not considered
 to be material weaknesses? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

State Financial Assistance

Internal Control over major programs:
 Material weaknesses identified? ___ yes X no

Significant deficiencies identified not considered
 to be material weaknesses? ___ yes X none reported

Type of auditor's report issued on compliance for
 major programs Unmodified

Any audit findings disclosed that are required to
 be reported in accordance with Chapter 10.550,
 Rules of the Auditor General ___ yes X no

Identification of major program:

CSFA Number	Name of Federal Program or Cluster
37.003	Beach Management Funding Assistance Program

Dollar threshold used to distinguish between
 Type A and Type B programs: \$300,000

CAPTIVA EROSION PREVENTION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

SECTION III
STATE AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

STATUS OF PRIOR YEAR AUDIT FINDINGS

None reported.