

**CYPRESS SHADOWS
COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2014**

**CYPRESS SHADOWS COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA**

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-6
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet – Governmental Funds	9
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	10
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Notes to the Financial Statements	13-20
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	21
Notes to Required Supplementary Information	22
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	23-24
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA	25
MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550 OF THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA	26-27



INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Cypress Shadows Community Development District
Lee County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Cypress Shadows Community Development District, Lee County, Florida ("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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2014, and the respective changes in financial position thereof 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 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, 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.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated June 4, 2015, on our consideration of the District's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

June 4, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Cypress Shadows Community Development District, Lee County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2014. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year resulting in a net position balance of \$10,351,583.
- The change in the District's total net position in comparison with the prior fiscal year was \$5,229,176, an increase. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2014, the District's governmental funds reported combined ending fund balances of \$1,544,096 a decrease of \$2,068,441 in comparison with the prior fiscal year. A portion of fund balance is restricted for debt service and capital projects, non-spendable for prepaid items, assigned for subsequent year's expenditures and the remainder is unassigned fund balance which is available for spending at the District's discretion.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the District's basic financial statements. 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. 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, in a manner similar to a private-sector business.

The statement of net position presents information on all the District's assets and liabilities, with the residual amount being 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.

The statement of activities presents information showing how the government's net position changed during the most recent 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 flows in future fiscal periods.

The government-wide financial statements include all governmental activities that are principally supported by assessments and Developer contributions. The District does not have any business-type activities. The governmental activities of the District include the general government (management) and maintenance functions.

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 other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has one fund category, governmental funds.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five governmental funds for external reporting. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, 2011 and 2012 debt service funds and 2011 and 2012 capital projects funds, all of which are considered major funds.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

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

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities at the close of the most recent fiscal year.

Key components of the District's net position are reflected in the following table:

	NET POSITION	
	SEPTEMBER 30,	
	2014	2013
Assets, excluding capital assets	\$ 1,660,503	\$ 4,558,867
Capital assets	13,871,845	12,164,246
Total assets	<u>15,532,348</u>	<u>16,723,113</u>
Liabilities, excluding long-term liabilities	250,765	1,250,706
Long-term liabilities	4,930,000	10,350,000
Total liabilities	<u>5,180,765</u>	<u>11,600,706</u>
Net position		
Net investment in capital assets	8,941,845	1,814,246
Restricted for:		
Debt service	183,343	372,848
Capital projects	155,949	789,984
Unrestricted	1,070,446	2,145,329
Total net position	<u>\$ 10,351,583</u>	<u>\$ 5,122,407</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The District's net position reflects its investment in capital assets (e.g. land, land improvements, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's other obligations.

The District's net position increased during the most recent fiscal year. The majority of the increase represents the extent to which ongoing program revenues exceeded the cost of operations and depreciation expense.

Key elements of the change in net position are reflected in the following table:

CHANGES IN NET POSITION		
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,		
	2014	2013
Revenues:		
Program revenues		
Charges for services	\$ 4,685,964	\$ 4,260,879
Operating grants and contributions	553	41,320
Capital grants and contributions	1,110,454	215,739
General revenues	10	-
Total revenues	<u>5,796,981</u>	<u>4,517,938</u>
Expenses:		
General government	60,369	57,161
Maintenance and operation	40,414	13,480
Interest	467,022	1,048,582
Total expenses	<u>567,805</u>	<u>1,119,223</u>
Change in net position	<u>5,229,176</u>	<u>3,398,715</u>
Net position - beginning, previously stated	5,122,407	2,041,279
Effect of adoption of GASB No. 65	-	(317,587)
Net position - beginning, as restated	<u>5,122,407</u>	<u>1,723,692</u>
Net position - ending	<u>\$ 10,351,583</u>	<u>\$ 5,122,407</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2014 was \$567,805. The costs of the District's activities were primarily funded by program revenues. Program revenues, comprised primarily of assessments, increased during the fiscal year as a result of an increase in prepayment revenue. However, the District also received funds from the Developer to fund operations and for the payment of interest on its long-term debt. The current year expenses decreased from the prior fiscal year, mainly as a result of a reduction in interest expense.

GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures for the fiscal year ended September 30, 2014 exceeded appropriations by \$7,719. The over expenditures were funded by Developer contribution.

The variance between budgeted and actual general fund revenues is mainly the result of the District receiving Developer contributions which were not anticipated per the budget. The actual general fund expenditures for the fiscal year ended September 30, 2014 were higher than budgeted amounts due primarily to costs not anticipated by the budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2014, the District had \$13,899,230 invested in improvements under construction, land improvements, irrigation system, landscaping and security for its governmental activities. In the government-wide financial statements depreciation of \$27,385 has been taken, which resulted in a net book value of \$13,871,845. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Capital Debt

At September 30, 2014, the District had \$4,930,000 Bonds outstanding for its governmental activities. More detailed information about the District's capital debt is presented in the notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND OTHER EVENTS

The District does not anticipate any major projects or significant changes to its infrastructure maintenance program for the subsequent fiscal year. In addition, it is anticipated that the general operations of the District will remain fairly constant.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, land owners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact Cypress Shadows Community Development District's Finance Department at 5680 W. Cypress Street, Suite A, Tampa, Florida 33607.

**CYPRESS SHADOWS COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

	Governmental Activities
ASSETS	
Cash	\$ 114,845
Assessments receivable	229
Prepays	2,356
Restricted assets:	
Investments	1,543,073
Capital assets:	
Non-depreciable assets	12,986,396
Depreciable, net	885,449
Total assets	15,532,348
 LIABILITIES	
Accounts payable and accrued expenses	7,252
Unearned revenue	84,155
Accrued interest payable	134,358
Due to Developer	25,000
Non-current liabilities:	
Due within one year	50,000
Due in more than one year	4,880,000
Total liabilities	5,180,765
 NET POSITION	
Net investment in capital assets	8,941,845
Restricted for debt service	183,343
Restricted for capital projects	155,949
Unrestricted	1,070,446
Total net position	\$ 10,351,583

See notes to the financial statements

**CYPRESS SHADOWS COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

<u>Functions/Programs</u>	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Primary government:					
Governmental activities:					
General government	\$ 60,369	\$ 60,369	\$ 428	\$ -	\$ 428
Maintenance and operations	40,414	60,560	-	1,110,454	1,130,600
Interest on long-term debt	467,022	4,565,035	125	-	4,098,138
Total governmental activities	<u>567,805</u>	<u>4,685,964</u>	<u>553</u>	<u>1,110,454</u>	<u>5,229,166</u>
General revenues:					
Unrestricted investment earnings					<u>10</u>
Total general revenues					<u>10</u>
Change in net position					5,229,176
Net position - beginning					5,122,407
Net position - ending					<u><u>\$10,351,583</u></u>

See notes to the financial statements

**CYPRESS SHADOWS COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
BALANCE SHEET
SEPTEMBER 30, 2014**

	Major Funds					Total Governmental Funds
	General	Series 2011 Debt Service	Series 2012 Debt Service	Series 2011 Capital Projects	Series 2012 Capital Projects	
ASSETS						
Cash	\$ 89,748	\$ -	\$ -	\$ -	\$ 25,097	\$ 114,845
Investments	-	317,632	1,012,848	55,640	156,953	1,543,073
Assessments receivable	229	-	-	-	-	229
Due from other funds	-	69	123	-	-	192
Prepaid items	2,356	-	-	-	-	2,356
Total assets	<u>\$ 92,333</u>	<u>\$ 317,701</u>	<u>\$ 1,012,971</u>	<u>\$ 55,640</u>	<u>\$ 182,050</u>	<u>\$ 1,660,695</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued expenses	\$ 7,252	\$ -	\$ -	\$ -	\$ -	\$ 7,252
Unearned revenue	35,916	-	-	47,138	1,101	84,155
Due to other funds	192	-	-	-	-	192
Due to Developer	-	-	-	-	25,000	25,000
Total liabilities	<u>43,360</u>	<u>-</u>	<u>-</u>	<u>47,138</u>	<u>26,101</u>	<u>116,599</u>
Fund balances:						
Nonspendable:						
Prepaid items	2,356	-	-	-	-	2,356
Restricted for:						
Debt service	-	317,701	1,012,971	-	-	1,330,672
Capital projects	-	-	-	8,502	155,949	164,451
Assigned to:						
Subsequent year's expenditures	15,422	-	-	-	-	15,422
Unassigned	31,195	-	-	-	-	31,195
Total fund balances	<u>48,973</u>	<u>317,701</u>	<u>1,012,971</u>	<u>8,502</u>	<u>155,949</u>	<u>1,544,096</u>
Total liabilities and fund balances	<u>\$ 92,333</u>	<u>\$ 317,701</u>	<u>\$ 1,012,971</u>	<u>\$ 55,640</u>	<u>\$ 182,050</u>	<u>\$ 1,660,695</u>

See notes to the financial statements

**CYPRESS SHADOWS COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

Total fund balance - governmental funds \$ 1,544,096

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

Capital assets used in governmental activities are not financial resources, therefore, are not reported as assets in the governmental funds. The statement of net position includes those capital assets, net of any accumulated depreciation, in the net position of the government as a whole.

Cost of capital assets	13,899,230	
Accumulated depreciation	<u>(27,385)</u>	13,871,845

Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund financial statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.

Accrued interest payable	(134,358)	
Bonds payable	<u>(4,930,000)</u>	<u>(5,064,358)</u>

Net position of governmental activities		<u><u>\$ 10,351,583</u></u>
---	--	-----------------------------

See notes to the financial statements

**CYPRESS SHADOWS COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Major Funds					Total Governmental Funds
	General	Series 2011 Debt Service	Series 2012 Debt Service	Series 2011 Capital Projects	Series 2012 Capital Projects	
REVENUES						
Assessments	\$ 120,929	\$ 132,134	213,733	\$ -	\$ -	\$ 466,796
Assessments - prepayments	-	215,727	4,003,441	-	-	4,219,168
Developer contributions	428	-	-	132,717	977,696	1,110,841
Interest income	10	24	101	4	37	176
Total revenues	<u>121,367</u>	<u>347,885</u>	<u>4,217,275</u>	<u>132,721</u>	<u>977,733</u>	<u>5,796,981</u>
EXPENDITURES						
Current:						
General government	60,284	-	-	-	85	60,369
Maintenance and operations	13,029	-	-	-	-	13,029
Debt Service:						
Principal	-	570,000	4,850,000	-	-	5,420,000
Interest	-	137,408	499,633	-	-	637,041
Capital outlay	-	-	-	124,219	1,610,764	1,734,983
Total expenditures	<u>73,313</u>	<u>707,408</u>	<u>5,349,633</u>	<u>124,219</u>	<u>1,610,849</u>	<u>7,865,422</u>
Excess (deficiency) of revenues over (under) expenditures	48,054	(359,523)	(1,132,358)	8,502	(633,116)	(2,068,441)
OTHER FINANCING SOURCES (USES)						
Transfers in	919	-	-	-	-	919
Transfers out	-	-	-	-	(919)	(919)
Total other financing sources (uses)	<u>919</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(919)</u>	<u>-</u>
Net change in fund balances	48,973	(359,523)	(1,132,358)	8,502	(634,035)	(2,068,441)
Fund balances (deficit) - beginning	-	677,224	2,145,329	-	789,984	3,612,537
Fund balances - ending	<u>\$ 48,973</u>	<u>\$ 317,701</u>	<u>\$ 1,012,971</u>	<u>\$ 8,502</u>	<u>\$ 155,949</u>	<u>\$ 1,544,096</u>

See notes to the financial statements

**CYPRESS SHADOWS COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

Net change in fund balances - total governmental funds	\$	(2,068,441)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures, however, the cost capital assets is elimintaed in the statement of activities and capitalized in the statement of net position.		1,734,983
Depreciation on capital assets is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.		(27,385)
Repayment of long-term liabilities are reported as expenditures in the governmental fund financial statements, but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.		5,420,000
The change in accrued interest on long-term liabilities between the current and prior fiscal year is recorded in the statement of activities, but not in the governmental fund financial statements.		<u>170,019</u>
Change in net position of governmental activities	\$	<u><u>5,229,176</u></u>

See notes to the financial statements

**CYPRESS SHADOWS COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Cypress Shadows Community Development District ("District") was created effective September 21, 2006 by the Lee County Board of County Commissioners pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes, under Lee County Ordinance 06-15. The Act provides, among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District.

The District is governed by the Board of Supervisors ("Board"), which is comprised of five members. The Supervisors are elected on an at large basis by the owners of the property within the District. Ownership of land within the District entitles the owner to one vote per acre. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes. All of the Supervisors are affiliated with RCS Corkscrew Land LLC, Inc. ("Developer") at September 30, 2014.

The Board has the responsibility for:

1. Assessing and levying assessments.
2. Approving budgets.
3. Exercising control over facilities and properties.
4. Controlling the use of funds generated by the District.
5. Approving the hiring and firing of key personnel.
6. Financing improvements.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

The basic financial statements include both 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 primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment. Operating-type special assessments for maintenance and debt service are treated as charges for services and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as *general revenues*.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Assessments are recognized as revenues in the year for which they are levied. Grants and similar items are to be recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Assessments

Assessments are non-ad valorem assessments on all platted lots within the District. Assessments are levied each November 1 on property as of the previous January 1 to pay for the operations and maintenance of the District. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. For debt service assessments, amounts collected as advance payments are used to prepay a portion of the Bonds outstanding. Otherwise, assessments are collected annually to provide funds for the debt service on the portion of the Bonds which are not paid with prepaid assessments.

Assessments and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

The District reports the following major governmental funds:

General Fund

The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund

The debt service funds are used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt.

Capital Projects Fund

These funds account for the financial resources to be used for the acquisition or construction of major infrastructure within the District.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity

Restricted Assets

These assets represent cash and investments set aside pursuant to Bond covenants or other contractual restrictions.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due.

The District records all interest revenue related to investment activities in the respective funds and reports investments at fair value.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. 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 assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Irrigation system	25
Landscaping and security	25

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

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. Bond premiums and discounts are deferred and amortized ratably over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s). For example, the District would record deferred outflows of resources on the statement of net position related to debit amounts resulting from current and advance refundings resulting in the defeasance of debt (i.e. when there are differences between the reacquisition price and the net carrying amount of the old debt).

Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s). For example, when an asset is recorded in the governmental fund financial statements, but the revenue is unavailable, the District reports a deferred inflow of resources on the balance sheet until such times as the revenue becomes available.

Fund Equity/Net Position

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

The District can establish limitations on the use of fund balance as follows:

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance – Includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. The Board may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

The District first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the District's Bond covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Disclosures

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 – BUDGETARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

- a) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

The District's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

Investments

The District's investments were held as follows at September 30, 2014:

	Fair Value	Credit Risk	Maturities
First American Government Obligation Fund Class Y	\$ 1,543,073	S&P's AAAM	Weighted average of the fund portfolio: 43 Days
Total Investments	<u>\$ 1,543,073</u>		

Credit risk – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

Concentration risk – The District places no limit on the amount the District may invest in any one issuer.

Interest rate risk – The District does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

However, the Bond Indenture limits the type of investments held using unspent proceeds.

NOTE 5 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Improvements in progress	\$ 12,164,246	\$ 1,734,983	\$ (5,744,838)	\$ 8,154,391
Land Improvements	-	4,832,005	-	4,832,005
Total capital assets, not being depreciated	12,164,246	6,566,988	(5,744,838)	12,986,396
Capital assets, being depreciated				
Irrigation system	\$ -	\$ 393,557	\$ -	\$ 393,557
Landscaping and security	-	519,277	-	519,277
Total capital assets, being depreciated	-	912,834	-	912,834
Less accumulated depreciation for:				
Irrigation system	-	(11,807)	-	(11,807)
Landscaping and security	-	(15,578)	-	(15,578)
Total accumulated depreciation	-	(27,385)	-	(27,385)
Total capital assets, being depreciated, net	-	885,449	-	885,449
Governmental activities capital assets, net	\$ 12,164,246	\$ 7,452,437	\$ (5,744,838)	\$ 13,871,845

The infrastructure intended to serve the District has been estimated at a total cost of \$13,274,100. The infrastructure will include roadways, irrigation, stormwater management, water and wastewater utilities, and land improvements, including wetland mitigation areas. The project is expected to be financed with proceeds from the issuance of Bonds and Developer contributions. Upon completion certain assets will be conveyed to other entities for ownership and maintenance. At September 30, 2014, the project was substantially complete. As such, assets certain assets were placed in service. Amounts remaining in improvements in progress represent assets to be conveyed to other entities for ownership and maintenance and District owned assets that are not yet completed.

The District and the Preserve at Corkscrew Master Association, Inc. ("Association") have entered into an agreement, effective September 11, 2012, whereby the Association has assumed financial responsibility for the maintenance and management of certain infrastructure assets within the District.

NOTE 6 – LONG-TERM LIABILITIES

Series 2011

On November 16, 2011, the District issued \$4,400,000 of Capital Improvement Revenue Bonds, Series 2011 consisting of \$635,000 Term Bonds Series 2011 due on November 1, 2022 with a fixed interest rate of 6.95%, \$1,240,000 Term Bonds Series 2011 due on November 1, 2032 with a fixed interest rate of 7.15%, and \$2,525,000 Term Bonds Series 2011 due on November 1, 2042 with a fixed interest rate of 7.6%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Bonds is to be paid serially commencing November 1, 2014 through November 1, 2042.

The Series 2011 Bonds are subject to redemption at the option of the District prior to their maturity. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture. This occurred during the current fiscal year as the District collected assessments from lot closings and prepaid \$560,000 of the Series 2011 Bonds. See Note 12 - Subsequent Events for additional call amounts subsequent to the fiscal year end.

The Bond Indenture established a debt service reserve requirement as well as other restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District was in compliance with the requirements at September 30, 2014.

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Series 2012

On December 21, 2012, the District issued \$9,045,000 of Capital Improvement Revenue Bonds, Series 2012 consisting of \$420,000 Term Bonds Series 2012A due on November 1, 2022 with a fixed interest rate of 5.25%, \$785,000 Term Bonds Series 2012A due on November 1, 2032 with a fixed interest rate of 5.875%, \$1,615,000 Term Bonds Series 2012A due on November 1, 2043 with a fixed interest rate of 6.375%, and \$6,225,000 Term Bonds Series 2012B due on November 1, 2020 with a fixed interest rate of 6.35%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Bonds is to be paid serially commencing November 1, 2013 through November 1, 2043.

The Series 2012A Bonds are subject to redemption at the option of the District prior to their maturity. The Series 2012B Bonds are not subject to optional redemption. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture. This occurred during the current fiscal year as the District collected assessments from lot closings and prepaid \$4,850,000 of the Series 2012B Bonds. See Note 12 - Subsequent Events for additional call amounts subsequent to the fiscal year end.

The Bond Indenture established a debt service reserve requirement as well as other restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District was in compliance with the requirements at September 30, 2014 for the 2012A and 2012B Bonds.

Long-term Debt Activity

Changes in long-term liability activity for the fiscal year ended September 30, 2014 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2011	\$ 2,050,000	\$ -	\$ 570,000	\$ 1,480,000	\$ 10,000
Series 2012:					
2012A	2,820,000	-	-	2,820,000	40,000
2012B	5,480,000	-	4,850,000	630,000	-
Total	<u>\$ 10,350,000</u>	<u>\$ -</u>	<u>\$ 5,420,000</u>	<u>\$ 4,930,000</u>	<u>\$ 50,000</u>

Long-term Debt Activity (Continued)

At September 30, 2014, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2015	\$ 50,000	\$ 288,980	\$ 338,980
2016	60,000	285,838	345,838
2017	60,000	282,348	342,348
2018	65,000	278,726	343,726
2019	65,000	274,974	339,974
2020-2024	1,035,000	1,194,488	2,229,488
2025-2029	550,000	1,049,603	1,599,603
2030-2034	740,000	863,601	1,603,601
2035-2039	1,010,000	614,866	1,624,866
2040-2044	1,295,000	209,096	1,504,096
Total	<u>\$ 4,930,000</u>	<u>\$ 5,342,520</u>	<u>\$ 10,272,520</u>

NOTE 7 – DEVELOPER TRANSACTIONS AND RELATED INFORMATION

The Developer owns all of the land within the District and has agreed to fund the general operations of the District. At September 30, 2014, the Developer had overfunded the District by \$35,916. \$25,000 of this amount is reported as due to Developer and was reimbursed to the Developer subsequent to year end. The remaining amount is reported as unearned revenue in the balance sheet.

In addition to funding the general operations of the District, the Developer funds all costs associated with the District's infrastructure and development that are not paid from Bond proceeds. Pursuant to that agreement, the Developer provided monies to the general fund, Series 2011 and 2012 capital projects funds in the amounts of \$463,607, \$58,981 and \$587,825 respectively. The amounts have been recorded as Developer contribution in the statements. In addition, the Developer advanced the District \$26,101 and \$47,138, in the general fund and Series 2011 capital projects fund. These amounts are reported as unearned revenue on the balance sheet.

NOTE 8 – CONCENTRATION

The District's activity is dependent upon the continued involvement of the Developer, the loss of which could have a material adverse effect on the District's operations.

NOTE 9 - MANAGEMENT COMPANY

The District has contracted with a management company to perform management advisory services, which include financial and accounting advisory services. Certain employees of the management company also serve as officers (Board appointed non-voting positions) of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, and other administrative costs.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

As of September 30, 2014, the District had open contracts for various construction projects. The District's commitment on construction contracts was approximately \$215,000 at September 30, 2014.

NOTE 11 - 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. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

NOTE 12 – SUBSEQUENT EVENTS

Bond Payments

Subsequent to fiscal year end, the District prepaid \$160,000 of the Series 2011 Bonds and \$630,000 of the Series 2012B Bonds. The prepayments were extraordinary mandatory redemptions as outlined in the Bond Indentures.

**CYPRESS SHADOWS COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget - 'Positive (Negative)</u>
	<u>Original and Final</u>	<u>Actual Amounts</u>	
REVENUES			
Assessments	\$ 65,594	\$ 120,929	\$ 55,335
Developer contributions	-	428	428
Interest earnings	-	10	10
Total revenues	<u>65,594</u>	<u>121,367</u>	<u>55,773</u>
EXPENDITURES			
Current:			
General government	51,094	60,284	(9,190)
Maintenance and operations	<u>14,500</u>	<u>13,029</u>	<u>1,471</u>
Total expenditures	<u>65,594</u>	<u>73,313</u>	<u>(7,719)</u>
Excess (deficiency) of revenues over (under) expenditures	-	48,054	48,054
OTHER FINANCING SOURCES			
Transfer in	-	919	919
		<u>919</u>	<u>919</u>
Net change in fund balances	<u>\$ -</u>	<u>48,973</u>	<u>\$ 48,973</u>
Fund balance (deficit) - beginning		<u>-</u>	
Fund balance - ending		<u>\$ 48,973</u>	

See notes to required supplementary information

**CYPRESS SHADOWS COMMUNITY DEVELOPMENT DISTRICT
LEE COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

The District is required to establish a budgetary system and an approved Annual Budget for the General Fund. The District's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Board. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures for the fiscal year ended September 30, 2014 exceeded appropriations by \$7,719. The over expenditures were funded by Developer contribution.

The variance between budgeted and actual general fund revenues is mainly the result of the District receiving Developer contributions which were not anticipated per the budget. The actual general fund expenditures for the fiscal year ended September 30, 2014 were higher than budgeted amounts due primarily to construction costs not anticipated by the budget being paid from the general fund.



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

To the Board of Supervisors
Cypress Shadows Community Development District
Lee County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Cypress Shadows Community Development District, Lee County, Florida ("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 June 4, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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*.

We noted a matter involving the internal control over financial reporting and compliance that we have reported to management of the District in a separate letter dated June 4, 2015.

The District's response to the finding identified in our audit is described in the accompanying Management Letter. We did not audit the District's response and, accordingly, we express no opinion on it.

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.

June 4, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Supervisors
Cypress Shadows Community Development District
Lee County, Florida

We have examined Cypress Shadows Community Development District, Lee County, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal 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 considered 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 District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2014.

This report 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, management, and the Board of Supervisors of Cypress Shadows Community Development District, Lee County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

June 4, 2015



**MANAGEMENT LETTER PURSUANT TO THE RULES OF
THE AUDITOR GENERAL FOR THE STATE OF FLORIDA**

To the Board of Supervisors
Cypress Shadows Community Development District
Lee County, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of Cypress Shadows Community Development District ("District") as of and for the fiscal year ended September 30, 2014, and have issued our report thereon June 4, 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 Florida 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*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 4, 2015, should be considered in conjunction with this management letter.

Purpose of this Letter

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

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, as applicable, management, and the Board of Supervisors of Cypress Shadows Community Development District, Lee County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Cypress Shadows Community Development District, Lee County, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

June 4, 2015

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2014-01 Budget:

Observation: Actual expenditures exceeded appropriations in the general fund for the fiscal year ended September 30, 2014.

Recommendation: The District should amend the budget during the fiscal year or within statutory guidelines to ensure that all expenditures are properly budgeted.

Management Response: Although the CDD was over budget the developer covered the difference between public funds collected and the necessary revenues to meet the obligations of the CDD. On a go forward basis the management company will analyze the CDD's expenses at the end of the year in detail in order to amend the budget if necessary.

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

2013-01 Budget

Current Status: See finding no. 2014-01 above.

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2014, except as noted above.

2. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2014, except as noted above.

3. Noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2014.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.
5. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2014 financial audit report.
6. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
7. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2014. It is management's responsibility to monitor 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.