

SAN CARLOS ESTATES
WATER CONTROL DISTRICT
LEE COUNTY, FLORIDA
SPECIAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2005

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
San Carlos Estates Water Control District
Lee County, Florida

We have audited the special purpose financial statements of San Carlos Estates Water Control District, as of and for the year ended September 30, 2005, as listed in the table of contents. These financial statements are the responsibility of San Carlos Estates Water Control District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Carlos Estates Water Control District as of September 30, 2005, and its changes in financial position and results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2006, on our consideration of San Carlos Estates Water Control District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

MYERS, BRETT HOLTZ & COMPANY, PA

January 10, 2006

San Carlos Estates Water Control District
Management's Discussion and Analysis
September 30, 2005

As management of the San Carlos Estates Water Control District, we offer readers of the District's financial statement this narrative overview and analysis of the District's financial activities for the fiscal year ended September 30, 2005. Please note there is comparative information provided for fiscal year 2003-2004.

FINANCIAL HIGHLIGHTS

- The District issued new debt in fiscal year 2005 in the amount of \$10,000,000 to pay for expenses associated with a capital improvement project to upgrade the District's drainage. As a result of the related expenses the District's net assets decreased by \$843,425.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, using accounting methods similar to a private sector business. These statements include all assets and liabilities on the accrual basis of accounting. All current year revenues and expense are taken into account regardless of when the cash is received or paid.

Fund Financial Statements

The fund financial statements are used to ensure and demonstrate compliance with finance related legal requirements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's liabilities exceeded its assets by \$1,831,017 at the fiscal year ended on September 30, 2005.

The District's capital assets represent investment in land.

San Carlos Estates Water Control District
Management's Discussion and Analysis
September 30, 2005

The unrestricted category of net assets has a balance of \$(1,838,517) at year-end and is shown in the following schedule.

	Governmental Activities 2004	Governmental Activities 2005
Cash and investments	\$ 186,021	\$ 9,426,161
Other current assets	<u>13,506</u>	<u>39,591</u>
Total assets	<u>199,527</u>	<u>9,465,752</u>
Long-term liabilities	1,100,031	10,000,000
Other liabilities	<u>87,088</u>	<u>1,296,769</u>
Total liabilities	<u>1,187,119</u>	<u>11,296,769</u>
Net assets		
Invested in capital assets	7,500	7,500
Unrestricted	<u>(995,092)</u>	<u>(1,838,517)</u>
Total net assets	<u>\$ (987,592)</u>	<u>\$ (1,831,017)</u>

At the end of the last fiscal year, the District had a negative fund balance. The District's net assets decreased by \$843,425 during the current fiscal year.

Governmental activities. As the District has no business-type activities, governmental activities were responsible for decreasing the District's net assets. The decrease is attributable to costs incurred in fiscal year 2005 to pay for expenses associated with the preparation for and startup of Phase I of a capital improvement project that will upgrade the District's drainage. The District has secured permanent financing to fund the project and pay off the interim financing that was used to prepare for the project. A special assessment was submitted to the Lee County Tax Collector's office in September 2005 and will be levied in fiscal year 2006 to provide funds for debt service on the loan.

San Carlos Estates Water Control District
Management's Discussion and Analysis
September 30, 2005

Change in Net Assets

	Governmental Activities 2004	Governmental Activities 2005
REVENUES		
Property taxes	\$ 347,998	\$ 384,120
Interest	671	67,203
Use and connection fees	16,250	12,230
Other	3,875	661
Total revenues	368,794	464,214
EXPENDITURES		
General	357,873	454,652
Capital improvement project	149,975	805,419
Debt service	55,979	47,568
Total expenditures	563,827	1,307,639
Decrease in net assets	(195,033)	(843,425)
Net assets - October 1, 2003 and 2004	(792,559)	(987,592)
Net assets - September 30, 2004 and 2005	\$ (987,592)	\$ (1,831,017)

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of liquid resources. Such information is useful in assessing the District's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the District's chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$8,170,483.

The net assets of the general fund decreased by \$843,425 during the current fiscal year. The key factor in this decrease is as follows:

- The decrease in net assets is primarily attributable to expenditures associated with a capital improvement project to improve drainage in the District.

San Carlos Estates Water Control District
Management's Discussion and Analysis
September 30, 2005

General Fund Budgetary Highlights

An annual budget was legally adopted for the general fund and was amended three times. Expenditures were under budget by \$8,202,667. Actual revenues exceeded budgeted revenues by \$3,949. Proceeds from permanent financing were included as revenue in the budget. However, under generally accepted accounting principles loan proceeds are not considered a source of revenue. As a result, the net assets of the District decreased by \$843,425 during the year.

Fiscal Year 2004 Budget – General Fund

	Budget	Actual	Variance
Total revenues	\$ 710,752	\$ 720,294	\$ 9,542
Total expenditures	737,767	514,969	222,798
Net change in fund balance	\$ (27,015)	\$ 205,325	\$ 232,340

Fiscal Year 2005 Budget – General Fund

	Budget	Actual	Variance
Total revenues	\$ 10,461,765	\$ 10,465,714	\$ 3,949
Total expenditures	10,610,337	2,407,670	8,202,667
Net change in fund balance	\$ (148,572)	\$ 8,058,044	\$ 8,206,616

CAPITAL ASSETS

At the end of fiscal year 2005, the District's investment in capital assets for its governmental activities was \$7,500. This investment in capital assets is land. There was no change in capital assets in fiscal year 2005.

LONG-TERM DEBT

At the end of fiscal year 2005, the District had total long-term debt in the amount of \$10,000,000, which consists of a note payable to pay for expenses associated with a capital improvement project to upgrade the District's drainage.

More detailed information about the District's long-term debt can be found in Note 8 on pages 13 and 14 of this report.

San Carlos Estates Water Control District
Management's Discussion and Analysis
September 30, 2005

ECONOMIC FACTORS

The District's Board of Supervisors approved a budget of \$7,765,654 for the 2005-2006 fiscal year. This is a 26.8% decrease compared to last fiscal year. The 2005-2006 budgeted expenditures consist of the following.

General Maintenance	\$ 439,327
Capital Improvement Project – Phase I	6,908,577
Capital Improvement Project – Phase II	417,750
Total 2005-2006 budget	<u>\$ 7,765,654</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for the District's residents and creditors. Questions concerning this report or requests for additional financial information should be directed to:

Bud Lawson
San Carlos Estates Water Control District
PO Box 367807
Bonita Springs, FL 34136

SAN CARLOS ESTATES WATER CONTROL DISTRICT
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

	General Fund	Adjustments (Note 3)	Statement of Net Assets
ASSETS			
Cash and cash equivalents	\$ 967,466	\$ -	\$ 967,466
Certificates of deposit	18,227	-	18,227
Investments	8,440,468	-	8,440,468
Interest receivable	18,712	-	18,712
Property taxes receivable	1,827	-	1,827
Prepaid expenses	11,552	-	11,552
Capital asset not being depreciated:			
Land	7,500	-	7,500
 Total assets	<u>\$ 9,465,752</u>	<u>-</u>	<u>9,465,752</u>
 LIABILITIES			
Accounts payable	\$ 371,562	-	371,562
Prepaid assessments	923,707	-	923,707
Line of credit	-	1,500	1,500
Long-term liability:			
Due in less than one year	-	289,611	289,611
Due in more than one year	-	9,710,389	9,710,389
 Total liabilities	1,295,269	10,001,500	11,296,769
 FUND BALANCE/NET ASSETS			
Fund balance			
Unreserved	8,170,483	(8,170,483)	-
 Total liabilities and fund balance	<u>\$ 9,465,752</u>	<u>1,831,017</u>	<u>11,296,769</u>
 Net Assets:			
Invested in capital assets, net of related debt		7,500	7,500
Unrestricted		(1,838,517)	(1,838,517)
 Total net assets		<u>\$ (1,831,017)</u>	<u>\$ (1,831,017)</u>

Read Independent Auditor's Report.
The accompanying notes are an integral
part of the financial statements.

SAN CARLOS ESTATES WATER CONTROL DISTRICT
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	General Fund	Adjustments (Note 3)	Statement of Activities
REVENUES			
Property taxes	\$ 384,120	\$ -	\$ 384,120
Interest	67,203	-	67,203
Use and connection fees	12,230	-	12,230
Other	661	-	661
Total revenues	<u>464,214</u>	<u>-</u>	<u>464,214</u>
EXPENDITURES/EXPENSES			
Current:			
General			
Administration	83,779	-	83,779
Auditor	4,000	-	4,000
Canal cleaning	183,900	-	183,900
Ditches, culverts and road repair	8,217	-	8,217
Engineer	64,753	-	64,753
Grading	55,109	-	55,109
Insurance	5,668	-	5,668
Legal	12,965	-	12,965
Property appraiser	3,616	-	3,616
Tax collector commissions	3,845	-	3,845
Swale mowing	28,800	-	28,800
Capital improvement project			
Administration	6,082	-	6,082
Construction	514,944	-	514,944
Engineer	94,177	-	94,177
Legal	149,344	-	149,344
Miscellaneous	292	-	292
Other professional services	40,580	-	40,580
Debt service:			
Principal	1,100,031	(1,100,031)	-
Interest	47,568	-	47,568
Total expenditures/expenses	<u>2,407,670</u>	<u>(1,100,031)</u>	<u>1,307,639</u>
(Deficiency) excess of revenues over expenditures/expenses	(1,943,456)	1,100,031	(843,425)
OTHER FINANCING SOURCES			
Loan and line of credit proceeds	<u>10,001,500</u>	<u>(10,001,500)</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures	8,058,044	(8,058,044)	
Change in net assets		(843,425)	(843,425)
Fund balance/net assets - October 1, 2004 (Fund balance restated)	<u>112,439</u>	<u>(1,100,031)</u>	<u>(987,592)</u>
Fund balance/net assets - September 30, 2005	<u>\$ 8,170,483</u>	<u>\$ (10,001,500)</u>	<u>\$ (1,831,017)</u>

Read Independent Auditor's Report.
The accompanying notes are an integral
part of the financial statements.

SAN CARLOS ESTATES WATER CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 1 - DESCRIPTION

The San Carlos Estates Drainage District (the "District"), a local governmental unit, was created by Circuit Court Decree, 12th Judicial Circuit, dated April 3, 1969, to provide water control and drainage services to a certain prescribed area in Lee County, Florida. The District is funded primarily by taxes and is operated by a three-person Board of Supervisors (the "Supervisors"). During the year ended September 30, 2005, the Supervisors voted to change the name of the District to the San Carlos Estates Water Control District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements conform to generally accepted accounting principles for governmental units as prescribed by the Governmental Accounting Standards Board ("GASB") and other recognized authoritative sources. The more significant accounting policies are described below.

Reporting Entity

GASB requires funds and account groups of agencies, boards, and authorities that are controlled by, or are dependent on, the District to be included in its financial statements. In determining the agencies, boards, or authorities to be included in the annual financial report, the District considered the following criteria: oversight responsibility, including financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public services, and special financing relationships. Control by, or dependence on, the District has been determined and, as a result, no other agencies are included in the District's financial statements since the District exercises no manifestations of oversight, nor is any agency's activity for the benefit of the District.

Government-wide and Fund Financial Statements

The District has implemented GASB Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" and related subsequent statements. These statements establish new financial reporting requirements for state and local governments throughout the United States.

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District does not currently have any business-type activities.

The District has one fund as follows:

General fund - The general fund is the principal fund used to account for all activities of the District.

SAN CARLOS ESTATES WATER CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured, and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The District's 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.

The District's governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period." The District considers property taxes and impact fees as available if they are collected within 60 days after year end. All other governmental fund revenues are recognized when received. Expenditures are generally recorded when obligations are incurred, or when benefits are received.

Cash and Investments

At September 30, 2005, cash consisted of demand deposit accounts which are stated at cost. Cost approximates market value.

Investments can legally consist of repurchase agreements, US Government securities, certificates of deposit, and savings accounts. At September 30, 2005, investments consisted of money market accounts, certificates of deposit and a guaranteed investment contract which are stated at cost. Cost approximates market value.

All depositories are banks designated by the State Treasurer as qualified public depositories. As of September 30, 2005, these accounts were fully insured under Chapter 280 of the Florida Statutes.

Accounts Receivable

Accounts receivable consisted of property taxes receivable. All accounts receivable are considered collectible; therefore no allowance for bad debt has been recorded.

Capital Assets

The District capitalizes purchases of \$500 or more. Capital assets are recorded at cost. Expenditures for maintenance, repairs, and minor renewals are expensed as incurred. Major renewals and enhancements are capitalized.

SAN CARLOS ESTATES WATER CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Liability

In the government-wide financial statements a note payable has been recorded, as more fully described in Note 8.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund balance sheet was adjusted to include the recognition of long-term liabilities. Net assets as of October 1, 2004, are reconciled as follows:

Fund balance - October 1, 2004 (as restated)	\$ 112,439
Reclassification of long-term liability	(1,100,031)
Net assets - October 1, 2004	<u>\$ (987,592)</u>

In addition, the excess of revenues and other financing sources over expenditures for the year ended September 30, 2005, is reconciled as follows:

Excess of revenues and other financing sources over expenditures	<u>\$ 8,058,044</u>
Reclassification of principal payments on long-term liability	1,100,031
Reclassification of loan and line of credit proceeds	<u>(10,001,500)</u>
Total adjustments	<u>(8,901,469)</u>
Change in net assets	<u>\$ (843,425)</u>

NOTE 4 - PROPERTY TAXES

All real and tangible personal property taxes are due and payable on November 1 of each year, or as soon thereafter as the tax roll is certified by the County Property Appraiser, and become delinquent on April 1 of the following year. The County Tax Collector mails to each property owner on the tax roll a notice of taxes levied by the various governmental entities in the County. A four percent discount is allowed if the taxes are paid in November, with the discount declining by one percent each month thereafter. Tax certificates for the full amount of any unpaid taxes and assessments must be sold no later than June 1 of each year at which time a lien attaches to the property.

At September 30, 2005, property taxes receivable were \$1,827.

SAN CARLOS ESTATES WATER CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 5 - INVESTMENTS

Unexpended proceeds from the note payable have been invested in a guaranteed investment contract. Cost of the investment approximates market.

NOTE 6 - PREPAID ASSESSMENTS

During the current year the District passed a special tax assessment to cover the cost of phase one of a capital improvement project. Property owners will be billed in installments for 20 years beginning in the fiscal year ending September 30, 2006. Each property owner's assessment is proportionate based on acreage. An estimate was made of the maximum cost of the project and certain property owners chose to prepay the entire assessment. At the conclusion of the project any difference between amounts prepaid and the actual cost of the project will be refunded to these property owners. Prepaid assessments will be recognized over future years.

NOTE 7 - LINES OF CREDIT

On September 8, 2005, the District secured a line of credit with a maximum amount available of \$100,000 with a bank for general operating expenses. Interest on the line of credit is at a rate equal to the LIBOR rate plus 1.5%, and is payable monthly. The principal is due in full on September 1, 2006. At September 30, 2005, the balance due on the line of credit was \$1,500.

At September 30, 2004, the District was obligated under a line of credit established to provide interim financing for phase one of a capital improvement project in the amount of \$1,100,031. The line of credit was paid in full during the current year from proceeds from the note payable secured in the current year.

NOTE 8 - LONG-TERM LIABILITY

On July 6, 2005, the District entered into a note payable with a bank to fund phase one of a capital improvement project. Under the terms of the note, payments of \$380,738 are due semi-annually beginning February 1, 2006 and ending August 1, 2025, based on an interest rate of 4.37%. The note is collateralized by special assessments of the District.

SAN CARLOS ESTATES WATER CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 8 - LONG-TERM LIABILITY (Continued)

The future minimum payments due under the note payable as of September 30, 2005, are as follows:

Principal payments:	
2006	\$ 289,611
2007	334,839
2008	348,722
2009	365,461
2010	381,833
2011-2015	2,180,531
2016-2020	2,714,478
2021-2025	3,384,525
Total principal	<u>10,000,000</u>
Interest payments:	
2006	471,866
2007	426,637
2008	412,755
2009	396,016
2010	379,644
2011-2015	1,626,853
2016-2020	1,092,907
2021-2025	426,770
Total interest	<u>5,233,448</u>
Total payments	<u>\$ 15,233,448</u>

NOTE 9 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to fund balance due to the understatement of legal expenses in the prior year as follows.

Fund balance September 30, 2004 - as originally stated	\$ 162,766
Adjustment for understatement of legal expenses	(50,327)
Fund balance September 30, 2004 - as restated	<u>\$ 112,439</u>

NOTE 10 - CONTINGENCIES AND COMMITMENTS

As of September 30, 2005, certain landowners had brought suit against the District claiming that the District does not have the legal authority to perform certain functions nor enter into certain agreements. The District's counsel believes that an unfavorable outcome is unlikely.

**REQUIRED SUPPLEMENTARY
INFORMATION**

SAN CARLOS ESTATES WATER CONTROL DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budget		Actual GAAP Basis	Adjustments to Budget Basis	Actual Budget Basis	Final Budget Favorable (Unfavorable)
	Original	Final				
REVENUES						
Property taxes	\$ 384,236	\$ 384,236	\$ 384,120	\$ -	\$ 384,120	\$ (116)
Interest	600	66,937	67,203	-	67,203	266
Use and connection fees	10,500	10,500	12,230	-	12,230	1,730
Other	92	92	661	-	661	569
Total revenues	395,428	461,765	464,214	-	464,214	2,449
EXPENDITURES						
CURRENT						
General:						
Administration	56,000	75,000	83,779	-	83,779	(8,779)
Auditor	4,000	4,000	4,000	-	4,000	-
Canal cleaning	29,000	190,000	183,900	-	183,900	6,100
Contingency	215,978	37,506	-	-	-	37,506
Ditches, culverts and road repair	80,000	20,000	8,217	-	8,217	11,783
Engineer	35,000	85,000	64,753	-	64,753	20,247
Grading	35,000	60,000	55,109	-	55,109	4,891
Insurance	16,000	6,000	5,668	-	5,668	332
Legal	30,000	30,000	12,965	-	12,965	17,035
Property appraiser	4,000	3,000	3,616	-	3,616	(616)
Tax collector commissions	10,428	5,000	3,845	-	3,845	1,155
Swale mowing	40,000	40,000	28,800	-	28,800	11,200
Total general	555,406	555,506	454,652	-	454,652	100,854
Capital improvement project:						
Administration	-	6,100	6,082	-	6,082	18
Construction	-	8,657,000	514,944	-	514,944	8,142,056
Engineer	110,500	50,600	94,177	-	94,177	(43,577)
Legal	60,000	173,000	149,344	-	149,344	23,656
Miscellaneous	-	300	292	-	292	8
Other professional services	5,000	19,800	40,580	-	40,580	(20,780)
Total capital improvement project	175,500	8,906,800	805,419	-	805,419	8,101,381
Total current	730,906	9,462,306	1,260,071	-	1,260,071	8,202,235

	Budget		Actual	Adjustments	Actual	Final Budget
	Original	Final	GAAP	to Budget	Budget	Favorable
			Basis	Basis	Basis	(Unfavorable)
LONG-TERM LIABILITIES						
Principal payments	-	1,100,031	-	1,100,031	1,100,031	-
Interest	60,000	48,000	47,568	-	47,568	432
Total long-term liabilities	60,000	1,148,031	47,568	1,100,031	1,147,599	432
Total expenditures	790,906	10,610,337	1,307,639	1,100,031	2,407,670	8,202,667
(Deficiency) excess of revenues over expenditures	(395,478)	(10,148,572)	(843,425)	(1,100,031)	(1,943,456)	8,205,116
OTHER FINANCING SOURCES						
Loan proceeds	-	10,000,000	-	10,001,500	10,001,500	1,500
(Deficiency) excess of revenues and other financing sources over expenditures	(395,478)	(148,572)	(843,425)	8,901,469	8,058,044	8,206,616
Fund balance - October 1, 2004 (restated)	112,439	112,439	(1,037,919)	1,100,031	112,439	-
Fund balance - September 30, 2005	\$ (283,039)	\$ (36,133)	\$ (1,881,344)	\$ 10,001,500	\$ 8,170,483	\$ 8,206,616

Read Independent Auditor's Report.
The accompanying note is an integral
part of this schedule.

SAN CARLOS ESTATES WATER CONTROL DISTRICT
NOTE TO BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SEPTEMBER 30, 2005

NOTE 1 - BUDGETARY PROCESS AND REPORTING

The District prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the District's method (budget basis) in the Budgetary Comparison Schedule - General Fund to provide a meaningful comparison of actual results with the budget.

A budget has been adopted by the District for its general fund. Estimated beginning fund balance is considered in the budgetary process, but is not included in the financial statements as budgeted revenue. Differences between estimated beginning fund balance and actual fund balance, if material, are submitted to the Supervisors as budget amendments.

The annual budget serves as the legal authorization for expenditures. Expenditures cannot legally exceed the amount budgeted in the general fund's budget. All budget amendments which change the legally adopted total appropriation for the general fund are approved by the Supervisors.

If, during the fiscal year, additional revenues become available for appropriation in excess of those estimated in the budget, the District, by resolution, may make supplemental appropriations for the year up to the amount of such excess. In the current year additional revenues became available for appropriation in excess of those estimated in the original budget.



**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 Supervisors
San Carlos Estates Water Control District
Lee County, Florida

We have audited the financial statements of San Carlos Estates Water Control District as of and for the year ended September 30, 2005, and have issued our report thereon dated January 10, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered San Carlos Estates Water Control District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

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

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

MYERS, BRETHOLTZ & COMPANY, PA

January 10, 2006



MANAGEMENT LETTER

Board of Supervisors
San Carlos Estates Water Control District
Lee County, Florida

In planning and performing our audit of the financial statements of San Carlos Estates Water Control District, as of and for the year ended September 30, 2005, (on which we have issued a report dated January 10, 2006), we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control structure. In connection therewith, we have issued our report on internal control over financial reporting and on compliance and other matters dated January 10, 2006.

Our comments and recommendations, including the status of prior year comments and recommendations, and the reporting requirements of the Auditor General, State of Florida, are presented under the following main captions:

- Status of Prior Year Comments
- Current Year Comments
- State Reporting Requirements

STATUS OF PRIOR YEAR COMMENTS

Management Letter Finding # 1 - This finding has been corrected in the current year.

CURRENT YEAR COMMENTS

There are no comments in the current year.

STATE REPORTING REQUIREMENTS

The rules of the Auditor General, State of Florida, require that this report be filed with the Auditor General together with the audited financial statements.

In connection with our audit of the financial statements of San Carlos Estates Water Control District, pursuant to Chapter 10.550, the Rules of the Auditor General, State of Florida-Local Government Entity Audits, we report the following:

- San Carlos Estates Water Control District has taken corrective action to address the deteriorating financial condition disclosed in the prior year audit.

- San Carlos Estates Water Control District has met one of the conditions described in Section 518.503(1), Florida Statutes regarding whether it was in a state of financial emergency during the year ended September 30, 2005. The District met the condition described in Section 218.503(1)(e), Florida Statutes because the District's unrestricted net assets showed a deficit balance as of September 30, 2005. This is a result of securing financing for a capital improvement project prior to receiving the related income from a special tax assessment. The District will continue to meet this condition until all payments from the special tax assessment are received over the next twenty years and the loan is paid off.
- The financial report of San Carlos Estates Water Control District filed with the Florida Department of Financial Services, pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the financial statements for the year ended September 30, 2005.
- The San Carlos Estates Drainage District is a local governmental unit created by Circuit Court Decree, 12th Judicial Court, dated April 3, 1969, to provide water control and drainage services to a certain prescribed area in Lee County, Florida.
- San Carlos Estates Water Control District complied with Section 218.415, Florida Statutes, regarding the investment of public funds.
- The scope of the audit of the San Carlos Estates Water Control District included the use of financial condition assessment procedures to detect deteriorating financial conditions pursuant to Section 218.503(1), Florida Statutes and Rule 10.556(7) of the Auditor General.
- During the course of our audit, other than matters that are clearly inconsequential considering both quantitative and qualitative factors, nothing came to our attention that caused us to believe that the District:
 - a. Was in violation of any laws, rules or regulations and contractual provisions or abuse that have occurred, or were likely to have occurred, or were discovered within the scope of the audit.
 - b. Made any illegal or improper expenditures that were discovered within the scope of the audit that may materially affect the financial statements.
 - c. Had deficiencies in internal control that are reportable conditions including but not limited to:
 - (1) Improper or inadequate accounting procedures, except as reported in the accompanying schedule of findings.
 - (2) Failures to properly record financial transactions
 - (3) Other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that came to the attention of, the auditor.

This management letter is intended solely for the information and use of the Board of Supervisors, management, and the Auditor General, and is not intended to be, and should not be, used by anyone other than these specified parties.



January 10, 2006

MYERS, BRETT HOLTZ & COMPANY, PA

AUDITOR GENERAL

LOCAL GOVERNMENTAL ENTITY AUDIT REPORT SUBMITTAL CHECKLIST (SECTION 218.39, FLORIDA STATUTES)

(To be submitted with audit reports for fiscal years ending on or after September 30, 2005,
but prior to September 30, 2006)

Local Governmental Entity Name San Carlos Estates Water Control District

Contact Person Name and Title Chauncey Normandin, President Board of Supervisors

Contact Person Phone Number 239-495-4699

Contact Person Email Address scedd@earthlink.net

Fiscal Year Audited September 30, 2005

Date Auditor Delivered Audit Report to Local Government June 19, 2006

Does the audit report include the following items required by Auditor General Rule 10.557(3):

Required for municipalities, special districts, the county as a whole, and county agencies **

- X The financial statements described in Auditor General Rules 10.556(3) and (4), as applicable, together with related notes to financial statements?
- X Required supplementary information (RSI) such as the Management's Discussion and Analysis (not required for county agencies), or the Budgetary Comparison Schedule (required as RSI if not presented as part of the financial statements)?
- X The auditor's report on the financial statements?
- X The auditor's report on compliance and internal control?
- X The management letter defined in Auditor General Rule 10.554(1)(h)?
- X The written statement of explanation or rebuttal required by Auditor General Rule 10.558(1)?

** Pursuant to Section 218.39(2), Florida Statutes, an audit of the board of county commissioners is not required. However, if the county report includes an audit of the board of county commissioners, it should include the items by Auditor General Rule 10.557(3).

Required for municipalities, special districts, and the county as a whole

- N/A Any auditor's reports and related financial information required pursuant to the Federal *Single Audit Act Amendments of 1996*, OMB Circular A-133, or other applicable Federal law?
- N/A Any auditor's reports and related financial information required pursuant to the *Florida Single Audit Act* (see Auditor General Rule 10.557(3)(d))?

In addition to the above, have the following requirements been complied with:

- X Are all of the above elements of the audit report included in a *single bound document* as required by Auditor General Rule 10.557(3)?
- X Are *two* copies of the audit report being submitted as required by Auditor General Rule 10.558(2)?
- X Was the audit report submitted within 45 days after the completion of the audit, but no later than 12 months after the end of the fiscal year? **NOTE:** There are no provisions in the statutes for any extensions for filing the audit report. Nonfilers are subject to having state revenue sharing funds withheld, or may be subjected to other penalties, for failure to file an audit report.
- N/A If the audit report is for a county or municipality, and a dependent special district was audited as part of the county or municipality audit, did the notes to financial statements clearly indicate that the special district had been included as part of the county's or municipality's reporting entity? **NOTE:** Pursuant to Section 218.39(3), Florida Statutes, an independent special district may not be audited as part of a county or municipality audit. When a dependent special district is audited as part of the county or municipality audit, the county or municipality notes to financial statements should clearly disclose that the special district is a component unit included within the county's or municipality's reporting entity.

This checklist should accompany the audit report. It is suggested that you retain a copy of the checklist for your files. Do not hesitate to contact this office if assistance or clarification is needed regarding reporting requirements. Our telephone and fax numbers, and electronic addresses, are as follows:

New Address –

Auditor General's Office
Local Government Audits/342
Claude Pepper Building, Room 401
111 West Madison Street
Tallahassee, FL 32399-1450

Telephone: (850) 487-9031
Suncom 277-9031
Fax (850) 487-4403
Fax-Suncom 277-4403

Email Address: flaudgen_localgovt@aud.state.fl.us

Web site Address: www.state.fl.us/audgen

Unit ID and Name:	300290	San Carlos Estates Drainage District
Financial Officer Name:	John Cowart	Chauncey Normandin
Financial Officer Title:	President	
Mailing Address:	P. O. Box 367807	
City Address:	Bonita Springs	
State:	FL	
Zip Code:	34133	
Email Address:	scedd@earthlink.net	
Phone Number:	(239) 495-4699	
Phone Extension:		
Contact Person's Name:	Cynthia D'Aragona, CPA	John Lopez
Contact's Phone Number:	(239) 939-5775	
Contact's Extension:		
FAX Number:	(239) 939-3032	

Certification	
We the undersigned certify, to the best of our knowledge, that the information reported herein or submitted electronically is accurate and complete.	
Chauncey Normandin	
Name	
President	
Title	
X Signature of Chairman of Government Board (required)	
Chauncey Normandin	
Name	
President	
Title	
X Signature of Chief Financial Officer (required)	

Was Annual Financial Report filed electronically?	☐ Yes ☒ No
If yes indicate method:	☐ FTP ☐ Diskette ☐ E-Mail ☐ Other
Date completed Audit Report was received:	____ / ____ / ____
State Use Only	
AFR Tracked	Initials _____ Date _____
Audit Tracked	_____
Rev/Exp	_____
Complete	_____

Financial Condition Information	
Amount of outstanding long-term debt: \$	10,000,000
(As of the end of fiscal year ended 09/30/2005. The term "long-term debt" means any agreement or series of agreements to pay money, which, at inception, contemplate terms of payment exceeding 1 year in duration)	
Have you experienced a financial emergency in fiscal year ended 2005?	☒ Yes ☐ No
If yes, have you complied with Section 218.503(2), Florida Statutes?	☒ Yes ☐ No
(ie: Have you reported a financial emergency if there has been one?)	
Use separate page for response if needed.	

Mail Completed Forms and Required Attachments/Enclosures to:	
Department of Financial Services	
Bureau of Accounting	
200 E. Gaines Street	
Tallahassee, Florida 32399-0354	
State of Florida	
Annual Local Government Financial Report	
Fiscal Year 2004-2005	
Counties and Municipalities Only	
Enter the utility service tax rates for the following:	
Electricity	_____
Telecommunications	_____
Water	_____
Natural Gas	_____
Cable Vision	_____
Fuel Oil	_____
Propane	_____
Other	_____

