## **Lee County Mosquito Control District**

## **FINANCIAL STATEMENTS**

Year Ended September 30, 2016



# Lee County Mosquito Control District Table of Contents September 30, 2016

TAB: REPORT	
Independent Auditors' Report	1
Management's Discussion and Analysis	4
TAB: BASIC FINANCIAL STATEMENTS GOVERNMENT-WIDE FINANCIAL STATEMENTS Statement of Net Position	12
Statement of Activities	13
FUND FINANCIAL STATEMENTS Balance Sheet – General Fund	14
Reconciliation of the Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	17
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	18
Notes to Financial Statements	19
TAB: REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress for Other Post-Employment Benefits	39
Schedules of Proportionate Share of Net Pension Liability – Florida Retirement System and Health Insurance Subsidy Program (Last 10 fiscal years)	40
Schedules of Employer Contributions – Florida Retirement System and Health Insurance Subsidy Program (Last 10 fiscal years)	41

# Lee County Mosquito Control District Table of Contents September 30, 2016

TAB: COMPLIANCE	T	ΑI	3:	CO	MP	LIA	NCE
-----------------	---	----	----	----	----	-----	-----

Independent Auditors' 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	42
Independent Auditors' Report on Compliance for Each Major Program And on Internal Control over Compliance Required by Uniform Guidance	44
Schedule of Expenditures of Federal Awards	46
Notes to Schedule of Expenditures of Federal Awards	47
Schedule of Findings and Questioned Costs	48
Management Letter	52
Corrective Action Plan	54
Independent Accountants' Report In Accordance with Section 218.415  Florida Statutes, Local Government Investment Policies	55





Carr, Riggs & Ingram, LLC 2111 Drew Street Clearwater, FL 33765

(727) 446-0504 (727) 461-7384 (fax) www.cricpa.com

#### INDEPENDENT AUDITORS' REPORT

Board of Commissioners Lee County Mosquito Control District Fort Myers, Florida

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund, of the Lee County Mosquito Control District (the "District"), as of and for the year ended September 30, 2016, 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.

#### **Auditors' 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 Auditors' 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 the major fund of the Lee County Mosquito Control District as of September 30, 2016, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Other Matters**

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

Can, Rigge & Ingram, L.L.C.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2017 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.

CARR, RIGGS & INGRAM, LLC

Clearwater, Florida June 23, 2017

## Lee County Mosquito Control District Management's Discussion and Analysis

We, as management of the Lee County Mosquito Control District (the "District"), offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2016. The information presented in this MD&A should be considered in conjunction with the accompanying financial statements.

## **District Highlights:**

- The Lee County Mosquito Control District is an independent special district, which operates under Chapter 388, Florida Statutes, and is governed by a seven member Board of Commissioners. The commissioners are elected for a four-year term.
- The District employs 78 full-time employees and numerous part-time employees.
- The primary location for operations is at the Lee County Mosquito Control District Headquarters
  at the old Buckingham Army Airfield with seven separate heliports located throughout the
  county. The District and its operations are located in Lee County, which is located on the
  southwest coast of Florida.
- Ground and aerial mosquito control services were provided to residents and the public at large within the District's boundary in Lee County during the fiscal year ended September 30, 2016.

## **Financial Highlights:**

- The District's assets exceed its liabilities at the close of the fiscal year by \$17,478,720 (net position).
- Included in total net position is an unrestricted deficit of \$3,490,210. The unrestricted deficit is a result of adopting GASB statements 43, 45, 68 and 71 for reporting long-term pension and healthcare benefit liabilities.
- The District's total net position decreased by \$1,437,741. This decrease is discussed further in the government-wide financial analysis.
- Total liabilities increased by \$3,536,343 during the fiscal year. The net pension liability assigned
  to the District by the Florida Retirement System increased by \$2,258,544 and the postemployment healthcare liability of the District increased by \$647,780. Accounts payables
  increased by \$542,838 due to several large invoices for aircraft repairs and other capital
  improvements.
- At the close of the current fiscal year, the ending fund balance was \$12,511,674, a decrease of \$954,890, or 7.09%, from the 2015 ending fund balance of \$13,466,564.
- Of this balance, \$2,752,150 is nonspendable, consisting of prepaid insurance and inventories, and \$2,377,596 is assigned for the fiscal year end September 30, 2017, budgeted decrease in fund balance. The remaining \$7,381,928 is available for spending at the District's discretion (unassigned fund balance).

## **Overview of the Financial Statements:**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Most revenue is collected via ad valorem taxes, and the basic financial statements are comprised of the following components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to Financial Statements. The District provides aerial mosquito control services for Fort Myers Beach Mosquito Control and laboratory services for Volusia County. The District has no proprietary activities.

#### **Government-Wide Financial Statements:**

Government-wide financial statements are intended to allow the reader to assess a government's operational accountability. Operational accountability is defined as the extent to which the government has met its operating objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to meet its objectives for the foreseeable future.

The *Statement of Net Position* (Page 12) presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. The District's capital assets (property, plant, and equipment) are included in this statement and reported net of their accumulated depreciation.

The *Statement of Activities* (Page 13) presents revenue and expense information showing how the District's net position changed during the fiscal year. Both statements are measured and reported using the economic resource measurement focus (revenues and expenses) and the accrual basis of accounting (revenue recognized when earned and expense recognized when cost is incurred).

## **Fund Financial Statements:**

The District accounts for its services in a *general governmental fund*. A *fund* is a grouping of related accounts that is used to maintain financial control over resources that have been segregated for specific activities or objectives. Governmental funds are used to account for the sources, uses, and balances of a government's expendable general government financial resources (and the related current liabilities). The main focus is on how money flows into and out of those funds and the balances left at year-end that are available for spending.

The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The *Governmental Fund Financial Statements* begin on page 14 and provide a more detailed look at the District's most significant activities. An accounting method called modified accrual accounting is utilized to measure cash and all other financial assets that can readily be converted to cash. These statements provide a detailed short-term view of the general government operations and the basic services provided. You will find reconciliations on pages 15 and 17 that convert the data to an economic resource measurement focus and the accrual basis of accounting for use in the government-wide financial statements.

## **Notes to Financial Statements:**

The *notes* to the financial statements explain in detail some of the data contained in the preceding statements and begin on page 19. These notes are essential to a full understanding of the data provided in the government-wide and fund financial statements.

## **Government-wide Financial Analysis:**

Net position may serve as a useful indicator of an agency's financial position. The District's net position as of September 30, 2016 was \$17,478,720. Its revenues, which include property taxes, interest on investments, and miscellaneous income, totaled \$16,441,090 (general revenue plus program revenue). Total program expenses were \$17,878,831.

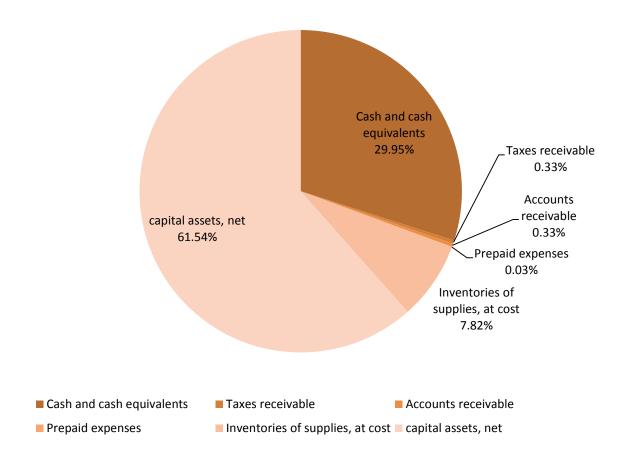
Sixty one percent of the District's assets represent its investment in capital assets, chemicals, and aircraft, auto and equipment parts inventory. The District utilizes and consumes these assets in order to safely provide effective mosquito control to the citizens within the District boundaries. All cash and investments are invested pursuant to F.S. 218.415 (17) in Certificate of Deposits (CD) and deposit accounts with banks designated by the Florida Chief Financial Officer as qualified public depositories.

## **Summary of Net Position**

	9/30/2016	9/30/2015	Difference
Current and Other Assets	\$ 13,481,521	\$ 13,820,945	\$ (339,424)
Capital Assets	21,576,334	20,987,238	589,096
Total Assets	\$ 35,057,855	\$ 34,808,183	\$ 249,672
			_
Deferred Outflows	\$ 3,254,111	\$ 1,796,095	\$ 1,458,016
Current and Other Liabilities	\$ 1,200,066	\$ 389,906	\$ 810,160
Long-Term Liabilities	18,784,660	16,058,477	2,726,183
Total Liabilities	19,984,726	16,448,383	3,536,343
Deferred Inflows	\$ 848,520	\$ 1,239,434	\$ (390,914)
Net Position			
Invested in Capital Assets	20,968,930	20,987,238	(18,308)
Unrestricted (deficit)	(3,490,210)	(2,070,777)	(1,419,433)
	•	•	
Total Net Position	\$ 17,478,720	\$ 18,916,461	\$ (1,437,741)

## **Summary of Net Position (Continued)**

## **Lee County Mosquito Control District - Assets**

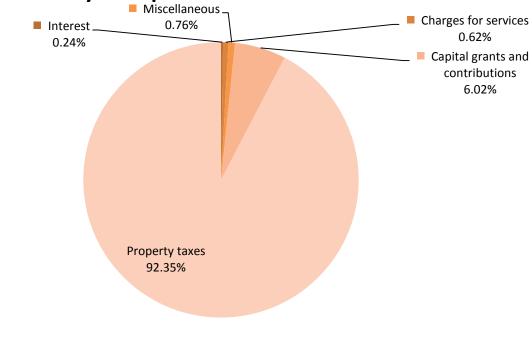


During the past year, total assets increased by \$249,672 and total liabilities increased by \$3,536,343. Deferred outflows increased by \$1,458,016 and deferred inflows decreased by \$390,914. Net position decreased by \$1,437,741, primarily due to expenses for inventory usage and inventory allowance adjustments, the allocation of pension expense from the Florida Retirement System, and expenses related to the post-employment healthcare liability. The District made its second payment to the Retiree Health Insurance Trust Fund for \$750,000 in 2016. In fiscal year 2015-2016, total program expenses increased by \$1,805,311 from 2015 due to the net effect of the activities mentioned above. The balance in cash and investments increased approximately \$917,158. The value of the capital assets increased due to aircraft and equipment acquisitions.

## **Summary Changes in Net Position**

	9/30/2016	9/30/2015	Difference	
Revenues				
Program revenues:				
Charges for services	\$ 101,962	\$ 67,251	\$	34,711
General revenues:				
Property taxes	15,183,758	14,209,227		974,531
Interest	39,864	37,316		2,548
Miscellaneous	125,367	105,286		20,081
Capital grants and contributions	990,139	-		990,139
Total revenues	\$ 16,441,090	\$ 14,419,080	\$	2,022,010
Expenses				
Physical environmental services	\$ 17,878,831	\$ 16,054,849	\$	1,823,982
Interest on long term debt	-	18,671		(18,671)
Decrease in Net Position	\$ (1,437,741)	\$ (1,654,440)	\$	216,699
Net position - beginning of fiscal year	\$ 18,916,461	\$ 20,570,901	\$	(1,654,440)
Net position - end of fiscal year	\$ 17,478,720	\$ 18,916,461	\$	(1,437,741)

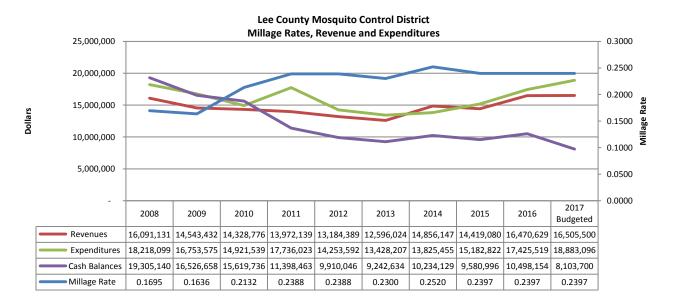
## Lee County Mosquito Control District - Revenue Miscellaneous



## **Summary Changes in Net Position (Continued)**

Total revenue increased by \$2,022,010. Property taxes totaled \$15,183,758 in 2016 and represented 92.35% of the District's revenues. Total fund revenue increased due to increased ad valorem tax revenue collections and to grant revenue received for aircraft acquisitions and for Zika mosquito control expenditures. The grant for aircraft, \$885,400, represents the U.S. Bureau of Federal Property's estimated value of the two Beechcraft King Air aircraft the agency donated to the District in 2016. The aircraft will be outfitted with spray systems and used for night-time aerial adulticiding missions across the district. The grant for Zika expenditures is a reimbursement for \$104,000 to offset pesticide expenditures in August and September during the peak mosquito season. Total expenses increased by \$1,823,982. Net position decreased at the end of the fiscal year primarily due to the recording of pension related costs, post-employment healthcare costs and inventory usage and adjustment costs discussed earlier.

The chart below reflects revenues, expenses, and millage rates for the past nine years and projections for the upcoming fiscal year (FY 2016-2017). For more information on the 2017 budgeted revenues and expenditures, refer to the "Economic Factors and Next Year's Budget and Rates" section on page 11.



## **Budgetary Highlights:**

The District adopts an annual budget on a cash basis. The budget incorporates input from the Board of Commissioners, District staff, and citizens within the District regarding what services to provide and how to pay for them.

The budget also authorizes the District to obtain funds from identified sources to finance these current period activities. The *Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund* is provided on page 18 and denotes changes in the budget from the original to the final budget. The comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the original legal budget document.

## **Budgetary Highlights: (Continued)**

Variances from the original budget as compared to the final budget are depicted on page 18. The difference between the final amended budgeted expenditures and actual expenditures represents a positive variance of \$3,055,157. The variance is due primarily to changes related to the following budgeted items: use of existing chemical inventory, lower fuel costs, lower insurance premiums, and fewer expenses related to personnel services benefits.

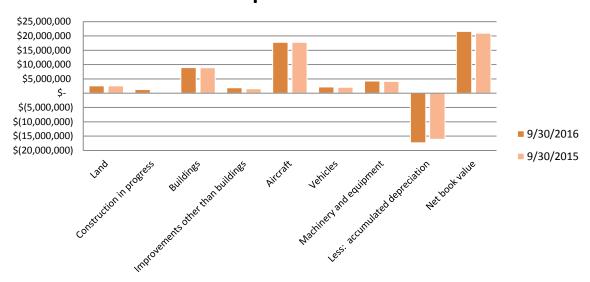
#### **Capital Asset and Debt Administration**

The District's investment in *capital assets* at year-end is \$21,576,334 (net of accumulated depreciation) which includes property, plant, and equipment with a threshold of \$1,000 and an estimated useful life of more than one year. Assets are recorded at the lesser of cost when purchased or constructed and at fair value at the date of donation and are depreciated utilizing the straight-line method. Maintenance and repairs of aircraft are not capitalized. Although the reported value of the District's net position continues to diminish in book value due to accumulated depreciation, the District remains financially stable (see chart below).

At September 30, 2016, the District's long-term liabilities were comprised of accrued compensated absences, net OPEB obligation payables, and a net pension obligation. For more information on accrued compensated absences, postemployment benefits other than pensions, and the net pension obligation, please see Note 1 on page 19 and Note 7 & 8 on page 27, respectively, of the Notes to Financial Statements. For more information on Capital assets, please see Note 4 on page 26, of the Notes to Financial Statements. For more information on the State of Florida Pension Plan, please see Note 7 on page 27, of the Notes to Financial Statements.

	9/30/2016	9/30/2015
Land	\$ 2,582,420	\$ 2,577,473
Construction in progress	1,271,687	45,864
Buildings	8,929,899	8,911,915
Improvements other than buildings	1,901,837	1,561,424
Aircraft	17,791,252	17,791,252
Vehicles	2,163,878	2,071,234
Machinery and equipment	4,271,592	4,153,366
Total assets	38,912,565	37,112,528
Less: accumulated depreciation	(17,336,231)	(16,125,290)
Net book value	\$ 21,576,334	\$ 20,987,238

## Lee County Mosquito Control District Capital Assets



## **Economic Factors and Next Year's Budget and Rates:**

In September of 2016, the Board of Commissioners approved total budgeted revenues of \$16,505,500 for fiscal year 2017. The adopted millage rate of .2397 mills per thousand produced Ad Valorem taxes in the amount of \$16,356,000, an increase of \$1,210,900 over the prior year. Property taxes are the largest source of revenue for the Lee County Mosquito Control District.

Budgeted revenues remain stable for the 2016-2017 fiscal year while expenditures are budgeted to increase by \$1,457,577. The increase in budgeted expenditures reflects the acquisition of additional capital assets and the future purchase of the Woodstock Airport on Pine Island for larviciding operations. Also included in the budgeted expenditure total is another payment to the Retiree Health Insurance Trust Fund for \$1,250,000 for post-employment health insurance benefits. The District's board adopted the 2016-2017 budget in keeping with its goal of lowering fund balance and maintaining service levels.

#### **Contacting the District's Financial Management:**

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information found in this report or requests for additional information should be directed to the Executive Director, Lee County Mosquito Control District, 15191 Homestead Road, Lehigh Acres, Florida 33971.



## Lee County Mosquito Control District Statement of Net Position September 30, 2016

Assets	
Cash and investments	\$ 10,498,154
Taxes receivable	116,012
Accounts receivable	115,205
Prepaid expenses	11,418
Inventories of supplies, at cost	2,740,732
Total current assets	13,481,521
Capital assets:	
Land	2,582,420
Construction in progress	1,271,687
Buildings	8,929,899
Improvements other than buildings	1,901,837
Aircraft	17,791,252
Vehicles	2,163,878
Machinery and equipment	4,271,592
Less accumulated depreciation	(17,336,231)
Total capital assets	21,576,334
Total assets	35,057,855
Deferred Outflow of Resources	
Deferred outflows for pensions	2 25/ 111
Deferred outflows for pensions	3,254,111
Liabilities	
Accounts payable	702,506
Due to other governments	72,589
Accrued wages payable	194,752
Current portion of accrued compensated absences	230,219
Total current liabilities	1,200,066
Noncurrent liabilities:	
Other post-employment benefits	12,111,476
Accrued compensated absences	585,164
Net pension liability	6,088,020
Total noncurrent liabilities	18,784,660
Total liabilities	19,984,726
	, , -
Deferred Inflow of Resources	
Deferred inflows for pensions	848,520
Net Position	
Invested in capital assets	20,968,930
Unrestricted (deficit)	(3,490,210)
Total net position	\$ 17,478,720
	÷ =:,::0,:=0

## Lee County Mosquito Control District Statement of Activities Year Ended September 30, 2016

				t Expense and nanges in Net
		Program Revenues	Ç.	Position
Functions/Programs	Expenses	Charges for Services		Total
Physical environment services	\$ 17,878,831	\$ 101,962	\$	(17,776,869)
Total program	17,878,831	101,962		(17,776,869)
		General revenues		
		Property taxes		15,183,758
		, ,		990,139
		Government grants		· ·
		Interest income		39,864
		Miscellaneous income		125,367
		Total general revenue	S	16,339,128
		Change in net position	1	(1,437,741)
	Net	position - beginning of year		18,916,461
		Net position - end of year	\$	17,478,720



## Lee County Mosquito Control District Balance Sheet – General Fund September 30, 2016

ASSETS	
Cash and investments	\$ 10,498,154
Taxes receivable	116,012
Accounts receivable	115,205
Prepaid expenses	11,418
Inventories of supplies	2,740,732
Total assets	\$ 13,481,521
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable and accrued liabilities	\$ 702,506
Accrued wages and payroll taxes payable	194,752
Due to other governments	72,589
Total liabilities	060 947
Total Habilities	969,847
FUND BALANCES	
Nonspendable:	
Prepaid and inventories	2,752,150
Assigned	2,377,596
Unassigned	7,381,928
Total fund balance	12,511,674
Total liabilities and fund balance	\$ 13,481,521

## **Lee County Mosquito Control District** Reconciliation of the Balance Sheet to the Statement of Net Position September 30, 2016

Fund balance \$ 12,511,674

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

Capital assets used in governmental activities are not financial resources and are, therefore, not reported on the governmental balance sheet.

21,576,334

Long-term liabilities are not due and payable in the current period and therefore are not reported in the

Compensated absences (see Note 5) Net OPEB obligation payable (see Note 8)

(815,383)(12,111,476)

Deferred outflows and inflows associated with pensions are not reported in the governmental funds. (see Note 7)

Deferred outflows

3,254,111

Deferred inflows

(848,520)

Long-term liabilities are not reported in the governmental

funds. (see Note 7)

Net pension liability

(6,088,020)

Net position

\$ 17,478,720

## Lee County Mosquito Control District Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund Year Ended September 30, 2016

Revenues	
Property taxes	\$ 15,183,758
Charges for services	101,962
Grants	990,139
Miscellaneous income	
Interest income	39,864
Sales of surplus material and capital assets	57,753
Refunds and reimbursements	80,628
Miscellaneous income	16,525
Total revenues	\$ 16,470,629
Expenditures  Current  Physical environment - mosquito control  Personnel services	\$ 9,243,569
Operating expenditures	6,076,856
Capital outlay	2,105,094
Total expenditures	17,425,519
Excess of expenditures over revenues	(954,890)
Fund balance, beginning of year	13,466,564
Fund balance, end of year	\$ 12,511,674

# Lee County Mosquito Control District Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities Year Ended September 30, 2016

Net change in fund balance	Ś	(954,890)
ivet change in rana balance	Ţ,	( , , , , , , , , , , , , , , , , , , ,

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities cost of those assets are depreciated over their estimated useful lives.

Loss on disposal of assets	(23,371)	
Expenditures for capital assets	2,094,809	
Less current year depreciation	(1,482,342)	589,096

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in Due to Lee County Hyacinth		
Control District	(29,539)	
Change in compensated absences (see Note 5)	14,986	
Change in net OPEB obligation payable (see Note 5)	(647,780)	
Change in net pension liability (see Note 7)	(2,258,544)	
Change in deferred inflows related to pensions	1,325,841	
Change in deferred outflows related to pensions	390,914	
Change in deferred outflows subsequent		
to the measurement date	132,175	(1,071,947)

Change in net position	\$ (1,437,741)
_	 · , , ,

## **Lee County Mosquito Control District** Statement of Revenues, Expenditures and Changes in Fund Balance -**Budget and Actual – General Fund** Year Ended September 30, 2016

	Original Budget Einal Budget				Variance from				
Revenues		ginal Budget	FI	nal Budget		Actual	FII	Final Budget	
Property taxes	\$	15,145,100	\$	15,145,100	\$	15,181,059	\$	35,959	
Interest income		18,000		18,000	•	48,628	Ċ	30,628	
Equipment sales		25,000		25,000		59,669		34,669	
Miscellaneous income		109,000		109,000		165,005		56,00	
Total revenues	\$	15,297,100	\$	15,297,100	\$	15,454,361	\$	157,26	
Expenditures									
Current									
Physical environment - Mosquito Control									
Personnel services									
Salaries and wages	\$	5,898,800	\$	5,873,300	\$	5,696,791	\$	176,509	
Payroll taxes and benefits		3,711,300		3,916,000		3,278,612		637,38	
Operating expenditures									
Operating		755,500		800,000		712,924		87,07	
Travel and per diem		60,000		65,000		64,522		47	
Communication services		43,000		48,000		46,596		1,40	
Freight services		7,500		13,000		9,576		3,42	
Utility services		177,500		177,500		161,534		15,96	
Rentals and leases		29,000		29,000		22,312		6,68	
Insurance		570,000		570,000		358,791		211,20	
Repairs and maintenance		1,254,000		1,679,000		1,163,787		515,21	
Promotional activities		-		3,000		1,453		1,54	
Other charges		26,000		49,000		46,127		2,87	
Office supplies		23,000		23,000		21,362		1,63	
Gasoline, oil and lube		381,000		381,000		194,517		186,48	
Chemicals		2,379,900		2,151,500		1,771,408		380,09	
Protective clothing		28,000		28,000		25,010		2,99	
Miscellaneous supplies		155,000		155,000		133,749		21,25	
Tools and implements		16,000		16,000		5,297		10,70	
Publications and dues		46,000		96,000		68,385		27,61	
Training		52,000		83,000		82,087		91	
Capital outlay		937,000		1,237,000		629,803		607,19	
Principal .		-		-				-	
Interest		-		-		-		-	
Other grants and aids		-		-		-		-	
Contingency		702,000		156,500		-		156,50	
Total expenditures		17,252,500		17,549,800		14,494,643		3,055,15	
excess of expenditures over revenues	-	(1,955,400)	_	(2,252,700)	_	959,718		3,212,41	
FUND BALANCE, beginning of year		9,200,000		10,171,622		13,466,564		3,294,94	
FUND BALANCE, end of year	\$	7,244,600	\$	7,918,922	\$	14,426,282	\$	6,507,36	

The reconciling items to adjust this cash basis actual

presentation to GAAP are as follows:

Effects of noncash revenue not recorded in current year cash basis results	\$ 1,141,758
Effect of prior year expenditure accruals for the GAAP basis recorded in the current year cash basis results	48,307
$\label{prop:eq:energy} \textit{Effects of noncash revenue not recorded in prior year cash basis results}$	(125,490)
Effects of current year expenditure accruals for the GAAP basis not recorded in the current year cash basis results	 (2,979,183)
Ending fund balance on the statement of revenues, expenditures and changes in fund balance	\$ 12,511,674

## **NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

## **Nature of Organization**

The Lee County Mosquito Control District (the "District") is an independent special district created to perform mosquito control and suppression in Lee County, Florida, in accordance with Chapter 388, Florida Statutes. The District was created by the Laws of Florida, Chapter 67-1630 and recreated by Chapter 98-461.

The business and affairs of the District are governed by a board of seven commissioners who are elected for terms of four years.

Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, as amended by GASB statements 39 and 61, provide standards for defining the financial reporting entity. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. Based on the criteria established in GASB No. 14 and amendments, there are no component units required to be included in the District's financial statements.

#### **Basic Financial Statements**

The government-wide financial statements consist of a statement of net position and a statement of activities that report information about the District as a whole. The statement of net position reports all financial and capital resources.

The statement of activities demonstrates the degree to which the direct expenses of the District's program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include: 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements are presented to report additional and detailed information about the District. Fund financial statements accompany the government-wide financial statements and present a summary reconciliation to explain differences between the data reported in the governmental funds and the data reported for the corresponding governmental activities in the government-wide financial statements.

## NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## Measurement Focus and Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when such liabilities have matured.

Ad valorem property taxes are recorded as revenues in the fiscal year in which the taxes are due and collected within 60 days of fiscal year-end. Intergovernmental revenues are recognized at the time of receipt. Investment earnings are recognized when earned. All other revenue items are recognized when cash is received by the District, as any potential receivable amounts are not significant.

## **Future Accounting Pronouncements**

The Governmental Accounting Standards Board has issued statements that will become effective in 2017. The statements address:

- Certain pension issues;
- Other postemployment benefit (OPEB) plans;
- Tax abatement disclosures; and
- Blending certain component units.

The District is currently evaluating the effects that these statements will have on its 2017 financial statements.

## NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## **Fund Accounting**

The accounts of the District are organized on the basis of a fund which is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures, as appropriate. Government resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The following governmental fund is used by the District and is a major fund:

**General Fund** — The General Fund is the general operating fund of the District. All financial resources, which are not specifically restricted or designated as to use, are recorded in the General Fund.

## **Budgets and Budgetary Accounting**

The following procedures are used by the District in establishing the budgetary data reflected in the financial statements:

- 1. During the summer, the executive director submits to the Board of Commissioners for their consideration a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them.
- 2. Public hearings are conducted to obtain taxpayer comments.
- 3. Prior to October 1, the budget is adopted through a resolution by the Board of Commissioners. The budget is then approved by the Florida Department of Agriculture and Consumer Services, Bureau of Entomology and Pest Control.
- 4. Budget transfers and amendments can be made throughout the year by approval of the Board of Commissioners and the Florida Department of Agriculture and Consumer Services, Bureau of Entomology and Pest Control.
- 5. Budget amounts, as shown in these financial statements, are as amended by the Board of Commissioners and approved by the Florida Department of Agriculture and Consumer Services, Bureau of Entomology and Pest Control.
- 6. The budget for the General Fund is adopted on a cash basis.
- 7. The level of control for appropriations is exercised at the functional level.

## NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## **Capital Assets**

Capital assets, which include property, plant, and equipment, are reported only in the government-wide financial statements. Capital assets are those acquired for general government purposes with an initial, individual cost equal to or more than \$1,000 and an estimated useful life of more than one year. Donated assets are recorded at their estimated fair value at the date of the donation. The estimated fair value is based on the most recent appraisal documentation available. Maintenance, repairs, and minor renovations are not capitalized.

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

Assets	Years
Buildings	40
Improvements other than buildings	20
Aircraft	20
Vehicles	5
Machinery and equipment	5 - 20

## Inventories

Inventories, consisting primarily of chemicals, fuels and parts to be used in operations, are stated at the lower of cost (first-in, first-out, method) or market. The District utilizes the purchase method of accounting, which provides that expenditures are recognized when the inventory items are purchased. Reported inventories are equally offset as non-spendable fund balance in the fund financial statement, which indicate that they do not constitute "available spendable resources." Certain parts held in inventory were acquired from other governmental agency at values established by governmental agencies. The District periodically adjusts those values to reflect the lower of cost or market. A valuation allowance totaling \$636,894 was recorded by the District for the period ending September 30, 2016.

## **Prepaid Items**

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

## NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## **Compensated Absences**

The District's employees accumulate sick and annual leave based on years of continuous service. Upon termination of employment, employees can receive payment for accumulated sick and annual leave, if they meet certain criteria. Accumulated sick and annual leave payable at September 30, 2016 was \$815,383, of which \$66,381 is estimated to be currently payable.

The amount of compensated absences recorded as expenditures in the General Fund is the amount accrued during the year that would normally be liquidated with expendable available financial resources. Only compensated absences due and payable at September 30, 2016 are recorded on the balance sheet of the General Fund. Both the current and noncurrent portion of compensated absences is reported in the Statement of Net Position.

#### **Fund Balance**

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balance is reported in five components: nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable Fund Balance Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.
- Restricted Fund Balance Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed Fund Balance Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the District's highest level of decision-making authority, which is a resolution. Committed amounts cannot be used for any other purpose unless the District removes those constraints by taking the same type of action.
- Assigned Fund Balance Assigned fund balances are amounts that are constrained by the
  District's intent to be used for specific purposes, but are neither restricted nor committed.
  Intent is expressed by (a) the District Commissioners or (b) a body or official to which the
  District Commissioners have delegated the authority to assign amounts to be used for specific
  purposes. The District Commission has not delegated this authority. Additionally, this category
  is used to reflect the appropriation of a portion of existing fund balance to eliminate a
  projected deficit in the subsequent year's budget.
- Unassigned Fund Balance Unassigned fund balance is the residual classification for the General Fund.

## NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## Fund Balance (Continued)

The District uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use 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.

## Minimum Fund Balance Policy

The District's policy is to maintain an adequate general fund unassigned fund balance to provide liquidity to meet seasonal shortfalls in cash flow, and reduce susceptibility to emergency or unanticipated expenditures and/or revenue shortfalls. The District adopted a financial standard to maintain a general fund minimum unassigned fund balance of approximately three months' worth of operating expenditures.

## **NOTE 2: CASH AND INVESTMENTS**

#### Cash

All cash deposits are held by a bank that qualifies as a public depository under the Florida Security and Public Deposits Act, as required by Chapter 280, Florida Statutes, and are considered fully insured.

#### **Investments**

Florida Statutes authorize the District to invest in the Local Government Surplus Funds Trust Fund administered by the State Board of Administration, obligations of the U.S. Treasury, and interest-bearing time deposits and savings accounts held in Federal or State chartered banks and savings and loan associations doing business in Florida provided that such deposits are secured by collateral as may be prescribed. It is the District's policy to only invest funds in vehicles specifically authorized by Florida Statutes. The District does not have formal policies relating to credit risk or interest rate risk aside from the policy of only investing in certificates of deposits ("CDs") with qualified public depositories.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. All District investment funds are held in CDs that are valued at amortized cost and not required to be categorized by fair value hierarchy level.

## **NOTE 2: CASH AND INVESTMENTS (Continued)**

The District's investments carried at amortized cost as of September 30, 2016, are as follows:

	Value	Average Maturity
Certificates of deposit	\$2,314,127	12-36 months

Interest Rate Risk – The District manages its exposure to fair value losses arising from increasing interest rates through its adopted investment policies. The District limits the effective duration of its investment portfolio through the adoption of nationally recognized risk measure benchmarks.

Credit Risk – The District has limited its credit risk by limiting investments to the safest types of securities, primarily government investment pools. The District's investment objectives are prioritized by safety, liquidity and yield. Time Deposits, including Certificates of Deposit, are collateralized under the State of Florida Qualified Public Depository Program, whereby member institutions are collectively responsible for any individual member's default.

#### **NOTE 3: INVENTORIES**

Inventories consisted of the following as of September 30, 2016:

	Carrying				
		Amount			
Chemicals	\$	1,318,047			
Vehicle, fuel and other parts		1,953,722			
Held for resale		105,857			
		3,377,626			
less: valuation reserve		(636,894)			
Total	\$	2,740,732			

**NOTE 4: CAPITAL ASSETS** 

Capital asset activity for the year ended September 30, 2016, follows:

	Balance					Balance		
	Oct	ober 1, 2015		Increases	Decreases	September 30, 2016		
Non-depreciated assets:								
Land	\$	2,577,473	\$	4,947	\$ -	\$	2,582,420	
Construction in progress		45,864		1,236,107	(10,284)		1,271,687	
Depreciated assets:								
Buildings		8,911,915		17,984	-		8,929,899	
Improvements other than buildings		1,561,424		340,413	-		1,901,837	
Aircraft		17,791,252		-	-		17,791,252	
Vehicles		2,071,234		194,194	(101,550)		2,163,878	
Machinery and equipment		4,153,366		311,448	(193,222)		4,271,592	
Total capital assets at historical cost		37,112,528		2,105,093	(305,056)		38,912,565	
Less accumulated depreciation for:								
Buildings		2,525,730		221,805	-		2,747,535	
Improvements other than buildings		660,699		71,626	-		732,325	
Aircraft		8,045,891		850,533	-		8,896,424	
Vehicles		1,858,135		68,119	(83,056)		1,843,198	
Machinery and equipment		3,034,835		270,259	(188,345)		3,116,749	
Total accumulated depreciation		16,125,290		1,482,342	(271,401)		17,336,231	
Capital assets, net	\$	20,987,238	\$	622,751	\$ (33,655)	\$	21,576,334	

## **NOTE 5: CHANGES IN LONG-TERM LIABILITIES**

	Balance						Balance		Due Within
	10/1/2015	Additions		Additions Reduc		9/30/2016			One Year
Net pension obligation \$	3,829,476	\$	2,258,544	\$	-	\$	6,088,020	\$	-
Compensated absences	830,369		148,852		(163,838)		815,383		230,219
Net OPEB obligation	11,463,696		647,780		=		12,111,476		-
\$	16,123,541	\$	3,055,176	\$	(163,838)	\$	19,014,879	\$	230,219

## **NOTE 6: PROPERTY TAXES**

Property taxes are levied on November 1 of each year, and are due and payable upon receipt of the notice of levy. The Lee County Tax Collector's office bills and collects property taxes on behalf of the District. The tax rate levied upon all of the taxable property in the Lee County Mosquito Control District for the fiscal year ended September 30, 2016, was \$0.2397 per \$1,000 of assessed taxable property value. Property tax revenue is recognized in the fiscal year for which the taxes are levied.

On May 1 of each year, unpaid taxes become a lien on the property. The past due tax certificates are sold at public auction prior to June 1, and the proceeds collected are remitted to the District.

#### **NOTE 7: STATE OF FLORIDA PENSION PLANS**

## **Defined Benefit Plans**

The District participates in two defined benefit pension plans that are administered by the State of Florida, Department of Management Services, Division of Retirement. The plans provide retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report is available from Florida Department Management Services' the of website (www.dms.myflorida.com).

The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, Florida Statutes, or allowed to participate in a defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under a state administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

## **NOTE 7: STATE OF FLORIDA PENSION PLANS (Continued)**

## **Benefits Provided**

Benefits under the FRS Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes.

#### **Contributions**

The contribution requirements of plan members and the District are established and may be amended by the Florida Legislature. Employees are required to contribute 3.00% of their salary to the FRS. The District's contribution rates as of September 30, 2016, were as follows:

	FRS	HIS
Regular Class	5.86%	1.66%
Special Risk Class	20.91%	1.66%
Senior Management Service Class	20.11%	1.66%
Elected Officials	40.81%	1.66%
DROP from FRS	11.33%	1.66%

The District's contributions for the year ended September 30, 2016, were \$380,612 to the FRS and \$96,782 to the HIS.

#### Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2016, the District reported a liability for its proportionate shares of the net pension liabilities. The net pension liabilities were measured as of March 15, 2017 and the total pension liabilities used to calculate the net pension liability were determined by an actuarial valuation dated July 1, 2016. The District's proportions of the net pension liabilities were based on the District's share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

## **NOTE 7: STATE OF FLORIDA PENSION PLANS (Continued)**

## Pension Liabilities and Pension Expense (Continued)

		FRS					
Net pension liability		3,893,740	\$	2,194,279			
Proportion at:							
Current measurement date		0.015400000% 0.018800					
Prior measurement date		0.015600000%	0.01780000				
Pension expense (benefit)	\$	677,010	\$	206,999			

## Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS					HIS				
		Deferred	Deferred		Deferred		Deferred			
		Outflows		Inflows	Outflows		Ir	nflows		
	of Resources		of Resources		of Resources		of Resources			
Differences between expected and actual experience	\$	298,135	\$	(36,253)	\$	-	\$	(4,998)		
Changes of assumptions		235,560		-		344,338		-		
Net difference between projected and actual earnings										
on pension plan investments		1,791,265		(784,780)		1,109		-		
Changes in proportion and differences between employer										
contributions and proportionate share of contributions		314,407		(22,489)		137,122		-		
Employer contributions subsequent to the measurement date		106,229		-		25,946		-		
Total	\$	2,745,596	\$	(843,522)	\$	508,515	\$	(4,998)		

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2017. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending September 30,	FRS	HIS
2017	\$ 293,847	\$ 85,964
2018	293,847	85,964
2019	684,868	85,964
2020	446,182	85,964
2021	63,727	71,832
Thereafter	13,374	61,883
Total	\$ 1,795,845	\$ 477,571

## **NOTE 7: STATE OF FLORIDA PENSION PLANS (Continued)**

## **Actuarial Assumptions**

The total pension liability for each of the defined benefit plans, measured as of March 15, 2017, was determined by an actuarial valuation dated July 1, 2016, using the individual entry age normal actuarial cost method and the following significant actuarial assumptions:

	FRS	HIS	
Inflation	2.60%	2.60%	
Salary increases	3.25%	3.25%	
Investment rate of return	7.60%	N/A	
Discount rate	7.60%	2.85%	

Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB.

For both plans, the actuarial assumptions used in the valuation dated July 1, 2016 were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The following changes in key actuarial assumptions occurred in 2016:

FRS: The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 7.65% to 7.60%.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability decreased from 3.80% to 2.85%.

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For the FRS Pension Plan, the table below summarizes the consulting actuary's assumptions based on the long-term target asset allocation. The reduced investment return assumption of 7.60 percent, which was adopted by the Florida Retirement System Actuarial Assumption Conference, conflicts with the consulting actuary's judgment of a reasonable assumption as defined by Actuarial Standards of Practice No. 27.

### **NOTE 7: STATE OF FLORIDA PENSION PLANS (Continued)**

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	
Cash	1%	3.0%	3.0%	
Fixed income	18%	4.7%	4.6%	
Global equity	53%	8.1%	6.8%	
Real estate (property)	10%	6.4%	5.8%	
Private equity	6%	11.5%	7.8%	
Strategic investments	12%	6.1%	5.6%	
	100%			

### **Discount Rate**

The discount rate used to measure the total pension liability for the FRS Pension Plan was 7.60%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 2.85% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

### **Sensitivity Analysis**

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the District's proportionate share of the net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate.

		FRS					HIS					
		Current Discount						Curi	rent Discount			
	19	6 Decrease		Rate	19	% Increase	19	6 Decrease		Rate	19	% Increase
		(6.65%)		(7.65%)		(8.65%)		(2.80%)		(3.80%)		(4.80%)
Employer's proportionate share												
of the net pension liability	\$	7,168,639	\$	3,893,740	\$	1,167,819	\$	2,517,337	\$	2,194,279	\$	1,926,159

### NOTE 7: STATE OF FLORIDA PENSION PLANS (Continued)

### Pension Plans' Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the State's separately issued financial reports.

### **Defined Contribution Plan**

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan ("FRS Investment Plan"), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class. Required employer contributions made to the plan during the year ended September 30, 2016, totaled \$77,571.

#### **NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

On September 14, 2015 the District Commission established the Lee County Mosquito Control District/Lee County Hyacinth Control District Retiree Health Insurance Trust Fund (the "Trust") for the purpose of accumulating, investing, and managing funds necessary to meet the costs of providing health insurance to retirees of the Other Post Employment Benefit Plan ("OPEB"). The plan is a cost-sharing multiple-employer defined benefit OPEB plan administered by the District to provide medical insurance benefits to eligible retirees and their dependents. The plan covers participant employees at the District and Lee County Hyacinth Control District. The District Commission approves all plan provisions and amendments. Separate financial statements of the plan are not available.

The Plan has adopted Governmental Accounting Standards Board (GASB) Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. In addition to other disclosures, the GASB requires for the current year and each of the two preceding years, annual OPEB cost, percentage of annual OPEB cost contributed and the net OPEB obligation at the end of the year. The required information is presented later in this note.

From an accrual accounting perspective, the cost of postemployment healthcare benefits generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. The District recognizes the costs of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the District's future cash flows.

### NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

*Plan Description*. The Lee County Mosquito Control District provides post-employment health care and dental insurance benefits (OPEB) for retired employees and their spouses through a cost-sharing multiple-employer defined benefit plan. The benefits, benefit levels, employee contributions and employer contributions are governed by the District and can be amended by the District at any time.

The District contributes a portion of the active health and dental premiums, 75% and 50%, respectively, for retirees and covered spouses participating in the District's group insurance plans who were hired prior to July 1, 2011. Retirees and covered spouses participating in the District's group insurance plans who were hired after July 1, 2011 will be asked to pay the full blended premium for any coverages elected.

In June 2012, the District amended the health benefit policy to increase the service requirement from 6 years to 10 years. However, the prior eligibility requirements remain in effect for anyone hired prior to July 2, 2011, who meets the 6 year service requirement and retires by June 2015.

At October 1, 2012, the date of the most recent plan valuation, the Trust covered members 153 (71 active plan members and 82 retirees and/or qualifying family members receiving benefits). When the retiree reaches eligibility age for Medicare, Medicare must become the primary provider; the District would then provide the supplemental coverage for the remainder of the benefit period.

Funding Policy. The contribution requirements of plan members and the District are established and may be amended by the District Commission. The contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the District Commission. These contributions are neither mandated nor guaranteed. The District has retained the right to unilaterally modify its payment for retiree health care and life insurance benefits. The projection of benefits for financial reporting purposes does *not* explicitly incorporate the potential effects of legal or contractual funding limitations.

For the 2016 fiscal year, the District contributed \$1,267,702 to the plan, including \$517,702 for current premiums an additional \$750,000 to prefund benefits. Plan members receiving benefits contributed \$148,000.

Annual OPEB Cost and Net OPEB Obligation. The District's annual other postemployment benefit (OPEB) cost (expense) is equal to the ARC (annual required contribution) with two required adjustments that, together, are designed to keep accounting and actuarial valuations in sync going forward when an employer has contributed less or more than the ARC in past years. For an employer with no Net OPEB Obligation, Annual OPEB cost is equal to the ARC. The OPEB obligation is a liability recognized in an employer's government-wide statement of net position that is essentially the cumulative difference between the Annual OPEB Cost determined in accordance with GASB standards and the amounts actually contributed in relation to the ARC.

### NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

The following table shows the components of the District's annual OPEB cost for the year changes in the District's net OPEB obligation.

Valuation Date	10/1/2015
Annual required contribution	\$ 2,129,778
Interest on NET OPEB Obligation	458,547
Adjustment to ARC	(697,265)
Annual OPEB Cost	1,891,060
Estimated net contributions made	(1,243,280)
Increase in Net OPEB obligation	647,780
Net OPEB obligation - beginning of year	11,463,696
Net OPEB obligation - end of year	\$ 12,111,476
<del>_</del>	

Calculations are based upon the types of benefits provided under the terms of the OPEB plan at the time of the valuation and on the pattern of sharing costs between the employer and plan members to that point. The District's annual OPEB cost and related contribution information was as follows:

Final Vary	Δ.	anual ODED	Employer contributions	Percentage of Annual OPEB		Nat ODED
Fiscal Year	AI	nnual OPEB	toward OPEB	Cost		Net OPEB
Ended		Cost	Cost	ost Contributed O		Obligation
9/30/2016 9/30/2015	\$	1,891,060 1,922,925	1,243,280 1,147,971	65.7% 59.7%	\$	12,111,476 11,463,696
9/30/2014		2,394,374	719,650	30.1%		10,688,742

Funded Status and Funding Progress. As of the most recent actuarial valuation date, October 1, 2012, the funded status of the plan was as follows:

Actuarial Valuation Date	10/1/2015
Plan Assets at Fair Value	\$ 750,000
Actuarial Accrued Liability	21,867,138
Unfunded AAL (UAAL)	21,117,138
Funded Ratio	3.43%
Covered Payroll	NA
UAAL as a Percentage of Covered Payroll	NA

### NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer (ARC) are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress is presented as required supplementary information following the notes to the financial statements.

Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

In any long-term actuarial valuation, certain assumptions are made regarding the population, future employment, termination, mortality, the healthcare cost rate, investment discount rate and the benefits provided. The following simplifying assumptions were made:

Mortality Rate. RP-2000 Combined Healthy Mortality Table.

Interest Rate. 4% per year, compounded annually, net of investment related expenses.

Retirement rates. 100% are assumed to retire at age 62 and 6 years of service or upon completion of 30 years of service, regardless of age. Service-incurred disabled employees retire immediately, while non-duty related disabled employees retire upon completion of at least 6 years of service.

Early Retirement Rates. Members may retire early at age 43 and 6 years of service. Members are assumed to retire early at the rates shown below:

Age	Rate
43 to 54	5%
55	10%
56	10%
57	15%
58	15%
59	15%
60	20%
61	20%
62	100%

### NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Marital Status. 80% assumed married, with male spouses 3 years older than female spouses.

Termination and Disability Rates. See table below.

	% Terminating	% Becoming Disabled
Age	During the Year	During the Year
20	6.00%	0.051%
30	5.00%	0.058%
40	2.60%	0.121%
50	0.80%	0.429%
60	0.20%	1.611%

Health Care Participation. 90% participation assumed, with 80% electing spouse coverage.

Dental Care Participation. 60% participation assumed, with 40% electing spouse coverage.

*Health Care Inflation*. Initial rate of 8.00% in fiscal 2016, then 8.75% in fiscal 2017, grading down to the ultimate trend rate of 4.00% in fiscal 2073.

Dental Care Inflation. 4.50% per year.

*Medical Aging Factors.* 4% per year prior to age 65; 3% per year between ages 65 and 75; 2% per year between ages 75 and 85; 0% per year thereafter.

Dental Aging Factors. Costs are assumed to remain constant over all ages.

Health Claims. Developed using a blend of manual and active fully insured rates. The updated Manual rating tool includes more recent claims data from which to develop expected costs, and higher expected discounts from providers in-network than used in prior valuations.

Dental Claims. Projected premiums are assumed to cover the entire cost of the claims.

Administrative Expenses. \$9,120 annually, added to Normal Cost.

Funding Method. Entry Age Normal Actuarial Cost Method (Level % of Pay).

### NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Summary financial information for the Lee County Mosquito Control District/Lee County Hyacinth Control District Retiree Health Insurance Trust Fund as of and for the year ended September 30, 2016 is as follows:

### **Statement of Plan Net Position**

Assets	
Cash	\$ 10,414
Mutual Funds	2,066,637
Total assets	\$ 2,077,051
Net Position	
Restricted for OPEB benefits	\$ 2,077,051

### **Statement of Changes In Plan Net Position**

### **Additions** Contributions: **Employer** 750,000 Lee County Mosquito Control District 250,000 Lee County Hyacinth Control District **Total contributions** 1,000,000 Interest and dividends 77,051 Change in net position 1,077,051 Total net position - beginning 1,000,000 Total net position - ending 2,077,051

### **NOTE 9: RISK MANAGEMENT**

The District maintains employee health insurance coverage from a commercial company for employees, retired employees and their eligible dependents. For the fiscal year ended September 30, 2016, the District reported incurred health insurance expense of \$1,866,518. There have been no claims in excess of insurance coverage as of September 30, 2016.

### **NOTE 10: RELATED PARTIES**

The Lee County Mosquito Control Credit Union (LCMCCU), a state chartered natural person credit union, is owned and operated by current and retired District employees at the Districts' main location in Lehigh Acres, Florida as an employee benefit. As of September 30, 2016 LCMCCU had total assets of \$386,707. The District provides LCMCCU with District space and part-time personnel. The assets, liabilities, and net members' equity in the LCMCCU are not included as a component unit of the District.



# Lee County Mosquito Control District Schedule of Funding Progress for Other Post-Employment Benefits

			Actuarial				
			Accrued				
			Liability				UAAL as a
Actuarial	А	ctuarial	(AAL) -	Unfunded			Percentage
Valuation	٧	'alue of	Projected	AAL	Funded	Covered	of Covered
Date		Assets	Unit Credit	(UAAL)	Ratio	Payroll	Payroll
10/1/2015	\$	750,000	\$ 21,867,138	\$ 21,867,138	3.4%	N/A	N/A
10/1/2012		-	15,352,846	15,352,846	0.0%	N/A	N/A
10/1/2011			15,619,566	15,619,566		N/A	N/A

### Lee County Mosquito Control District Schedules of Proportionate Share of Net Pension Liability (Last 10 fiscal years)

Florida Retirement System	2016			2015		
Employer's proportion of the net pension liability (asset)	0.015420705%			0.015609925%		
Employer's proportionate share of the net pension liability (asset)	\$	3,893,740	\$	2,016,231		
Employer's covered-employee payroll (2)	\$	5,946,740	\$	5,583,857		
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		65.48%		36.11%		
Plan fiduciary net position as a percentage of the total pension liability		84.88%		92.00%		
Health Insurance Subsidy Program		2016		2015		
Employer's proportion of the net pension liability (asset)	0.018827602%		0.017779645%			
Employer's proportionate share of the net pension liability (asset)	\$	2,194,279	\$	1,813,245		
Employer's covered-employee payroll (2)	\$	5,946,740	\$	5,583,857		
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		36.90%		32.47%		
Plan fiduciary net position as a percentage						

### Notes to schedules:

- (1) The amounts presented for each fiscal year were determined as of the measurement date, which was June 30th of the current fiscal year.
- (2) GASB required information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for only those years for information is available.
- (3)The Plan's fiduciary net position as a percentage of the total pension liability is published in Note 4 of the Plan's Comprehensive Annual Financial Report.
- (4)(a) The FRS's long-term expected rate of return and the discount used to determine the total pension liability decreased from 7.65% to 7.60%.
- (4)(b) The HIS's municipal rate used to determine the net pension liability was decreased from 3.80% to 2.85%.

### Lee County Mosquito Control District Schedules of Employer Contributions (Last 10 fiscal years)

Florida Retirement System			2015		
Contractually required contribution	\$	380,612	\$	386,404	
Contributions in relation to the					
contractually required contribution		380,612		386,404	
Contribution deficiency (excess)	\$	-	\$	_	
Employer's covered-employee payroll (1)	\$	5,946,740	\$	5,583,857	
Contributions as a percentage of					
covered-employee payroll	6.40%			6.92%	
Health Insurance Subsidy Program		2015		2015	
Contractually required contribution	\$	96,782	\$	76,319	
Contributions in relation to the					
contractually required contribution		96,782		76,319	
Contribution deficiency (excess)	\$	-	\$		
Employer's covered-employee payroll (1)	\$	5,946,740	\$	5,583,857	
Contributions as a percentage of covered-employee payroll		1.63%		1.37%	

### Notes to schedules:

<sup>(1)</sup> The amounts presented for each fiscal year were determined as of the measurement date, which was June 30th of the current fiscal year.

<sup>(2)</sup> GASB required information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for only those years for information is available.





Carr, Riggs & Ingram, LLC 2111 Drew Street Clearwater, FL 33765

(727) 446-0504 (727) 461-7384 (fax) www.cricpa.com

# INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners Lee County Mosquito Control District Fort Myers, 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 the major fund of the Lee County Mosquito Control District, as of and for the year ended September 30, 2016, 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 23, 2017.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Lee County Mosquito Control 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies, 2016-001 and 2016-002.

### **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*.

### Lee County Mosquito Control District's Response to Findings

Can, Rigge & Ingram, L.L.C.

Lee County Mosquito Control District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. District's response was not subjected to the auditing procedures applied in the audit of the financial statements 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.

CARR, RIGGS & INGRAM, LLC

Clearwater, Florida June 23, 2017



Carr, Riggs & Ingram, LLC 2111 Drew Street Clearwater, FL 33765

(727) 446-0504 (727) 461-7384 (fax) www.cricpa.com

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners Lee County Mosquito Control District Fort Myers, Florida

### **Report on Compliance for Each Major Federal Program**

We have audited the Lee County Mosquito Control District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended September 30, 2016. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes 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 audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

### Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2016.

### **Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CARR, RIGGS & INGRAM, LLC

Can, Rigge & Ingram, L.L.C.

Clearwater, Florida June 23, 2017

### Lee County Mosquito Control District Schedule of Expenditures of Federal Awards For the year ended September 30, 2016

Federal Grantor - Program Title	Federal CFDA Number	Federal Expenditures(		
FEDERAL AWARDS:			_	
U.S. Department of General Service Administration				
Passed Through the State of Florida's Department of Management Services				
Donation of Federal Surplus Personal Property	39.003	\$	885,400	
Total Expenditures of Federal Awards		\$	885,400	

The accompanying notes are an integral part of this schedule

### Lee County Mosquito Control District Schedule of Findings and Questioned Costs For the year ended September 30, 2016

### **NOTE 1: GENERAL**

The accompanying schedule of expenditures of federal awards assistance presents the activity of all federal financial activity of the Lee County Mosquito Control District (the "District"). Federal financial assistance received directly from federal agencies, and federal financial assistance passed through other government agencies is included on the schedules. The information in this schedule is presented in accordance with the requirements of Uniform Guidance, Audits of States, Local Governments and non-Profit organizations and the Rules of the Auditor General.

### **NOTE 2: BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the District's basic financial statements.

### Lee County Mosquito Control District Schedule of Findings and Questioned Costs For the year ended September 30, 2016

### **Summary of Auditors' Results**

As required by United States Office of Management and Budget *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* the following is a summary of the results of the audit of the Lee County Mosquito Control District for the fiscal year ended September 30, 2016:

- The auditors' report expresses an unmodified opinion on the basic financial statements of the Lee County Mosquito Control District (the District).
- No material weakness and two significant deficiencies relating to the audit of the basic financial statements are reported in the Independent Auditors' 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.
- No instances of noncompliance material to the basic financial statements of the District which would be required to be reported in accordance with Government Auditing Standards were disclosed during the audit.
- The auditors' report on compliance for the major federal award program for the District is unmodified.
- No findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a).
- The program tested as a major program included:

Program	CFDA #	Expenditures	
Donation of Federal Surplus Personal Property	39.003	\$	885,400

- The threshold for distinguishing between Types A and B programs was \$750,000.
- The District did not qualify as a low-risk auditee, as defined in Uniform Guidance.

### Lee County Mosquito Control District Schedule of Findings and Questioned Costs For the Year Ended September 30, 2016

Significant Deficiency 2016-001: IT General Controls

### Criteria

The information technology systems in place do not provide adequate long term data recovery and restricted user access.

### Condition

The District's current backup and recovery method is limited to a period of less than 3 months. This exposes the District to a loss of current and historical data in the event of a long term virus attack. The District has not properly limited user access to the financial reporting software. Inappropriate access to this information may lead to a loss or manipulation of data and increases the risk of misappropriation of district funds.

#### Cause

The District's current backup configuration does not include long-term incremental backups. Some employees of the District have administrative rights within the financial reporting software that do not require elevated rights to perform their job function. Due to the size of the IT Department the District does not have appropriate segregation of duties inside the IT Department in order to make changes to the financial reporting system and approving those changes.

### **Effect**

Without long-term incremental backups the District is at a higher risk of data loss. Employees with administrative access have unlimited rights within the financial reporting software. Controls within the financial reporting software are able to be circumvented without a proper segregation of duties function that would allow review and approval of system changes.

#### Recommendation

The District should consider integrating a long-term incremental backup method in line with State of Florida Statutes. The District should limit logical access within the financial reporting system based on a need to do basis. Administrative access should be limited to key employees and used on a limited basis. The District should consider engaging an outside contractor to review the work of the in-house programmer on a random periodic basis.

### **Response and Corrective Action Plan**

See attached Corrective Action Plan.

### Lee County Mosquito Control District Schedule of Findings and Questioned Costs For the Year Ended September 30, 2016

Significant Deficiency 2016-002: Inventory

### Criteria

The information technology systems in place to perform inventory management and purchasing are not integrated with the general ledger.

### Condition

The lack of integration between the inventory management and purchasing systems causes significant difficulty in ensuring that inventory balances are reported in accordance with generally accepted accounting principles. The District has many different inventory items on hand and the manual nature of double recording quantities purchased and unit prices is cumbersome.

### Cause

Significant manual effort is required to support inventory balances as of the end of the year to ensure there are not material misstatements to inventory.

### **Effect**

The District's financial statements could be misstated and it would not be timely prevented or detected and corrected by management. In addition, the lack of system integration provides an opportunity for misappropriation of inventory assets.

### Recommendation

The District should consider creating a link between the inventory management and purchasing systems.

### **Response and Corrective Action Plan**

See attached Corrective Action Plan.



Carr, Riggs & Ingram, LLC 2111 Drew Street Clearwater, FL 33765

(727) 446-0504 (727) 461-7384 (fax) www.cricpa.com

### **MANAGEMENT LETTER**

Board of Commissioners Lee County Mosquito Control District Fort Myers, Florida

### **Report on the Financial Statements**

We have audited the financial statements of the Lee County Mosquito Control District (the "District"), as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated June 23, 2017.

### **Auditors' 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)

### **Other Reports and Schedule**

We have issued our Independent Auditors' 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, Independent Auditors' Report on Compliance for Each Major Program and Project and on Internal Control over Compliance Required by the Uniform Guidance. Disclosures in those reports and schedule, which are dated June 23, 2017, should be considered in conjunction with this management letter.

### **Financial Condition**

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

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

### **Annual Financial Report**

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2016, 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, 2016. In connection with our audit, we determined that these two reports were in agreement.

### **Special District Component Units**

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

### **Other Matters**

Section 10.554(1)(i)2, Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we do not have any additional items to communicate outside of items included in our Schedule of Findings and Questioned Costs.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we do not have any additional items to communicate outside of items included in our Schedule of Findings and Questioned Costs.

### **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, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

CARR, RIGGS & INGRAM, LLC

Can, Rigge & Ingram, L.L.C.

Clearwater, Florida June 23, 2017

# Lee County Mosquito Control District Corrective Action Plan

BOARD OF COMMISIONERS THOMAS B. HART, CHAIRMAN MICHAEL W. ELLIS, VICE CHAIRMAN BRIAN F. FARRAR, SECRETARY-TREASURER GEORGE T. MANN, JR. BRUCE C. SCOTT ED BRANTLEY





CONTACT INFORMATION 877-844-2174 239-694-2174 FAX 239-693-5011 15191 HOMESTEAD ROAD LEHIGH ACRES, FLORIDA 33971 WWW.LCMCD.ORG T. WAYNE GALE, DIRECTOR

June 23, 2017

### RESPONSE TO MANAGEMENT LETTER AND CORRECTIVE ACTION PLAN

Carr, Riggs & Ingram, LLC 2111 Drew Street Clearwater, FL 33765

We are in receipt of the financial statements, management letter and findings for our audited financial statements for the year ended September 30, 2016. Management has reviewed the reports and concurs with your findings.

We offer the following response to the current year findings and our corrective action plan as follows:

### Response and Corrective Action Plan: Inventory

Management has continued to work on an electronic solution to integrate inventory management, purchasing and the general ledger system. The District system continues to function and provide accurate financial information. However, the District is moving to an integrated system as soon as reasonably possible.

### Response and Corrective Action Plan: IT General Controls

The District is implementing a long-term incremental backup method in line with State Statutes. Access within the financial reporting system was limited, but will now only include the IT Manager and the Senior Accountant. An outside software development consultant will be engaged to review the work of the District's Program Analyst for changes to the financial reporting system. The Program Analysts access to the financial reporting system will be limited and periodically the password to the software key will be changed.

Yours truly,

T. Wayne Gale Executive Director

Russell T. Baker, CFO



Carr, Riggs & Ingram, LLC 2111 Drew Street Clearwater, FL 33765

(727) 446-0504 (727) 461-7384 (fax) www.cricpa.com

## INDEPENDENT ACCOUNTANT'S REPORT IN ACCORDANCE WITH SECTION 218.415, FLORIDA STATUTES, LOCAL GOVERNMENT INVESTMENT POLICIES

Board of Commissioners Lee County Mosquito Control District Fort Myers, Florida

We have examined Lee County Mosquito Control District's, (the "District"), compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2016. 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 year ended September 30, 2016.

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

CARR, RIGGS & INGRAM, LLC

Caux Rigge & Ingram, L.L.C.

Clearwater, Florida June 23, 2017