

CAPTIVA EROSION PREVENTION DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2018

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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, 2018, 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, 2018, 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 April 10, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, 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.

Bradenton, Florida
April 10, 2019

Mauldin & Jenkins, LLC

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, 2018. 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 2017-2018, the District's assets exceed its liabilities, resulting in a net position of \$11,852,818. The District's net position decreased \$3,734,326 or 23.96%, in comparison to the prior year. Total revenues decreased \$1,461,150 or 62.60%, in comparison to the prior year. Total expenses increased \$847,700 or 22.55%, in comparison to the prior year.

Government-Wide Financial Statements

Government-wide financial statements (Statement of Net Position and Statement of Activities pages 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, 2018 and 2017

| | 2018 | 2017 |
|------------------------------------|---------------------|---------------------|
| Current and other assets | \$ 4,535,099 | \$ 5,827,413 |
| Capital assets | 8,748,230 | 11,893,635 |
| Total assets | <u>13,283,329</u> | <u>17,721,048</u> |
| Other liabilities | 30,511 | 33,904 |
| Long-term liabilities | 1,400,000 | 2,100,000 |
| Total liabilities | <u>1,430,511</u> | <u>2,133,904</u> |
| Net position: | | |
| Net investment in capital assets | 7,348,230 | 9,793,635 |
| Restricted | 4,009,594 | 5,360,749 |
| Unrestricted | 494,994 | 432,760 |
| Total net position | <u>11,852,818</u> | <u>15,587,144</u> |
| Total liabilities and net position | <u>\$13,283,329</u> | <u>\$17,721,048</u> |

MANAGEMENT'S DISCUSSION AND ANALYSIS

Current and other assets represent 34.14% of total assets. Current assets are comprised of cash and cash equivalents of \$860,893, restricted cash and cash equivalents of \$2,208,671, special assessments receivable of \$984,641 and investments of \$480,773.

Capital assets represent 65.86% 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 decrease in capital assets is primarily attributable to another year of depreciation expense on the 2013-2014 beach renourishment project.

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

Statement of Activities As of September 30, 2018 and 2017

| | 2018 | 2017 |
|------------------------------------|---------------|---------------|
| Revenues | | |
| Program revenues | | |
| Charges for services | \$ 332,660 | \$ 301,277 |
| Operating grants and contributions | 152,527 | 50,787 |
| Capital grants and contributions | - | 1,534,733 |
| General revenues | | |
| Property taxes | 367,297 | 366,466 |
| Special assessments | 5,935 | 68,140 |
| Other | 14,534 | 12,700 |
| Total revenues | 872,953 | 2,334,103 |
| Operating expenses | | |
| General government | 3,376,628 | 3,353,743 |
| Physical environment | 1,196,874 | 358,939 |
| Interest | 33,777 | 46,897 |
| Total operating expenses | 4,607,279 | 3,759,579 |
| Change in net position | (3,734,326) | (1,425,476) |
| Net position, beginning | 15,587,144 | 17,012,620 |
| Net position, ending | \$ 11,852,818 | \$ 15,587,144 |

MANAGEMENT'S DISCUSSION AND ANALYSIS

Total revenues decreased \$1,461,150 or 62.60%, in comparison to the prior year. The decrease is primarily due to a FEMA reimbursement (\$1,534,733) which was recorded as a receivable and recognized as income in the prior year. Parking revenues increased (\$31,383) due to continued strong tourism on Captiva. Grant revenues increased primarily due reimbursements from FEMA for damages sustained during Tropical Storm Debby (fiscal year ended September 30, 2012). Total expenses increased \$847,700 or 22.55%, in comparison to the prior year. The decrease is due almost entirely to the repayment of certain state and local agencies upon receipt of the FEMA reimbursement.

Property values within the District increased \$37,948,823 or 2.81%, in comparison to the prior year. Cumulatively over the past 5 years, properties within the District have increased \$195,528,265 or 16.47%.

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

| Year | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|----------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Millage Rate | <u>0.3124</u> | <u>0.3053</u> | <u>0.2901</u> | <u>0.2808</u> | <u>0.2720</u> |
| Property Value | <u>\$ 1,193,469,332</u> | <u>\$ 1,220,735,883</u> | <u>\$ 1,293,906,894</u> | <u>\$ 1,352,048,774</u> | <u>\$ 1,389,997,597</u> |

BUDGETARY HIGHLIGHTS

Budget versus actual comparisons are reported on pages 27 through 29. Major variances from budgeted amounts in the General Fund include lower than expected travel and per diem, consulting, and professional 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 revenues and local grant revenues. Parking maintenance fees and sales tax were higher than expected. The District continues to experience significant savings on budgeted amounts for the 2013-2014 renourishment project as a result of enhanced monitoring and planning initiatives undertaken by the District. Additional explanation of budget to actual variances for the Capital Projects Fund are listed below.

Grant Income – Local: The local TDC grants for the fiscal year 2017-2018 are reimbursable grants for completed work. Two TDC grants were approved. The first grant is for beach park maintenance while the second consists of a sand source search in Redfish Pass. Beach Park Maintenance for fiscal year 2017-2018 is complete. All tasks associated with Redfish Pass Study are not yet complete.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Local Grant Revenue: While Phase 1 of the Red Fish Pass Study is 98% complete, Phase 2 of the Study has not begun. Once Phase 2 begins and is invoiced, funds from the grant can be drawn for completed work.

Specials Assessments: It was a successful year for real estate sales on Captiva. As properties are sold, the assessment is paid off on the property by the owner.

Parking Revenues: Beach and parking lot demand continue to be strong on the island.

Engineering Expense: Non-technical engineering tasks were completed by the District Administrator.

Red Fish Pass Study: The project began in the current fiscal year and continues. Work will be complete during the fiscal year 2018-2019.

Permit Modification: Anticipated permit modifications were not required in the current fiscal year.

Professional Fees: There were few issues requiring outside professional assistance.

Renourishment Project: Engineers have not completed the study within the scheduled timeframe originally proposed. The work will continue into the new fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Depreciable assets included equipment, infrastructure and construction in progress. The following is a schedule of the District's capital assets, net of accumulated depreciation:

| | Capital Assets | |
|----------------------|--|----------------------|
| | As of September 30, 2018 and 2017 | |
| | <u>2018</u> | <u>2017</u> |
| Infrastructure | \$ 8,729,074 | \$ 11,870,135 |
| Equipment | 19,156 | 23,500 |
| Total capital assets | <u>\$ 8,748,230</u> | <u>\$ 11,893,635</u> |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt

Debt of the District includes a note payable to a financial institution obtained for the purpose of funding the 2013-2014 beach renourishment project. The District paid \$700,000 of principal during the year.

Debt Outstanding As of September 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--------------|---------------------|---------------------|
| Note payable | <u>\$ 1,400,000</u> | <u>\$ 2,100,000</u> |
| Total debt | <u>\$ 1,400,000</u> | <u>\$ 2,100,000</u> |

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETED RATES

The following were factors considered during the preparation of next year's budget (2018-2019):

- Property values increased on the island.
- Replenishing reserves for future unexpected occurrences.
- Redfish Pass Inlet study (Phase 1) has been completed and Phase 2 will begin.
- In preparation for the next beach renourishment, engineers will prepare an engineering and design report.
- Interest payments on the Fifth/Third Bank loan for the beach renourishment project will be due in November 2018 and May 2019. A loan principal payment will be due in May 2019.

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, 2018**

| | Governmental Activities |
|---|------------------------------------|
| Assets | |
| Cash and cash equivalents | \$ 860,893 |
| Restricted cash and cash equivalents | 2,208,671 |
| Investments | 121 |
| Investments, restricted | 480,773 |
| Accounts receivables, net | 984,641 |
| Capital assets | |
| Depreciable, net | <u>8,748,230</u> |
| Total assets | <u><u>\$ 13,283,329</u></u> |
| Liabilities | |
| Accounts payable | \$ 19,513 |
| Accrued liabilities | 10,998 |
| Noncurrent liabilities | |
| Due within one year | 600,000 |
| Due in more than one year | 800,000 |
| Total liabilities | <u>1,430,511</u> |
| Net position | |
| Net investment in capital assets | 7,348,230 |
| Restricted for | |
| Debt service | 4,009,594 |
| Unrestricted | 494,994 |
| Total net position | <u>11,852,818</u> |
| Total liabilities and net position | <u><u>\$ 13,283,329</u></u> |

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

CAPTIVA EROSION PREVENTION DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

| | General Fund | Capital Projects Fund | Total Governmental Funds |
|--|-------------------------|--------------------------------------|---|
| Assets | | | |
| Cash and cash equivalents | \$ 860,893 | \$ - | \$ 860,893 |
| Restricted cash and cash equivalents | - | 2,208,671 | 2,208,671 |
| Investments | 121 | - | 121 |
| Investments, restricted | - | 480,773 | 480,773 |
| Accounts receivable, net | - | 984,641 | 984,641 |
| Due from other funds | - | 355,022 | 355,022 |
| Total assets | <u>\$ 861,014</u> | <u>\$ 4,029,107</u> | <u>\$ 4,890,121</u> |
| Liabilities, deferred inflows of resources and fund balances | | | |
| Liabilities | | | |
| Accounts payable | \$ - | \$ 19,513 | \$ 19,513 |
| Due to other funds | 355,022 | - | 355,022 |
| Total liabilities | <u>355,022</u> | <u>19,513</u> | <u>374,535</u> |
| Deferred inflows of resources | | | |
| Unavailable revenue | - | 831,256 | 831,256 |
| Fund balances | | | |
| Restricted | - | 3,178,338 | 3,178,338 |
| Unassigned | 505,992 | - | 505,992 |
| Total fund balances | <u>505,992</u> | <u>3,178,338</u> | <u>3,684,330</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 861,014</u> | <u>\$ 4,029,107</u> | <u>\$ 4,890,121</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, 2018

| | |
|--|----------------------|
| Fund Balances, total governmental funds | \$ 3,684,330 |
| 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 | 39,652,584 |
| Accumulated depreciation | (30,904,354) |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | |
| | 831,256 |
| Noncurrent liabilities, are not due and payable in the current period and therefore, are not reported in the funds. | |
| Accrued interest payable | (10,998) |
| Note payable | (1,400,000) |
| | (1,400,000) |
| Net position of governmental activities | \$ 11,852,818 |

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, 2018

| | <u>General Fund</u> | <u>Capital Project Fund</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|-------------------------------------|---|
| Revenues | | | |
| Property taxes | \$ 367,297 | \$ - | \$ 367,297 |
| Intergovernmental revenues | | | |
| Grant income, federal | - | 1,534,733 | 1,534,733 |
| Grant income, state | - | 17,402 | 17,402 |
| Grant income, local | - | 135,125 | 135,125 |
| Special assessments | - | 473,548 | 473,548 |
| Charges for services, parking revenues | - | 332,660 | 332,660 |
| Investment earnings | 271 | 6,761 | 7,032 |
| Miscellaneous revenues | 7,396 | 106 | 7,502 |
| Total revenues | <u>374,964</u> | <u>2,500,335</u> | <u>2,875,299</u> |
| Expenditures | | | |
| Current | | | |
| General government | | | |
| Operating expenditures | 231,223 | - | 231,223 |
| Physical environment | | | |
| Operating expenditures | - | 1,196,874 | 1,196,874 |
| Debt service | | | |
| Principal retirement | - | 700,000 | 700,000 |
| Interest | - | 39,306 | 39,306 |
| Total expenditures | <u>231,223</u> | <u>1,936,180</u> | <u>2,167,403</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>143,741</u> | <u>564,155</u> | <u>707,896</u> |
| Other financing sources (uses) | | | |
| Transfers in | - | 87,036 | 87,036 |
| Transfers out | (87,036) | - | (87,036) |
| Total other financing sources (uses) | <u>(87,036)</u> | <u>87,036</u> | <u>-</u> |
| Change in fund balances | 56,705 | 651,191 | 707,896 |
| Fund balances, beginning of year | <u>449,287</u> | <u>2,527,147</u> | <u>2,976,434</u> |
| Fund balances, end of year | <u>\$ 505,992</u> | <u>\$ 3,178,338</u> | <u>\$ 3,684,330</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, 2018**

| | | |
|--|--------------------|----------------------------------|
| Net Change in Fund Balances – total governmental funds | \$ | 707,896 |
| <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 | \$ 2,503 | |
| Less current year depreciation | <u>(3,147,908)</u> | (3,145,405) |
| <p>Revenues that are reported in the Statement of Activities that do not create current financial resources are not reported as revenues in governmental funds. This activity consists of:</p> | | |
| Grant revenue | | (1,534,733) |
| <p>Special assessment revenues received at the fund level previously recognized at the entity wide level.</p> | | |
| | | (467,613) |
| <p>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.</p> | | |
| <p>Debt repayments:</p> | | |
| Notes payable | | 700,000 |
| <p>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.</p> | | |
| Change in accrued interest | | <u>5,529</u> |
| Change in net position of governmental activities | \$ | <u><u>(3,734,326)</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 member elected Board of Commissioners governs the District. The Board is elected by the voters of the District and serves staggered four 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 accounting policies of the District 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*.

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.

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, 2018.

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, 2018, 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, 2018, the District's total cash balances were \$3,550,458. Of this amount, \$2,689,444 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, 2018, the District's General Fund and Capital Projects Fund had investments held in the Local Government Surplus Funds Trust Fund with balances of \$121 and \$228,943, respectively. The District's total investment held in the SBA at September 30, 2018, was \$229,064. The District also holds a Certificate of Deposit in the amount of \$251,830, which matures on November 14, 2018, at Sanibel/Captiva Community Bank. 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, 2018, is as follows:

| | <u>Balance</u> <u>October 1</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>September 30</u> |
|--|------------------------------------|-----------------------|------------------|---------------------------------------|
| Capital assets, being depreciated | | | | |
| Infrastructure | \$ 39,579,597 | \$ - | \$ - | \$ 39,579,597 |
| Equipment | 70,484 | 2,503 | - | 72,987 |
| Total capital assets, being depreciated | <u>39,650,081</u> | <u>2,503</u> | <u>-</u> | <u>39,652,584</u> |
| Less accumulated depreciation for | | | | |
| Infrastructure | (27,709,462) | (3,141,061) | - | (30,850,523) |
| Equipment | (46,984) | (6,847) | - | (53,831) |
| Total accumulated depreciation | <u>(27,756,446)</u> | <u>(3,147,908)</u> | <u>-</u> | <u>(30,904,354)</u> |
| Total capital assets, being depreciated, net | <u>11,893,635</u> | <u>(3,145,405)</u> | <u>-</u> | <u>8,748,230</u> |
| Total capital assets, net | <u>\$ 11,893,635</u> | <u>\$ (3,145,405)</u> | <u>\$ -</u> | <u>\$ 8,748,230</u> |

Depreciation expense for the year ended September 30, 2018, was \$3,147,908 and was charged to general governmental expenses.

NOTE 4. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2018, is as follows:

| | <u>Beginning</u> <u>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending</u> <u>Balance</u> | <u>Amounts</u> <u>Due Within</u> <u>One Year</u> |
|-------------------------------|------------------------------------|------------------|---------------------|---------------------------------|--|
| Governmental activities | | | | | |
| Note payable | \$ 2,100,000 | \$ - | \$ (700,000) | \$ 1,400,000 | \$ 600,000 |
| Total governmental activities | <u>\$ 2,100,000</u> | <u>\$ -</u> | <u>\$ (700,000)</u> | <u>\$ 1,400,000</u> | <u>\$ 600,000</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 2013-2014 beach renourishment project. Due to substantial principal prepayments, the note was reamortized and now requires annual principal payments of \$600,000 starting in May of 2018, 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.

The anticipated note payable maturities at September 30, 2018, are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------|---------------------|------------------|---------------------|
| 2019 | \$ 600,000 | \$ 26,180 | \$ 626,180 |
| 2020 | 600,000 | 14,960 | 614,960 |
| 2021 | 200,000 | 3,740 | 203,740 |
| | <u>\$ 1,400,000</u> | <u>\$ 44,880</u> | <u>\$ 1,444,880</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, 2018.

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 16, 2013, for Captiva and December 26, 2013, for Sanibel. Approximately 6 miles of shoreline were renourished with 783,369 and 80,823 cubic yards of sand to Captiva and Sanibel Islands, respectively. 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 (approximately \$4.5 million) and Lee County (Approximately \$7 million). The remaining costs of the project (\$7,685,599) were financed by the special assessment imposed on the property owners of Captiva in the amount of \$5,685,599, as well as \$2,000,000 from District reserves.

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>Mills</u> | <u>Recreation Assessment</u> | <u>Mills</u> | <u>Storm Assessment</u> | <u>Total 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 2018, 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%) | 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, 2018, the Board of Commissioners of the District levied ad valorem taxes at a millage rate of \$.2808 per \$1,000 (0.2808 mills) of the 2017 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, 2018, 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, 2018.

NOTE 9. OPERATING LEASE

In December 2012, the District entered into an operating lease agreement for office space on Captiva Island. This lease expired on November 1, 2017, and was renewed through November 2021. 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, 2018, was \$16,734.

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

| Fiscal Year | Amount |
|------------------------|------------------|
| 2019 | \$ 16,754 |
| 2020 | 16,754 |
| 2021 | 16,754 |
| | <u>\$ 50,262</u> |

NOTE 10. SUBSEQUENT EVENTS

The District has evaluated subsequent events through April 10, 2019, 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, 2018

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|----------------------------|-------------------------|-------------------|---------------------------------------|
| Revenues | | | | |
| Property taxes | \$ 362,826 | \$ 362,826 | \$ 367,297 | \$ 4,471 |
| Investment earnings | 175 | 175 | 271 | 96 |
| Miscellaneous revenues | 1,100 | 1,100 | 7,396 | 6,296 |
| Total revenues | <u>364,101</u> | <u>364,101</u> | <u>374,964</u> | <u>10,863</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | | | | |
| Operating expenditures | | | | |
| Advertising | 4,000 | 4,000 | 838 | 3,162 |
| Bank service charges | - | - | 38 | (38) |
| Board meeting | 200 | 200 | - | 200 |
| Copier lease | 2,400 | 2,400 | 1,846 | 554 |
| Dues and subscriptions | 500 | 500 | 1,070 | (570) |
| General insurance | 9,250 | 9,250 | 9,348 | (98) |
| Newsletter | 3,000 | 3,000 | 1,691 | 1,309 |
| Office | 6,500 | 6,500 | 7,254 | (754) |
| Postage | 1,000 | 1,000 | 246 | 754 |
| Rent | 18,000 | 18,000 | 16,754 | 1,246 |
| Repairs | 2,000 | 2,000 | - | 2,000 |
| Telephone | 3,000 | 3,000 | 2,576 | 424 |
| Travel and per diem | 7,500 | 7,500 | 7,831 | (331) |
| Utilities | 2,200 | 2,200 | 1,682 | 518 |
| Website maintenance | 3,900 | 3,900 | 5,865 | (1,965) |
| Consulting | 136,287 | 136,287 | 128,700 | 7,587 |
| Professional fees | 63,328 | 63,328 | 33,087 | 30,241 |
| Property appraiser fees | 3,500 | 3,500 | 2,183 | 1,317 |
| Tax collector commissions | 7,500 | 7,500 | 7,711 | (211) |
| Capital outlay, equipment purchase | 3,000 | 3,000 | 2,503 | 497 |
| Total expenditures | <u>277,065</u> | <u>277,065</u> | <u>231,223</u> | <u>45,842</u> |
| Excess of revenues over expenditures | <u>87,036</u> | <u>87,036</u> | <u>143,741</u> | <u>56,705</u> |
| Other financing uses | | | | |
| Transfers out | (87,036) | (87,036) | (87,036) | - |
| Total other financing uses | <u>(87,036)</u> | <u>(87,036)</u> | <u>(87,036)</u> | <u>-</u> |
| Change in fund balance | - | - | 56,705 | 56,705 |
| Fund balance, beginning of year | 449,287 | 449,287 | 449,287 | - |
| Fund balance, end of year | <u>\$ 449,287</u> | <u>\$ 449,287</u> | <u>\$ 505,992</u> | <u>\$ 56,705</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, 2018**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|----------------------------|-------------------------|------------------|---------------------------------------|
| Revenues | | | | |
| Intergovernmental revenues | | | | |
| Grant income, federal | \$ 156,544 | \$ 156,544 | \$ 1,534,733 | \$ 1,378,189 |
| Grant income, state | 187,500 | 187,500 | 17,402 | (170,098) |
| Grant income, local | 156,544 | 156,544 | 135,125 | (21,419) |
| Special assessments | 375,978 | 375,978 | 473,548 | 97,570 |
| Charges for services, parking revenues | 286,000 | 286,000 | 332,660 | 46,660 |
| Investment earnings | - | - | 6,761 | 6,761 |
| Miscellaneous revenues | - | - | 106 | 106 |
| Total revenues | <u>1,162,566</u> | <u>1,162,566</u> | <u>2,500,335</u> | <u>1,337,769</u> |
| Expenditures | | | | |
| Current | | | | |
| Physical environment | | | | |
| Operating expenditures | | | | |
| Advertising | 1,500 | 1,500 | - | 1,500 |
| Annual membership and fees | 1,000 | 1,000 | 720 | 280 |
| Cost of assessment collections | 1,200 | 1,200 | 1,609 | (409) |
| Bank service fee | - | - | 184 | (184) |
| Credit card fees | 8,725 | 8,725 | 9,387 | (662) |
| Engineering | 20,000 | 20,000 | - | 20,000 |
| Engineering, permitting | 50,000 | 50,000 | - | 50,000 |
| Insurance | 15,000 | 15,000 | 12,637 | 2,363 |
| Parking lot machine | 2,800 | 2,800 | - | 2,800 |
| Parking maintenance | 22,000 | 22,000 | 38,354 | (16,354) |
| Portable toilets | 7,500 | 7,500 | 11,413 | (3,913) |
| Sales tax expense | 18,720 | 18,720 | 19,178 | (458) |
| Professional fees | 40,000 | 40,000 | 24,040 | 15,960 |
| Project consultant | 69,300 | 69,300 | 69,300 | - |
| Redfish pass study | 415,000 | 415,000 | 94,432 | 320,568 |
| Renourishment Projects | | | | |
| Beach maintenance | - | - | 3,449 | (3,449) |
| Engineer report/storm damage | 150,000 | 150,000 | 26,893 | 123,107 |
| Mail survey | - | - | 250 | (250) |
| Project benefit analysis | 20,000 | 20,000 | 4,600 | 15,400 |
| Summer recreational survey | - | - | 5,800 | (5,800) |
| Winter recreational survey | 20,000 | 20,000 | 15,520 | 4,480 |
| Post Hurricane Irma study | 50,000 | 50,000 | 49,730 | 270 |
| Post construction survey and reporting | - | - | (29,667) | 29,667 |
| Grant reimbursement | - | - | 830,750 | (830,750) |
| Rent | 6,000 | 6,000 | 5,352 | 648 |
| Records storage | 2,500 | 2,500 | 2,943 | (443) |
| Debt service | | | | |
| Principal | 700,000 | 700,000 | 700,000 | - |
| Interest | 39,270 | 39,270 | 39,306 | (36) |
| Total expenditures | <u>1,660,515</u> | <u>1,660,515</u> | <u>1,936,180</u> | <u>(275,665)</u> |
| Deficiency of revenues under expenditures | <u>(497,949)</u> | <u>(497,949)</u> | <u>564,155</u> | <u>1,062,104</u> |

(Continued)

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, 2018

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|----------------------------|-------------------------|---------------------|---------------------------------------|
| Other financing sources | | | | |
| Transfers in | 87,036 | 87,036 | 87,036 | - |
| Total other financing sources | <u>87,036</u> | <u>87,036</u> | <u>87,036</u> | <u>-</u> |
| Change in fund balance | (410,913) | (410,913) | 651,191 | 1,062,104 |
| Fund balance, beginning of year | 2,527,147 | 2,527,147 | 2,527,147 | - |
| Fund balance, end of year | <u>\$ 2,116,234</u> | <u>\$ 2,116,234</u> | <u>\$ 3,178,338</u> | <u>\$ 1,062,104</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, 2018, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated April 10, 2019.

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
April 10, 2019

Mauldin & Jenkins, LLC

CAPTIVA EROSION PREVENTION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

| | |
|--|----------------------------------|
| Type of auditor's report issued | Unmodified |
| Internal control over financial reporting: Material weaknesses identified? | ___ Yes <u> X </u> No |
| Significant deficiency identified not considered to be material weaknesses? | ___ Yes <u> X </u> None reported |
| Noncompliance material to financial statements noted? | ___ Yes <u> X </u> No |

Federal Awards

Federal and State single audits were not required to be performed in the current year due to expenditures not exceeding the \$750,000 threshold.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV
STATUS OF PRIOR YEAR AUDIT FINDINGS

None reported.



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Board of Commissioners
Captiva Erosion Prevention District
Captiva, 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, 2018, and have issued our report thereon dated April 10, 2019.

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 Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Schedule of Findings and Responses; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated April 10, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. No audit findings were noted in the District's September 30, 2018, 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 and Management

Section 10.554(1)(i)5.a., *Rules of the Auditor General*, requires us to apply appropriate procedures and communicate 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 to identify 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 the same.

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

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note 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
April 10, 2019



INDEPENDENT ACCOUNTANT'S REPORT

Board of Commissioners
Captiva Erosion Prevention District
Captiva, Florida

We have examined the Captiva Erosion Prevention District's (the "District") compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2018. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

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

Bradenton, Florida
April 10, 2019

A handwritten signature in cursive script that reads "Mauldin & Jenkins, LLC".