

EAST CHARLOTTE
DRAINAGE DISTRICT

September 30, 2014

BASIC FINANCIAL STATEMENTS,
TOGETHER WITH REPORTS OF INDEPENDENT
AUDITORS

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Independent Auditor's Report

Honorable Board of Supervisors
East Charlotte Drainage District
Punta Gorda, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the East Charlotte Drainage District, (the "District") as of and for the fiscal 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the District as of September 30, 2014, and the respective changes in financial position for the fiscal 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 and budgetary comparison information on pages 3-7 and 22-23 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 assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 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.

Punta Gorda, Florida
April 15, 2015

Ashley, Brown & Co.

EAST CHARLOTTE DRAINAGE DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of East Charlotte Drainage District (the "District") would like to offer the readers of the District's financial statements this discussion and analysis of the District's financial activities during the fiscal year ended September 30, 2014. We encourage readers to consider the information presented in this discussion and analysis in conjunction with the District's financial statements, which follow this section.

FINANCIAL AND DISTRICT HIGHLIGHTS

Financial Highlights

- The assets of the District exceeded its liabilities at the end of the fiscal year ended September 30, 2014 by \$587,734.
- The District's total net position increased by \$12,713.
- The District's total revenues were \$215,814 for the fiscal year ended September 30, 2014.
- Total expenses for all of the District's activities were \$203,101 for the fiscal year.

District Highlights

- The District cleaned 64,680 feet of canals and leveled 64,680 feet of soil.
- The District applied herbicides to approximately 205 acres of canals.

USING THIS ANNUAL REPORT

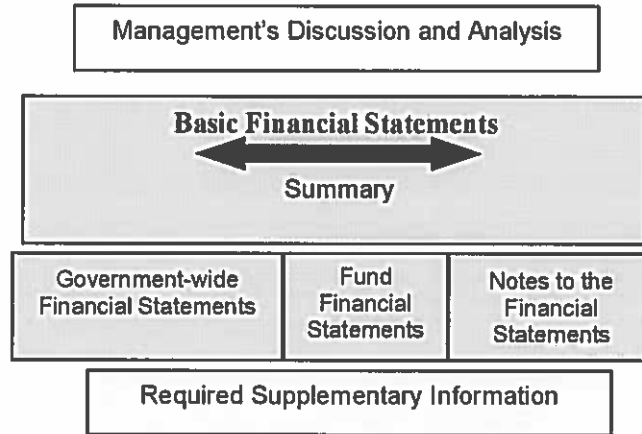
This discussion and analysis is intended to serve as an introduction to East Charlotte Drainage District's basic financial statements. The District's annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements themselves consist of three components: government-wide financial statements, fund financial statements and notes to the basic financial statements. These statements present different views of the District:

The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.

The fund financial statements focus on individual parts of the District's government, reporting the District's operations on a different basis of accounting than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

**EAST CHARLOTTE DRAINAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**



Government-wide Financial Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the District as a whole and about its activities in a way that helps answer this question.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other non-financial factors should be considered, however, such as the condition of the District's capital assets (equipment, lift pumps, etc.) to assess the overall health of the District.

The statement of activities presents information showing how the government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like state and local governments, uses fund accounting to ensure and demonstrate legal compliance with finance-related legal requirements. The District has one fund, a governmental fund.

**EAST CHARLOTTE DRAINAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

The District's basic services are reported in a governmental fund, which focuses on how money flows into and out of that fund and the balances left at year-end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences between government-wide activities (reported in the statement of net position and the statement of activities) and the governmental fund are reconciled on separate schedules on pages 11 and 13.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Assets exceeded liabilities by \$587,734 for the fiscal year ended September 30, 2014 and is reported as net position.

The District uses capital assets to provide services to its landowners; accordingly, these assets are not available for future spending.

**East Charlotte Drainage District's Net Position
September 30th**

	<u>2014</u>	<u>2013</u>	<u>Percentage Changes</u>
Assets:			
Current and other assets	\$ 43,023	\$ 84,108	-49%
Capital assets, net	<u>1,081,422</u>	<u>1,097,558</u>	<u>-1%</u>
Total assets	<u>1,124,445</u>	<u>1,181,666</u>	<u>-5%</u>
Liabilities:			
Current liabilities	72,761	69,913	4%
Noncurrent liabilities	<u>463,950</u>	<u>536,732</u>	<u>-14%</u>
Total liabilities	<u>536,711</u>	<u>606,645</u>	<u>-12%</u>
Net position:			
Invested in capital assets	544,711	490,913	11%
Unrestricted	<u>43,023</u>	<u>84,108</u>	<u>-49%</u>
Total net position	<u>\$ 587,734</u>	<u>\$ 575,021</u>	<u>2%</u>

**EAST CHARLOTTE DRAINAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

**East Charlotte Drainage District's Changes in Net Position
September 30th**

	<u>2014</u>	<u>2013</u>	<u>Percentage Changes</u>
Revenues:			
Program revenues:			
Charges for services:	\$ 215,687	\$ 253,741	-15%
General Revenues:			
Interest earnings - unrestricted	<u>127</u>	<u>135</u>	<u>-6%</u>
Total revenues	<u>215,814</u>	<u>253,876</u>	<u>-15%</u>
Expenses:			
Physical environment	180,126	184,023	-2%
Interest on long-term debt	<u>22,975</u>	<u>28,324</u>	<u>-19%</u>
Total expenses	<u>203,101</u>	<u>212,347</u>	<u>-4%</u>
Decrease in net position	12,713	41,529	-69%
Net position - beginning of year	<u>575,021</u>	<u>533,492</u>	<u>8%</u>
Net position - end of year	<u><u>\$ 587,734</u></u>	<u><u>\$ 575,021</u></u>	<u><u>2%</u></u>

FUND ANALYSIS

The maintenance tax decreased from the 2012/2013 fiscal year to the 2013/2014 fiscal year. The 2013/2014 road's maintenance tax, Capital Unit 1 and Capital Unit 2 assessments remained the same.

BUDGETARY HIGHLIGHTS

The District adopted the fiscal year 2013/2014 budget on July 3, 2013, with the following assessments per acre: Maintenance \$31.44; Capital Unit 1 \$20.58; Capital Unit 2 \$19.98; Shell Roads Maintenance \$1.92. Total expenditures budgeted for the fiscal year ended September 30, 2014 was \$291,547. The budgeted non-ad valorem assessment revenues were \$204,339, remaining revenues to come from miscellaneous receivables and estimated carry-over.

**EAST CHARLOTTE DRAINAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The following summarizes the District's capital assets and accumulated depreciation, for the fiscal year ended September 30, 2014:

Culvert construction in progress	\$ 31,721
Land	21,084
Land improvements	51,500
Machinery and equipment	36,382
Culverts	163,212
Roads	<u>1,213,220</u>
Subtotal of capital assets	1,517,119
Less: Accumulated depreciation	<u>(435,697)</u>
Capital assets, net	<u><u>\$ 1,081,422</u></u>

Debt

The District, on September 14, 2006, entered into a loan agreement with a financial institution in the amount of \$1,250,000. The purpose of this borrowing was to finance the road paving project. This loan was refinanced on July 14, 2013 with a principal balance of \$618,153. Principal and interest are payable monthly in the amount of \$7,742, commencing on August 14, 2013, with the final payment of \$7,742 due on April 14, 2021. The interest rate is fixed at 4% per annum.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our readers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Manager, Dana Clement, 12008 N.E. Highway 70, Arcadia, Florida 34266; dclement@jwcd.org; 863-494-6118.

Basic Financial Statements

East Charlotte Drainage District

STATEMENT OF NET POSITION

September 30, 2014

ASSETS

Current Assets

Cash	\$ 43,023
Total current assets	<u>43,023</u>

Non-Current Assets

Capital assets not being depreciated	52,805
Capital assets being depreciated, net	<u>1,028,617</u>
Total non-current assets	<u>1,081,422</u>
Total assets	<u>1,124,445</u>

LIABILITIES

Current Liabilities

Current portion of notes payable	<u>72,761</u>
Total current liabilities	<u>72,761</u>

Non-Current Liabilities

Non-current portion of notes payable	<u>463,950</u>
Total non-current liabilities	<u>463,950</u>
Total liabilities	<u>536,711</u>

NET POSITION

Invested in capital assets, net of related debt	544,711
Unrestricted	<u>43,023</u>
Total net position	<u>\$ 587,734</u>

See notes to basic financial statements

East Charlotte Drainage District
STATEMENT OF ACTIVITIES
Fiscal Year Ended September 30, 2014

Function/ Program Activities	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue & Changes in Net Position
Governmental activities:			
Physical environment	\$ 180,126	\$ 215,687	\$ 35,561
Interest on long-term debt	22,975	-	(22,975)
Total governmental activities	\$ 203,101	\$ 215,687	12,586
General revenues:			
Interest earnings			127
Total general revenues			127
Change in net position			12,713
Net position, beginning of year			575,021
Net position, end of year			\$ 587,734

See notes to basic financial statements

East Charlotte Drainage District

**BALANCE SHEET
GOVERNMENTAL FUND**

September 30, 2014

ASSETS

Cash	<u>\$ 43,023</u>
Total assets	<u><u>\$ 43,023</u></u>

FUND BALANCE

Fund Balance:	
Unassigned	<u>\$ 43,023</u>
Total fund balance	<u><u>\$ 43,023</u></u>

See notes to basic financial statements

East Charlotte Drainage District

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

September 30, 2014

Total governmental fund balance (page 10) \$ 43,023

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 governmental funds:

Cost of assets	\$1,517,119	
Accumulated depreciation	<u>(435,697)</u>	
		1,081,422

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. As of September 30, 2014, long-term liabilities are comprised of the following:

Loan payable	<u>(536,711)</u>
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Total net position (page 8)	<u><u>\$ 587,734</u></u>
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See notes to basic financial statements

East Charlotte Drainage District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND

September 30, 2014

Revenues:	
Non-ad valorem assessments	\$ 207,363
Charges for services	8,324
Interest Income	<u>127</u>
Total revenues	<u>215,814</u>
Expenditures:	
Current:	
Physical environment	
Operating	132,269
Capital outlay	31,721
Debt service	
Principal	69,934
Interest	<u>22,975</u>
Total expenditures	<u>256,899</u>
Net change in fund balance	(41,085)
Fund balance, beginning of year	<u>84,108</u>
Fund balance, end of year	<u><u>\$ 43,023</u></u>

See notes to basic financial statements

East Charlotte Drainage District

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES**

Fiscal Year Ended September 30, 2014

Net change in fund balance - total governmental fund (page 12) \$ (41,085)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental fund reports capital outlay as expenditures. However, in the statement of activities, the cost of capital assets are allocated over their estimated useful life and reported as depreciation expense. Additionally, dispositions of capital assets have different effects on the two statements as well. These differences are as follows:

Capital outlay	31,721
Depreciation expense	(47,857)

Principal payments on long-term debt is reported as an expenditure on the statement of revenues, expenditures, and changes in fund balance, however, it has no effect on net position.

69,934

Change in net position (page 9)

\$ 12,713

See notes to basic financial statements

East Charlotte Drainage District

NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal Year Ended September 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

East Charlotte Drainage District (the "District") was originally incorporated and created under Chapter 65-664 of the laws of the State of Florida on June 25, 1965. The District was created for the purpose of reclaiming the lands within its boundaries and for the further purpose of water control and water supply to improve said lands and make these lands available, acceptable and habitable for settlement and agriculture.

The District is administered by a three member Board of Supervisors (the "Board"), composed of owners of land in the District. The supervisors are each elected to a three-year term. Length of service is staggered so that one supervisor is elected or re-elected at the annual landowners meeting in July.

The basic 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 District's more significant accounting policies are described below.

A. Financial Reporting Entity

The financial statements were prepared in accordance with GASB Statements related to *The Financial Reporting Entity*, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the District, organizations for which the District is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. Based upon the application of these criteria, there were no organizations that met that criteria described above.

B. 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 non-fiduciary activities of the District.

The statement of activities demonstrates the extent to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customer 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. Other items not properly included among program revenues are reported instead as general revenues.

East Charlotte Drainage District
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

B. Government-wide and Fund Financial Statements (continued)

Major individual governmental funds are reported as separate columns in the fund financial statements.

C. 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. Non-ad valorem assessments 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 become 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 District considers revenues to be available if they are collected within sixty 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, are recorded only when payment is due.

Non-ad valorem assessments and interest on investments associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues in the current period. Revenues for expenditure driven grant and interlocal agreements are recognized when the related expenditures are incurred. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports its only fund as a major governmental fund:

The General Fund is the District's only fund. It accounts for all financial resources of the District.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grant and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

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

East Charlotte Drainage District

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

D. Assets, Liabilities and net position or Equity

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, time and demand deposits and short-term investments with original maturities of less than three months from the date of acquisition.

The nature of investments is governed by the provisions of Florida Statutes Chapter 218. Under this statute, authorized investments are limited, unless otherwise authorized by law or ordinance, to the local government surplus funds trust fund, money market funds, direct or unconditionally guaranteed obligations of the United States Government, obligations of certain government agencies, interest bearing time deposits or savings accounts and certificates of deposit. At September 30, 2013, the District had no investments.

2. Capital Assets and Depreciation

Capital assets, which includes property, plant and equipment, and infrastructure assets (e.g., roads and culverts), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	30
Machinery and Equipment	5-8
Culverts	20
Roads	30

The District had elected not to retroactively apply the capitalization requirements of GASB Statement No. 34 to major general infrastructure assets acquired since 1980. Infrastructure assets include drainage systems and similar assets that are immovable and of value only to the District.

3. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, the face amount of debt issued is reported as an other financing source.

East Charlotte Drainage District
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

D. Assets, Liabilities and net position or Equity (Continued)

4. Non-Ad Valorem Assessments

The collection of non-ad valorem assessments is consolidated in the Office of the Charlotte County Tax Collector (the "Tax Collector"). Assessments are levied on November 1st of each year, or as soon thereafter as the tax roll is certified by the Charlotte County Property Appraiser and delivered to the Tax Collector. All unpaid assessments levied become delinquent April 1st of the following year. Discounts are allowed for early payment at a maximum rate of 4%. Non-ad valorem assessment revenues are recognized when they become available. At September 30, 2013, unpaid delinquent assessments are not material and have not been recorded by the District.

5. Net Position

Equity in the government-wide statement of net position is displayed in three categories: 1) invested in capital assets net of related debt, 2) restricted, and 3) unrestricted. Net Position invested in capital assets net of related debt consist of capital assets reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct, or improve those assets. Net position is reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by other governments, creditors, or grantors. Unrestricted net position consists of all net resources that do not meet the definition of either of the other two components.

6. Fund Equity

In the fund financial statements, assignments of fund balance represent those portions of the fund equity not considered available for future appropriation or legally segregated for a specific future use. Commitments of fund balance represents tentative plans by management for future use of financial sources. The assigned fund balance is available for any future appropriation.

7. Use of 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 affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

East Charlotte Drainage District
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 2. DEPOSITS

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security of Public Deposits Act, that State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are insured or collateralized with securities held by the entity or its agent in the entity's name. As of September 30, 2014, the bank balance was \$61,200 and the book balance was \$43,023.

NOTE 3. GASB 45

The Governmental Accounting Standards Board has issued Statement No. 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions (OPEB)." This Statement changes the manner in which a governmental entity funds and records its post-retirement benefit costs other than pensions.

The District has no employees and therefore has no OPEB liability.

NOTE 4. WELL OPERATING AGREEMENTS

The District executed agreements with four major landowners. Pursuant to the agreements, the landowners will operate and maintain certain wells located within the District and provide irrigation water to other landowners.

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East Charlotte Drainage District
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 5. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2014 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Culvert construction in process	\$ -	\$ 31,721	\$ -	31,721
Land	21,084	-	-	21,084
Total capital assets not being depreciated	<u>21,084</u>	<u>31,721</u>	<u>-</u>	<u>52,805</u>
Capital assets being depreciated				
Land improvements	51,500	-	-	51,500
Machinery and equipment	36,382	-	-	36,382
Culverts	163,212	-	-	163,212
Roads	1,213,220	-	-	1,213,220
Total capital assets being depreciated	<u>1,464,314</u>	<u>-</u>	<u>-</u>	<u>1,464,314</u>
Less accumulated depreciation	<u>(387,840)</u>	<u>(47,857)</u>	<u>-</u>	<u>(435,697)</u>
Total capital assets being depreciated, net	<u>1,076,474</u>	<u>(47,857)</u>	<u>-</u>	<u>1,028,617</u>
Governmental activities capital assets, net	<u>\$ 1,097,558</u>	<u>\$ (16,136)</u>	<u>\$ -</u>	<u>\$ 1,081,422</u>

Depreciation expense of \$47,857 was charged to Physical Environment for the fiscal year ended September 30, 2014.

NOTE 6. LINE OF CREDIT

The District, in July 2014, entered into an agreement for a line of credit with a financial institution for \$100,000. The line of credit expires in July 2015. Interest on the line of credit is 3.250% per annum. The District did not utilize the line of credit during the fiscal year.

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East Charlotte Drainage District
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 7. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the fiscal year ended September 30, 2014.

	Beginning Balance <u>10/1/2013</u>	Additions	Deletions	Ending Balance	Due Within One Year 9/30/2014
Loan Payable	<u>\$606,645</u>	<u>\$ -</u>	<u>\$ (69,934)</u>	<u>\$ 536,711</u>	<u>\$ 72,761</u>

Loan Payable

The District, on September 14, 2006, entered into a loan agreement with a financial institution in the amount of \$1,250,000. The purpose of this borrowing was to finance the road paving project. This loan was refinanced on July 14, 2013 with a principal balance of \$618,153. Principal and interest are payable monthly in the amount of \$7,742, commencing on August 14, 2013, with the final payment of \$7,742 due on April 14, 2021. The interest rate is fixed at 4% per annum. This note is secured by a lien on and pledge of drainage taxes of the properties benefited by improvements. The outstanding balance as of September 30, 2014 was

\$ 536,711

Annual debt service requirements to maturity are as follows:

<u>Year ended September 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 72,761	\$ 20,148
2016	75,677	17,232
2017	78,808	14,101
2018	82,019	10,890
2019	85,361	7,548
2020	88,827	4,082
2021	<u>53,258</u>	<u>714</u>
Total	<u>\$536,711</u>	<u>\$ 74,715</u>

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; and natural disasters for which that District carries commercial insurance. The District is also covered by Florida Statutes under the Doctrine of Sovereign Immunity which effectively limits the amount of liability of the District to individual claims of \$100,000/\$200,000 for all claims relating to the same accident. There were no changes in insurance coverage from the prior year and there were no settlements that exceeded insurance coverage.

East Charlotte Drainage District
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 9. RELATED PARTY TRANSACTIONS

Pursuant to the Letter of Agreement between East Charlotte Drainage District and Joshua Water Control District, East Charlotte Drainage District paid Joshua Water Control District \$24,000 for management, administrative and maintenance inspection services. An annual fee of \$7,200 is for office space and the use of office equipment. In addition, \$11,427 was paid for maintenance services for manpower/equipment time and costs incurred.

In accordance with the Inter-Local Agreement, East Charlotte Drainage District and Joshua Water Control District, Boards of Supervisors have engaged in programs of maintenance of the works of their districts. This agreement is for the period of August 15, 2010 until August 15, 2015.

Orange Co, LLP, a landowner within the District, pays the District \$1,040 as a user's fee for 80 acres in Section 26.

At an Emergency Meeting held on May 9, 2009, the District Board of Supervisors approved a motion to annually commit to pay American Citrus Products the lessor of 10% of the total cost or \$1,000 to clean one mile on the south side and one mile on the west side of Section 17, North/South ditch of Neal Road. On July 2, 2012, the District entered into an agreement with American Citrus Products requiring the District to begin making annual maintenance payments to ACP in the amount of \$1,000. The agreement states in part, the District shall begin making annual payments January 1, 2013; payments shall be made no later than January 31st of each year.

American Citrus Products ("ACP") is a property owner in the District. In 2007, at an advertised meeting, the District entered into a verbal 10 year agreement with ACP for ACP to pay the District, a prorata share of the cost for the roads paving project. The annual payment is \$35,000 less tax assessments. The final figure is calculated upon the assessment rates. Included in the calculation is the District's fee for administrative services provided to ACP for 222.5 acres.

NOTE 10. SUBSEQUENT EVENTS

The property formerly owned by ACP was purchased by James C. Bickett. On October 1, 2014, the District entered into an agreement with Mr. Bickett regarding the shared responsibilities and costs for maintenance of a canal system in Section 17.

On February 26, 2015, the District entered into an agreement with James C. Bickett to pay the District the remaining three payments that ACP was obligated to pay. The annual payment is \$35,000 less tax assessments. The final figure is calculated upon the assessment rates. Included in the calculation is the District's fee for administrative services provided to James C. Bickett for 222.5 acres.

Required Supplementary Information

East Charlotte Drainage District
BUDGETARY COMPARISON SCHEDULE
Fiscal Year Ended September 30, 2014

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Non-ad valorem assessments	\$ 204,339	\$ 204,339	\$ 207,363	\$ 3,024
Charges for services	-	-	8,324	8,324
Interest Income	-	-	127	127
Total revenues	<u>204,339</u>	<u>204,339</u>	<u>215,814</u>	<u>11,475</u>
Expenditures:				
Physical environment	<u>291,547</u>	<u>291,547</u>	<u>256,899</u>	<u>34,648</u>
Net change in fund balance	(87,208)	(87,208)	(41,085)	46,123
Fund balance, beginning of year	<u>87,208</u>	<u>87,208</u>	<u>84,108</u>	<u>(3,100)</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,023</u>	<u>\$ 43,023</u>

See note to budgetary comparison schedule.

East Charlotte Drainage District
NOTES TO BUDGETARY COMPARISON SCHEDULE
Fiscal Year Ended September 30, 2014

NOTE 1. BUDGETS AND BUDGET ACCOUNTING

State of Florida Statutes require that, for each fiscal year, a special district make appropriations which will not exceed the amount to be received from taxation and other available sources. The District annually adopts an operating budget for the general fund. The procedures for establishing budgetary data are as follows:

- In July of each year, at the Annual Landowners' Meeting, the District Manager submits a draft operating budget to the Board for the next fiscal year commencing the following October 1. The proposed budget includes expenditures and the means of financing them. The budget is adopted by the Board.

Budgets are adopted on the modified accrual basis of accounting, consistent with accounting principles generally accepted in the United States. All appropriations lapse at fiscal year end unless encumbered or specifically designated to be carried forward to the subsequent year. Changes or amendments to the total budgeted expenditures of the District must be approved by the Board. Accordingly, the legal level of control is at the fund level.



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**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Honorable Board of Supervisors
East Charlotte Drainage District
Punta Gorda, 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 of East Charlotte Drainage District, (the "District") as of and for the fiscal 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 April 15, 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 opinion 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 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Punta Gorda, Florida
April 15, 2015





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Fax: 941.639.6115

Management Letter

Honorable Board of Supervisors
East Charlotte Drainage District
Punta Gorda, Florida

Report on the Financial Statements

We have audited the financial statements of the East Charlotte Drainage District, (the "District") as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated April 15, 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 Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which are dated April 15, 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. There were no recommendations made in the preceding annual financial 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 District discloses this information in the notes to the financial statements.

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 East Charlotte Drainage 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 East Charlotte Drainage 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.

Special District Component Units

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

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.

Purpose of this Letter

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

Punta Gorda, Florida
April 15, 2015

Ashley Brown & Co.



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Fax: 941.639.6115

Independent Accountant's Examination Report

Honorable Board of Supervisors
East Charlotte Drainage District
Punta Gorda, Florida

We have examined the East Charlotte Drainage District's (the "District") compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies* for the year ended September 30, 2014. 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 and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the East Charlotte Drainage District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

Punta Gorda, Florida
April 15, 2015

Ashley, Brown & Co.

East Charlotte Drainage District

An Independent 298 Taxing District

April 16, 2015

Ashley & Brown CPA's
Certified Public Accountants
366 E. Olympia Avenue
Punta Gorda, Florida 33950

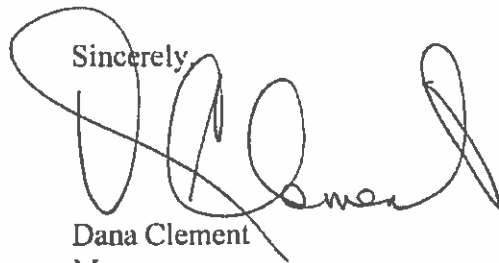
Dear Mr. Ashley:

Pursuant to Chapter 10.550 "Rules of the Auditor General – Local Government Entity Audits" and Section 11.45 (3) (a) 4, Florida Statutes, East Charlotte Drainage District is in receipt of and are responding to your management letter for fiscal year ending September 30, 2014, received on April 15, 2015.

East Charlotte Drainage District is pleased with the outcome of the audit and that there were no auditor's comments given to the District.

Thank you for the cooperation of your staff and their attention to the needs of district.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dana Clement', written over a horizontal line.

Dana Clement
Manager
East Charlotte Drainage District