

**EAST MULLOCH
DRAINAGE DISTRICT**

Basic Financial Statements

Fiscal Year Ended September 30, 2017

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Independent Auditor's Report

Board of Supervisors
East Mulloch Drainage District
Estero, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the East Mulloch Drainage District, (the "District") as of and for the fiscal year ended September 30, 2017, 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.

Auditor's Responsibility, continued

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, 2017, 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 13 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 June 20, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, 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.

A handwritten signature in blue ink that reads "Ashley, Brown & Co." The signature is written in a cursive style.

Punta Gorda, Florida
June 20, 2018

EAST MULLOCH DRAINAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

As management of the East Mulloch Drainage District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the fiscal year ended September 30, 2017.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the 2017 fiscal year by \$168,888 (net position). The entire amount consists of unrestricted net position and may be used to meet the District's ongoing obligations to property owners and creditors.
- The District's net position decreased by \$24,973. This decrease is attributable to the amount by which expenses exceeded revenues for the year.
- The District issued no debt in fiscal year 2017, and the District currently has no outstanding debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements and other supplementary information. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements.

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 expenses 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 financial statements.

EAST MULLOCH DRAINAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. As noted earlier, assets exceeded liabilities by \$168,888 as of September 30, 2017.

The District has no capital assets or long-term debt. The District subcontracts all maintenance work in order to provide services to its citizens and property owners.

The unrestricted fund balance of \$168,888 at year end may be used to meet the District's ongoing obligations to citizens and creditors and is shown in the following schedule:

East Mulloch Drainage District's Financial Position

| | <u>Governmental Activities 9/30/2016</u> | <u>Governmental Activities 9/30/2017</u> |
|---------------------|--|--|
| Assets | | |
| Cash | \$ 191,824 | \$ 168,278 |
| Prepaid insurance | <u>2,037</u> | <u>1,810</u> |
| Total assets | <u>193,861</u> | <u>170,088</u> |
| Liabilities | | |
| Accounts payable | <u>-</u> | <u>1,200</u> |
| Total liabilities | <u>-</u> | <u>1,200</u> |
| Net Position | | |
| Unrestricted | <u>193,861</u> | <u>168,888</u> |
| Total net position | <u><u>\$ 193,861</u></u> | <u><u>\$ 170,088</u></u> |

Governmental Activities

As the District has no business-type activities, governmental activities were responsible for decreasing the District's net position. The decrease is primarily attributed to an increase in canal maintenance projects during the fiscal year.

EAST MULLOCH DRAINAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

East Mulloch Drainage District's Change in Net Position

| | <u>Governmental Activities 9/30/2016</u> | <u>Governmental Activities 9/30/2017</u> |
|--|--|--|
| REVENUES | | |
| Property assessments | \$ 64,438 | \$ 63,220 |
| Interest | <u>166</u> | <u>118</u> |
| Total revenues | <u>64,604</u> | <u>63,338</u> |
| EXPENSES | | |
| Canal maintenance | 62,825 | 78,545 |
| Audit & accounting | 3,500 | 3,650 |
| Insurance | 3,920 | 3,888 |
| Office & administration | 246 | 187 |
| Permits & license fees | 735 | 735 |
| Tax Collector | 645 | 632 |
| Property Appraiser | <u>674</u> | <u>674</u> |
| Total expenses | <u>72,545</u> | <u>88,311</u> |
| Changes in net position | (7,941) | (24,973) |
| Net position - October 1, 2015 & 2016 | <u>201,802</u> | <u>193,861</u> |
| Net position - September 30, 2016 & 2017 | <u><u>\$ 193,861</u></u> | <u><u>\$ 168,888</u></u> |

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

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

EAST MULLOCH DRAINAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

The general fund is the District's chief operating fund. As a measure of the general fund's liquidity, it may be useful to compare the fund balance to total fund expenditures for the fiscal year. Unassigned fund balance represents 192% of total annual general fund expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

An annual budget was legally adopted for the District at the annual meeting on April 5, 2017. Expenditures were less than budgeted. Property assessments represented 99.81% of the District's revenue for the year ended September 30, 2017. Property assessments are currently fixed at the annual rate of \$30.10 per acre and, therefore, the District continues to be challenged by the large size of the District and the cost required to properly maintain the District's drainage facilities.

Fiscal Year 2016 Budget - General Fund

| | Actual | Budget | Variance |
|------------------------|------------|-------------|------------|
| Total Revenues | \$ 64,604 | \$ 68,000 | \$ (3,396) |
| Total Expenditures | 72,545 | 94,000 | 21,455 |
| Change in Fund Balance | \$ (7,941) | \$ (26,000) | \$ 18,059 |

Fiscal Year 2017 Budget - General Fund

| | Actual | Budget | Variance |
|------------------------|-------------|-------------|------------|
| Total Revenues | \$ 63,338 | \$ 68,000 | \$ (4,662) |
| Total Expenditures | 88,311 | 94,000 | 5,689 |
| Change in Fund Balance | \$ (24,973) | \$ (26,000) | \$ 1,027 |

EAST MULLOCH DRAINAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

CAPITAL ASSETS

As noted earlier, the District has no investment in capital assets which would consist of land, buildings and improvements and equipment. Consequently, the District had no depreciation expense for the years ended September 30, 2016 or 2017.

LONG TERM DEBT

The District had no long term debt as of September 30, 2016 or 2017.

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:

Alan C. Freeman, Supervisor
EAST MULLOCH DRAINAGE DISTRICT
PO Box 511
Estero, FL 33929
239-267-7472 Phone
239-267-7622 Fax

EAST MULLOCH DRAINAGE DISTRICT
GOVERNMENTAL FUND BALANCE SHEET / STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

| | <u>General Fund</u> | <u>Adjustments (Note 3)</u> | <u>Statement of Net Position</u> |
|--|---------------------|----------------------------------|--------------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 168,278 | \$ - | \$ 168,278 |
| Prepaid insurance | <u>1,810</u> | <u>-</u> | <u>1,810</u> |
| Total assets | <u>\$ 170,088</u> | <u>\$ -</u> | <u>\$ 170,088</u> |
| LIABILITIES & FUND BALANCE / NET POSITION | | | |
| LIABILITIES | | | |
| Accounts Payable | <u>\$ 1,200</u> | <u>\$ -</u> | <u>\$ 1,200</u> |
| Total Liabilities | <u>1,200</u> | <u>-</u> | <u>1,200</u> |
| Unassigned/Unrestricted | <u>168,888</u> | <u>-</u> | <u>168,888</u> |
| Total liabilities & fund balance/net position | <u>\$ 170,088</u> | <u>\$ -</u> | <u>\$ 170,088</u> |

EAST MULLOCH DRAINAGE DISTRICT
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE / STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | General Fund | Adjustments (Note 3) | Statement of Activities |
|--|--------------------------|--------------------------|----------------------------|
| REVENUES | | | |
| Property assessments | \$ 63,220 | \$ - | \$ 63,220 |
| Interest | 118 | - | 118 |
| Total revenues | <u>63,338</u> | <u>-</u> | <u>63,338</u> |
| PHYSICAL ENVIRONMENT EXPENDITURES / EXPENSES | | | |
| Canal maintenance | 78,545 | - | 78,545 |
| Audit & accounting | 3,650 | - | 3,650 |
| Insurance | 3,888 | - | 3,888 |
| Office & administration | 187 | - | 187 |
| Permits & license fees | 735 | - | 735 |
| Tax Collector | 632 | - | 632 |
| Property Appraiser | 674 | - | 674 |
| Total expenditures/expenses | <u>88,311</u> | <u>-</u> | <u>88,311</u> |
| Excess of revenues under expenditures/ Change in net position | (24,973) | - | (24,973) |
| Fund balance/Net position, beginning of year | <u>193,861</u> | <u>-</u> | <u>193,861</u> |
| Fund balance/Net position, end of year | <u><u>\$ 168,888</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 168,888</u></u> |

EAST MULLOCH DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1. DESCRIPTION

The East Mulloch Drainage District (the "District") is a local governmental unit created by the State of Florida Legislature under Chapter 63-930, Laws of Florida, 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"). The Supervisors meet annually (unless special meetings are necessary) to conduct the business of the District including adoption of the budget at the fund level.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements conform to accounting principles generally accepted in the United States of America 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.

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position 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.

Basic Financial Statements

The basic financial statements include a Governmental Fund Balance Sheet/Statement of Net Position, Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/Statement of Activities and Notes to Basic Financial Statements. The Statement of Net Position is presented in a net position format (assets less liabilities equal net position) and shown with three components: amounts invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The Statement of Activities reports functional categories of programs by the District and demonstrates how and to what degree those programs are supported by specific revenues.

EAST MULLOCH DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Measurement Focus

Governmental Fund Type

The General Fund is accounted for on a "spending" or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. Accordingly, the reported unassigned fund balance (net current assets) is considered a measure of available, spendable or appropriable resources. Governmental Fund Type operating statements present increases (revenue) and decreases (expenditures) in net current assets.

Basis of Accounting

Basis of accounting refers to when revenue and expenditures are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The District complies with accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

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 and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

Because the District does not have capital assets or long-term debt there are no differences between the government-wide and fund financial statements.

NOTE 4. COMMITMENTS AND CONTINGENCIES

The District purchases liability and casualty insurance coverage from commercial carriers with coverage and deductibles in amounts that the Supervisors feel is adequate.

EAST MULLOCH DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 5. PROPERTY TAXES

All real and tangible personal property taxes are due and payable on November 1st of each year, or as soon thereafter as the tax roll is certified by the Lee County Property Appraiser, and become delinquent on April 1st of the following year. The Lee 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. The maintenance tax rate levied upon all property within the District is \$30.10 per acre, per annum.

NOTE 6. CASH AND INVESTMENTS

At September 30, 2017, the carrying amount of the District's deposits was \$168,279 and the bank balance was \$172,944. These deposits were entirely covered by Federal Depository Insurance or by collateral pursuant to the Florida Security for Public Deposits Act (Florida Statutes Chapter 280). Florida Statutes authorize investments in certificates of deposit, savings accounts, repurchase agreements, the Local Government Surplus Funds Trust Fund administered by the Florida State Board of Administration, obligations of the U.S. Government and government agencies unconditionally guaranteed by the U.S. Government. The District's investment policy permits the investment in savings accounts and certificates of deposit with state-certified, qualified public depositories.

NOTE 7. SUBSEQUENT EVENTS

On September 10, 2017, Hurricane Irma made landfall in southwest Florida. The District sustained significant damage as a result of fallen trees and debris which landed in the canals causing blockages throughout the District's drainage system. This debris needed to be removed in order to facilitate proper drainage within the District.

Clean up efforts from Hurricane Irma were estimated to cost over \$1 million. Due to EMDD's limited budget, the District reached out to Lee County for help cleaning up the debris. Lee County agreed to assist the District with these clean up operations and made application to FEMA directly for reimbursement. The County hired contractors and had them commence work in January, 2018 and continued this work through March, 2018. The balance of the clean up work continues, but the District believes the system will function in FY 2018 as currently cleaned.

Subsequent to year end, the State legislature filed a legislative bill to dissolve the District and transfer its assets and liabilities to a new dependent special district controlled by Lee County government to be known as the East Mulloch Water Control District. The request was approved on March 23, 2018 by Governor Scott and most provisions of this legislation become effective October 1, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

EAST MULLOCH DRAINAGE DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|--------------------|-----------------|-------------------|--|
| REVENUES | | | | |
| Property assessments | \$ 68,000 | \$ 68,000 | \$ 63,220 | \$ (4,780) |
| Interest | - | - | 118 | 118 |
| Total Revenues | <u>68,000</u> | <u>68,000</u> | <u>63,338</u> | <u>(4,662)</u> |
| EXPENDITURES | | | | |
| PHYSICAL ENVIRONMENT | | | | |
| Canal maintenance | 80,900 | 80,900 | 78,545 | 2,355 |
| Audit & accounting | 3,500 | 3,500 | 3,650 | (150) |
| Insurance | 4,000 | 4,000 | 3,888 | 112 |
| Office & administration | 700 | 700 | 187 | 513 |
| Engineering & legal | 2,000 | 2,000 | - | 2,000 |
| Permits & license fees | 1,500 | 1,500 | 735 | 765 |
| Tax Collector | 700 | 700 | 632 | 68 |
| Property Appraiser | 700 | 700 | 674 | 26 |
| Total expenditures | <u>94,000</u> | <u>94,000</u> | <u>88,311</u> | <u>5,689</u> |
| Excess of revenues (under) over expenditures | (26,000) | (26,000) | (24,973) | <u>\$ 1,027</u> |
| Fund balance, beginning of year | <u>26,000</u> | <u>26,000</u> | <u>193,861</u> | |
| Fund balance, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 168,888</u> | |

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

Board of Supervisors
East Mulloch Drainage District
Estero, 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 Mulloch Drainage District, (the "District") as of and for the fiscal year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 20, 2018.

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.

A handwritten signature in blue ink that reads "Ashley, Brown & Co." The signature is written in a cursive, flowing style.

Punta Gorda, Florida
June 20, 2018

Management Letter

Board of Supervisors
East Mulloch Drainage District
Estero, Florida

Report on the Financial Statements

We have audited the financial statements of the East Mulloch Drainage District, (the "District") as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated June 20, 2018.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standard* and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in that report, which are dated June 20, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding 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. The District does not have any component units as of September 30, 2017.

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and communicate the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10554(1)(i)5.d., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide 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 did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Other Matters

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

Purpose of this Letter

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

A handwritten signature in blue ink that reads "Ashley, Brown & Co." The signature is written in a cursive style.

Punta Gorda, Florida
June 20, 2018

Independent Accountant's Examination Report

Board of Supervisors
East Mulloch Drainage District
Estero, Florida

We have examined the East Mulloch Drainage District's (the "District") compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2017. Management is responsible for the District Office's compliance with those requirements. Our responsibility is to express an opinion on the District Office'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 Office'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 Office's compliance with specified requirements.

In our opinion, the East Mulloch Drainage District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.



Punta Gorda, Florida
June 20, 2018

**EAST MULLOCH DRAINAGE DISTRICT
P.O. Box 511
ESTERO, FLORIDA 33929
(239) 267-7472 • Fax (239) 267-7622**

June 21, 2018

Ashley, Brown & Company
Certified Public Accountants
366 East Olympia Avenue
Punta Gorda, FL 33950

Dear Mr. Brown:

We are in receipt of the management letter stating that your firm has completed the audit of the financial statements of the East Mulloch Drainage District for the year ending September 30, 2017. We acknowledge that the management letter contained no corrective recommendations or deficiencies for the current year or the prior year.

Sincerely yours,



Alan C. Freeman
Supervisor

ACF:mlc