

Lee County Mosquito Control District

FINANCIAL STATEMENTS

Year Ended September 30, 2015



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Lee County Mosquito Control District
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September 30, 2015

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REPORT



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, 2015, 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, 2015, 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.

Correction of Error

As described in Note 12 to the financial statements, governmental activities – prepaid expenses and net position; and general fund – prepaid expenses and fund balance, are restated due to a correction of an error. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As described in Note 12 to the financial statements, effective October 1, 2014, the District adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

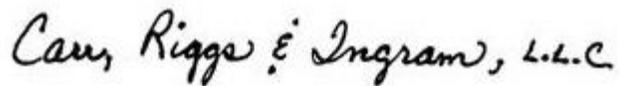
Other Matters

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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram, L.L.C." in a cursive script.

CARR, RIGGS & INGRAM, LLC

Clearwater, Florida
June 30, 2016

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, 2015. 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, 2015.

Financial Highlights:

- The District's assets exceed its liabilities at the close of the fiscal year by \$18,916,461 (net position). The District adopted for government-wide reporting the provisions of Governmental Accounting Standards Board ("GASB") No. 68, *Accounting and Financial Reporting for Pensions* and GASB No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The adoption of the two standards caused a significant restatement of net position as of September 30, 2014. Total pension related costs using the method required by GASB No. 68 and No. 71 total \$462,723 compared to the General Funds expense of \$448,548 which represented the amount of funds sent to the State of Florida FRS Program.
- Included in total net position is an unrestricted deficit of \$2,070,777. The unrestricted deficit is a result of adopting GASB statements 68 and 71.
- The District's total net position decreased by \$1,654,440. This decrease is discussed further in the government-wide financial analysis.
- Total liabilities increased by \$1,360,678 during the fiscal year.
- At the close of the current fiscal year, the ending fund balance was \$13,466,564, a decrease of \$763,742, or 5.37%, from the 2014 ending fund balance of \$14,230,306, as restated.
- Of this balance, \$4,071,070 is nonspendable, consisting of prepaid insurance and inventories, and \$1,252,700 is assigned for the fiscal year end September 30, 2016, budgeted decrease in fund balance. The remaining \$8,142,794 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 11) 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 12) 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 13 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 14 and 16 that convert the data to an economic resource measurement focus and the accrual basis of accounting for use in the government-wide financial statements.

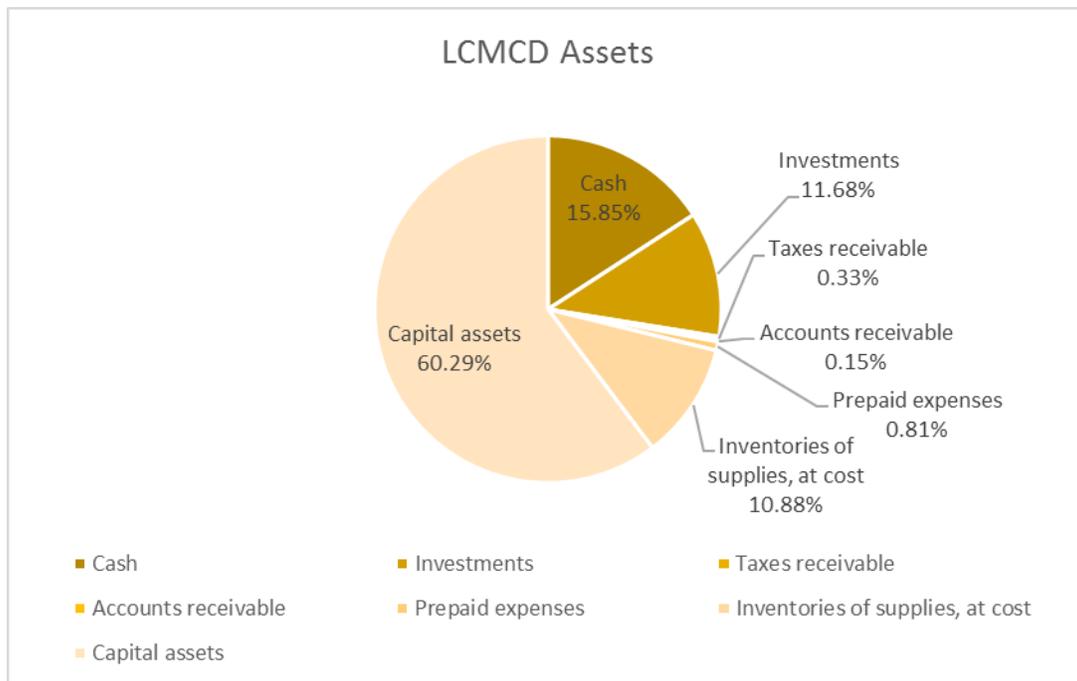
Notes to Financial Statements:

The *notes* to the financial statements explain in detail some of the data contained in the preceding statements and begin on page 18. 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, 2015 was \$18,916,461. Its revenues, which include property taxes, investments, and miscellaneous income, totaled \$14,419,080 (*general revenue plus program revenue*). Total program expenses were \$16,073,520. Interest expense on the capital lease was \$18,671.

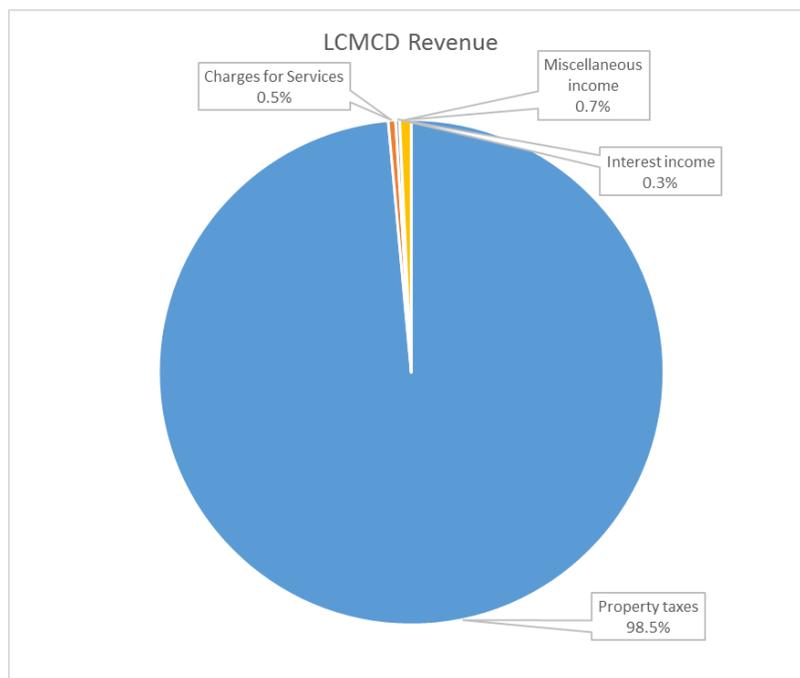
71 percent of the District’s assets represent its investment in capital assets, chemicals, and equipment parts inventory. The District utilizes and consumes these assets in order to safely provide effective mosquito control to the citizens within the District boundaries. All cash and cash equivalents and investments are invested in Certificate of Deposit (CD) and deposit accounts with banks designated by the Florida Chief Financial Officer as qualified public depositories.



Summary of Net Position

	9/30/2015	9/30/2014 as restated	Difference
Current and Other Assets	\$ 13,820,945	\$ 14,792,595	\$ (971,650)
Capital Assets	20,987,238	21,721,182	(733,944)
Total Assets	<u>\$ 34,808,183</u>	<u>\$ 36,513,777</u>	<u>\$ (1,705,594)</u>
Deferred Outflows	\$ 1,796,095	\$ 682,680	\$ 1,113,415
Current and Other Liabilities	\$ 389,906	\$ 1,216,204	\$ (826,298)
Long-Term Liabilities	16,058,477	13,871,501	2,186,976
Total Liabilities	<u>16,448,383</u>	<u>15,087,705</u>	<u>1,360,678</u>
Deferred Inflows	\$ 1,239,434	\$ 1,537,851	\$ (298,417)
Net Position			
Invested in Capital Assets	20,987,238	21,097,237	(109,999)
Unrestricted (deficit)	<u>(2,070,777)</u>	<u>(526,336)</u>	<u>(1,544,441)</u>
Total Net Position	<u>\$ 18,916,461</u>	<u>\$ 20,570,901</u>	<u>\$ (1,654,440)</u>

During the past year, total assets decreased by \$1,705,594 and total liabilities increased by \$1,360,678, producing a decrease in the net position of \$1,654,440, primarily due to OPEB expense and the allocation of expense from the Florida Retirement System. In fiscal year 2014-2015, total program expenses increased by \$181,242 from 2014. The balance in cash and CDs decreased by approximately \$653,133. The value of the capital assets decreased in book value due to depreciation expense. Property taxes represent 98.5% of the District's revenues.



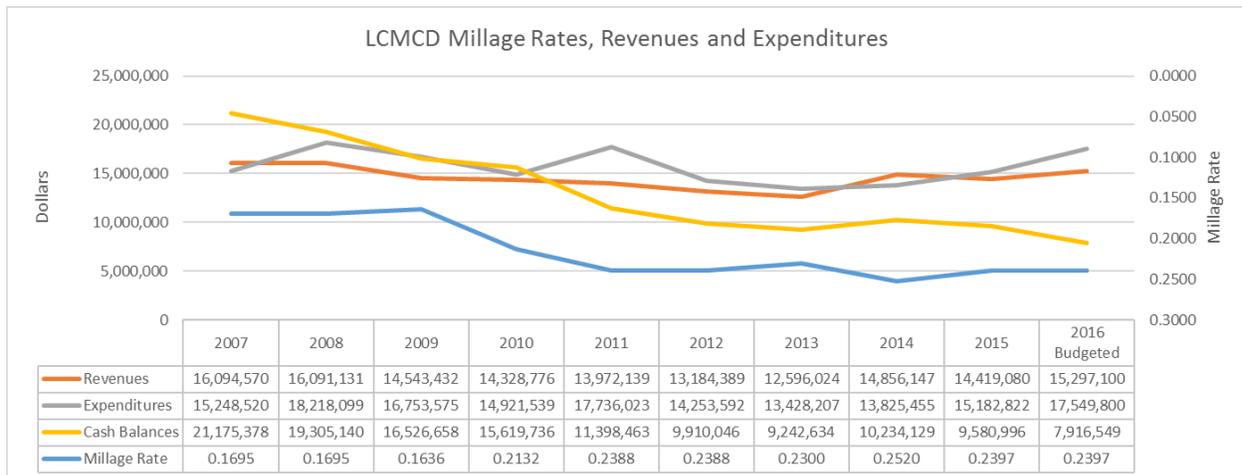
Summary Changes in Net Position

	<u>9/30/2015</u>	<u>9/30/2014</u>	<u>Difference</u>
Revenues			
Program revenues:			
Charges for services	\$ 67,251	\$ 60,000	\$ 7,251
General revenues:			
Property taxes	14,209,227	14,068,044	141,183
Miscellaneous	142,602	83,128	59,474
Capital grants and contributions	-	644,979	(644,979)
Total revenues	<u>\$ 14,419,080</u>	<u>\$ 14,856,151</u>	<u>\$ (437,071)</u>
Expenses			
Physical environmental services	\$ 16,054,849	\$ 15,873,607	\$ 181,242
Interest on long term debt	<u>18,671</u>	<u>64,967</u>	<u>(46,296)</u>
Decrease in Net Position	\$ (1,654,440)	\$ (1,082,423)	\$ (572,017)
Net position - beginning of fiscal year, as restated	* \$ <u>20,570,901</u>	\$ <u>24,719,678</u>	\$ <u>(4,148,777)</u>
Net position - end of fiscal year	<u>\$ 18,916,461</u>	<u>\$ 23,637,255</u>	<u>\$ (4,720,794)</u>

*FY 2015 Beginning Net Position was restated for the effects of recording the net pension liability and prepaid. See Note 12.

Total revenue decreased by \$437,071. Total fund revenue decreased due to grant revenue received in the prior year that was not received again in the current fiscal year. Total expenses increased by \$134,946, thus net position decreased at the end of the fiscal year primarily due to post-employment health insurance related expenses and the recording of pension related costs.

The chart below reflects revenues, expenses, and millage rates for the past nine years and projections for the upcoming fiscal year (FY 2015-2016).



Budgetary Highlights:

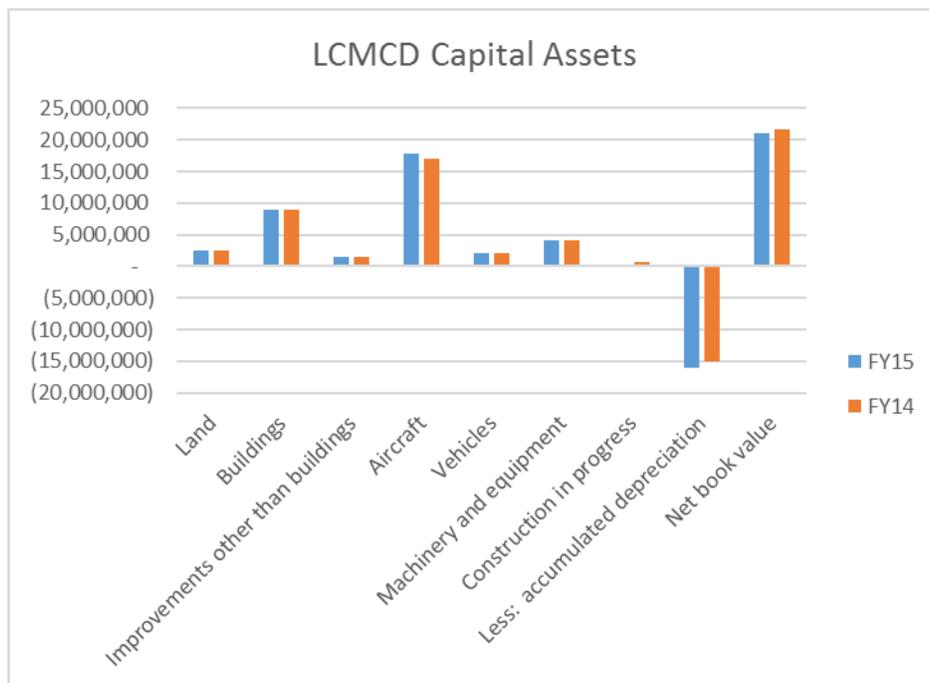
The District adopts an annual budget on a cash basis. The budget incorporates input from the Board of Commissioners, District staff, and citizens within the District regarding what services to provide and how to pay for them.

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 17 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.

Variances from the original budget as compared to the final budget are depicted on page 17. The difference between the final amended budgeted expenditures and actual expenditures represents a positive variance of \$1,497,100. 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 \$20,987,238 (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).



Capital Asset and Debt Administration (Continued):

	<u>9/30/2015</u>	<u>9/30/2014</u>
Land	\$ 2,577,473	\$ 2,577,473
Construction in progress	45,864	731,451
Buildings	8,911,915	8,907,933
Improvements other than buildings	1,561,424	1,535,334
Aircraft	17,791,252	16,937,180
Vehicles	2,071,234	2,034,831
Machinery and equipment	4,153,366	4,039,449
	<hr/>	<hr/>
Total assets	37,112,528	36,763,651
	<hr/>	<hr/>
Less: accumulated depreciation	(16,125,290)	(15,042,469)
	<hr/>	<hr/>
Net book value	\$ 20,987,238	\$ 21,721,182
	<hr/>	<hr/>

During the year the District made an early \$543,243 payment to pay off the capital lease for a DC-3 airplane which was its only *long-term debt*. The District saved approximately \$5,600 in interest by paying the capital lease off early. At September 30, 2015, 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 Other Postemployment Benefits other than Pensions, and the net pension obligation, please see Note 1 on page 18 and Note 9 on page 31, respectively, of the *Notes to Financial Statements*. For more information on Capital assets, please see Note 4 on page 24, of the *Notes to Financial Statements*. For more information on the State of Florida Pension Plan, please see Note 7 on page 25, of the *Notes to Financial Statements*.

Economic Factors and Next Year's Budget and Rates:

In September of 2015, the Board of Commissioners approved budgeted revenues of \$15,297,100 for fiscal year 2016. The adopted millage rate of .2397 mills per thousand produced Ad Valorem taxes in the amount of \$15,145,100 and an increase of \$959,398 over the prior year. Property taxes are the largest source of revenue for the Lee County Mosquito Control District.

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 District Director, Lee County Mosquito Control District, 15191 Homestead Road, Lehigh Acres, Florida 33971.



FINANCIAL STATEMENTS



**GOVERNMENT-WIDE FINANCIAL
STATEMENTS**

Lee County Mosquito Control District
Statement of Net Position
September 30, 2015

Assets	
Cash and cash equivalents	\$ 9,580,996
Taxes receivable	115,168
Due from other governments	51,275
Accounts receivable	2,436
Prepaid expenses	282,618
Inventories of supplies, at cost	3,788,452
<hr/>	
Total current assets	13,820,945
<hr/>	
Capital assets:	
Land	2,577,473
Construction in progress	45,864
Buildings	8,911,915
Improvements other than buildings	1,561,424
Aircraft	17,791,252
Vehicles	2,071,234
Machinery and equipment	4,153,366
Less accumulated depreciation	(16,125,290)
<hr/>	
Total capital assets	20,987,238
<hr/>	
Total assets	34,808,183
<hr/>	
Deferred Outflow of Resources	
Deferred outflows for pensions	1,796,095
<hr/>	
Liabilities	
Accounts payable	159,668
Accrued wages payable	165,174
Current portion of accrued compensated absences	65,064
<hr/>	
Total current liabilities	389,906
<hr/>	
Noncurrent liabilities:	
Other post-employment benefits	11,463,696
Accrued compensated absences	765,305
Net pension liability	3,829,476
<hr/>	
Total noncurrent liabilities	16,058,477
<hr/>	
Total liabilities	16,448,383
<hr/>	
Deferred Inflow of Resources	
Deferred inflows for pensions	1,239,434
<hr/>	
Net Position	
Invested in capital assets	20,987,238
Unrestricted (deficit)	(2,070,777)
<hr/>	
Total net position	\$ 18,916,461
<hr/>	

The accompanying notes are an integral part of these financial statements.

**Lee County Mosquito Control District
Statement of Activities
Year Ended September 30, 2015**

Functions/Programs	Expenses	Program Revenues	Net Expense and Changes in Net Position
		Charges for Services	Total
Physical environment services	\$ 16,054,849	\$ 67,251	\$ (15,987,598)
Interest on long-term debt	18,671	-	(18,671)
Total program	16,073,520	67,251	(16,006,269)
		General revenues	
		Property taxes	14,209,227
		Miscellaneous income	142,602
		Total general revenues	14,351,829
		Change in net position	(1,654,440)
		Net position - beginning of year, as restated	20,570,901
		Net position - end of year	\$ 18,916,461

The accompanying notes are an integral part of these financial statements.



FUND FINANCIAL STATEMENTS

**Lee County Mosquito Control District
Balance Sheet – General Fund
September 30, 2015**

ASSETS

Cash and cash equivalents	\$ 9,580,996
Taxes receivable	115,168
Due from other governments	21,736
Accounts receivable	2,436
Prepaid expenses	282,618
Inventories of supplies	3,788,452
<hr/>	
Total assets	\$ 13,791,406
<hr/>	

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable and accrued liabilities	159,668
Accrued wages and payroll taxes payable	165,174
<hr/>	
Total liabilities	324,842
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FUND BALANCES

Nonspendable:	
Prepaid and inventories	4,071,070
Assigned	1,252,700
Unassigned	8,142,794
<hr/>	
Total fund balance	13,466,564
<hr/>	
Total liabilities and fund balance	\$ 13,791,406
<hr/>	

The accompanying notes are an integral part of these financial statements.

**Lee County Mosquito Control District
Reconciliation of the Balance Sheet to the Statement
of Net Position
September 30, 2015**

Fund balance	\$ 13,466,564
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Amounts reported for governmental activities in the statement of net position are different because:

Receivables due from Lee County Hyacinth Control District related to long term compensated absences.	29,539
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Capital assets used in governmental activities are not financial resources and are, therefore, not reported on the governmental balance sheet.	20,987,238
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the	
Compensated absences (see Note 5)	(830,369)
Net OPEB obligation payable (see Note 9)	(11,463,696)

Deferred outflows and inflows associated with pensions are not reported in the governmental funds. (see Note 7)	
Deferred outflows	1,796,095
Deferred inflows	(1,239,434)

Long-term liabilities are not reported in the governmental funds. (see Note 7)	
Net pension liability	(3,829,476)

Net position	\$ 18,916,461
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The accompanying notes are an integral part of these financial statements.

**Lee County Mosquito Control District
Statement of Revenues, Expenditures, and
Changes in Fund Balance – General Fund
Year Ended September 30, 2015**

Revenues		
Property taxes	\$	14,209,227
Charges for services		67,251
Miscellaneous income		142,602
<hr/>		
Total revenues	\$	14,419,080
<hr/> <hr/>		
Expenditures		
Current		
Physical environment - mosquito control		
Personnel services	\$	8,807,960
Operating expenditures		5,037,236
Capital outlay		748,911
Principal		543,243
Interest		45,472
<hr/>		
Total expenditures		15,182,822
<hr/>		
Excess of expenditures over revenues		(763,742)
FUND BALANCE, beginning of year, as restated		14,230,306
<hr/>		
FUND BALANCE, end of year	\$	13,466,564
<hr/> <hr/>		

The accompanying notes are an integral part of these financial statements.

**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, 2015**

Net change in fund balance \$ (763,742)

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	(42,600)	
Expenditures for capital assets	748,911	
Less current year depreciation	(1,440,255)	(733,944)

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 capital lease obligation (see Note 5)	543,243	
Change in compensated absences (see Note 5)	(69,392)	
Change in net OPEB obligation payable (see Note 5)	(774,954)	
Change in accrued interest	26,801	
Change in net pension liability (see Note 7)	(1,323,823)	
Change in deferred inflows related to pensions	1,113,415	
Change in deferred outflows related to pensions	298,417	(156,754)

Change in net position \$ (1,654,440)

The accompanying notes are an integral part of these financial statements.

Lee County Mosquito Control District
Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Fund
Year Ended September 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
Revenues				
Property taxes	\$ 14,185,702	\$ 14,185,702	\$ 14,197,797	\$ 12,095
Interest income	20,000	20,000	38,476	18,476
Equipment sales	-	-	22,797	22,797
Refunds	90,000	90,000	127,080	37,080
Miscellaneous income	-	-	20,023	20,023
Total revenues	<u>\$ 14,295,702</u>	<u>\$ 14,295,702</u>	<u>\$ 14,406,173</u>	<u>\$ 110,471</u>
Expenditures				
Current				
Physical environment - Mosquito Control				
Personnel services				
Salaries and wages	\$ 5,750,000	\$ 5,750,000	\$ 5,740,406	\$ 9,594
Payroll taxes and benefits	3,380,000	4,090,011	3,442,775	647,236
Operating expenditures				
Operating	905,000	805,000	796,530	8,470
Travel and per diem	60,000	60,000	47,893	12,107
Communication services	45,000	45,000	43,096	1,904
Freight services	3,000	8,100	8,003	97
Utility services	210,000	210,000	172,630	37,370
Rentals and leases	290,000	53,355	28,164	25,191
Insurance	650,000	650,000	236,145	413,855
Repairs and maintenance	1,475,000	895,000	868,989	26,011
Other charges	46,000	46,000	26,496	19,504
Office supplies	25,000	25,000	21,647	3,353
Gasoline, oil and lube	470,000	470,000	293,639	176,361
Chemicals	2,020,775	1,820,775	1,814,304	6,471
Protective clothing	5,000	30,300	30,272	28
Miscellaneous supplies	230,000	230,000	140,128	89,872
Tools and implements	15,000	15,000	6,989	8,011
Publications and dues	50,000	50,000	48,536	1,464
Training	50,000	50,000	45,501	4,499
Capital outlay	511,000	648,500	642,816	5,684
Principal	-	536,406	536,389	17
Interest	-	52,328	52,327	1
Other grants and aids	110,000	10,000	10,000	-
Contingency	250,000	-	-	-
Total expenditures	<u>16,550,775</u>	<u>16,550,775</u>	<u>15,053,675</u>	<u>1,497,100</u>
Excess of expenditures over revenues	(2,255,073)	(2,255,073)	(647,502)	1,607,571
FUND BALANCE, beginning of year, as restated	9,200,000	10,171,622	14,230,306	4,058,684
FUND BALANCE, end of year	<u>\$ 6,944,927</u>	<u>\$ 7,916,549</u>	<u>\$ 13,582,804</u>	<u>\$ 5,666,255</u>

Reconciliation to GAAP Basis

The budget is prepared on a cash basis of accounting.

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	\$ 125,490
Effect of prior year expenditure accruals for the GAAP basis recorded in the current year cash basis results	(80,834)
Effects of noncash revenue not recorded in prior year cash basis results	(112,589)
Effects of current year expenditure accruals for the GAAP basis not recorded in the current year cash basis results	<u>(48,307)</u>
Ending fund balance on the statement of revenues, expenditures and changes in fund balance	<u>\$ 13,466,564</u>

The accompanying notes are an integral part of these financial statements.

**Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2015**

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.

Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2015

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.

New Pronouncements

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. The Statement improves accounting and financial reporting by State and Local governments for pensions and provides additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. The District adopted this Statement for fiscal year 2015. The effects from adoption of GASB 68 include a restatement, see Note 12, of net position and revised note disclosures and required supplementary information (RSI). These items can be found in Note 7, Note 12, and the RSI section of these statements.

In November 2013, the GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of GASB No. 68 as they related to pension contributions made subsequent to the measurement date of the beginning net pension liability. The District adopted this Statement for fiscal year 2015. The implementation of this Standard resulted in the recognition of deferred outflows of resources for pension contributions made subsequent to September 30, 2015.

**Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2015**

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.

**Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2015**

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."

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.

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, 2015 was \$830,369, of which \$65,064 is estimated to be currently payable.

Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2015

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

Compensated Absences (Continued)

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, 2015 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.

**Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2015**

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

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.

NOTE 3: INVENTORIES

Inventories consisted of the following as of September 30, 2015:

	Carrying Amount
Chemicals	\$ 1,242,751
Vehicle, fuel and other parts	2,439,476
Held for resale	106,225
Total	\$ 3,788,452

Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2015

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015, follows:

	Balance October 1, 2014	Increases	Decreases	Balance September 30, 2015
<i>Non-depreciated assets:</i>				
Land	\$ 2,577,473	\$ -	\$ -	\$ 2,577,473
Construction in progress	731,451	35,952	(721,539)	45,864
<i>Depreciated assets:</i>				
Buildings	8,907,933	3,982	-	8,911,915
Improvements other than buildings	1,535,334	26,090	-	1,561,424
Aircraft	16,937,180	854,072	-	17,791,252
Vehicles	2,034,831	122,004	(85,601)	2,071,234
Machinery and equipment	4,039,449	428,349	(314,432)	4,153,366
Total capital assets at historical cost	36,763,651	1,470,449	(1,121,572)	37,112,528
Less accumulated depreciation for:				
Buildings	2,303,777	221,953	-	2,525,730
Improvements other than buildings	599,283	61,416	-	660,699
Aircraft	7,178,280	867,611	-	8,045,891
Vehicles	1,904,163	39,574	(85,602)	1,858,135
Machinery and equipment	3,056,966	249,701	(271,832)	3,034,835
Total accumulated depreciation	15,042,469	1,440,255	(357,434)	16,125,290
Capital assets, net	\$ 21,721,182	\$ 30,194	\$ (764,138)	\$ 20,987,238

NOTE 5: CHANGES IN LONG-TERM LIABILITIES

	Balance 10/1/2014, as restated	Additions	Reductions	Balance 9/30/2015	Due Within One Year
Net pension obligation	\$ 2,505,653	\$ 1,323,823	\$ -	\$ 3,829,476	\$ -
Compensated absences	760,977	169,060	(99,668)	830,369	65,064
Net OPEB obligation	10,688,742	774,954	-	11,463,696	-
Capital lease	543,243	-	(543,243)	-	-
	\$ 14,498,615	\$ 2,267,837	\$ (642,911)	\$ 16,123,541	\$ 65,064

Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2015

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, 2015, 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 may be obtained by writing to the Division of Retirement, PO Box 9000, Tallahassee, Florida, 32315-9000 or by calling (844) 377-1888.

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.

**Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2015**

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, 2015, were as follows:

	FRS	HIS
Regular Class	5.60%	1.66%
Special Risk Class	20.38%	1.66%
Senior Management Service Class	19.77%	1.66%
Elected Officials	40.61%	1.66%
DROP from FRS	11.22%	1.66%
U.A. Regular Class - Retiree return to work	2.65%	1.66%

The District's contributions for the year ended September 30, 2015, were \$386,404 to the FRS and \$76,319 to the HIS.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2015, the District reported a liability for its proportionate shares of the net pension liabilities. The net pension liabilities were measured as of June 30, 2015 and the total pension liabilities used to calculate the net pension liability were determined by an actuarial valuation dated July 1, 2015. 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.

Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2015

NOTE 7: STATE OF FLORIDA PENSION PLANS (Continued)

Pension Liabilities and Pension Expense (Continued)

	FRS	HIS
Net pension liability	\$ 2,016,231	\$ 1,813,245
Proportion at:		
Current measurement date	0.015609925%	0.017779645%
Prior measurement date	0.014568724%	0.017290953%
Pension expense (benefit)	\$ 231,611	\$ 146,102

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 212,854	\$ (47,819)	\$ -	\$ -
Changes of assumptions	133,824	-	142,655	-
Net difference between projected and actual earnings on pension plan investments	710,172	(1,191,615)	982	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	401,869	-	63,396	-
Employer contributions subsequent to the measurement date	101,676	-	28,667	-
Total	\$ 1,560,395	\$ (1,239,434)	\$ 235,700	\$ -

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, 2016. 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
2016	\$ 11,852	\$ 33,479
2017	11,852	33,479
2018	11,852	33,479
2019	11,852	33,479
2020	132,213	33,236
Thereafter	39,664	39,881
Total	\$ 219,285	\$ 207,033

**Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2015**

NOTE 7: STATE OF FLORIDA PENSION PLANS (Continued)

Actuarial Assumptions

The total pension liability for each of the defined benefit plans, measured as of June 30, 2015, was determined by an actuarial valuation dated July 1, 2015, 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	7.65%	N/A
Discount rate	7.65%	3.80%

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, 2015 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 2015:

FRS: No changes in key actuarial assumptions.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability decreased from 4.29% to 3.80%.

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 on the next page summarizes the target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class.

**Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2015**

NOTE 7: STATE OF FLORIDA PENSION PLANS (Continued)

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return
Cash	1%	3.2%	3.1%
Fixed income	18%	4.8%	4.7%
Global equity	53%	8.5%	7.2%
Real estate (property)	10%	6.8%	6.2%
Private equity	6%	11.9%	8.2%
Strategic investments	12%	6.7%	6.1%
	<u>100%</u>		

Discount Rate

The discount rate used to measure the total pension liability for the FRS Pension Plan was 7.65%. 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 3.80% 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			Current Discount		
	1% Decrease (6.65%)	Rate (7.65%)	1% Increase (8.65%)	1% Decrease (2.80%)	Rate (3.80%)	1% Increase (4.80%)
Employer's proportionate share of the net pension liability	\$5,224,511	\$2,016,231	(\$653,585)	\$2,066,107	\$1,813,245	\$1,602,394

**Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2015**

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, 2015, totaled \$68,388.

NOTE 8: CHANGE IN ACCOUNTING PRINCIPLE

The District restated the beginning net position of the governmental activities to implement the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Restatement:

Deferred outflow for contributions made subsequent to the measurement date	\$ 113,168
Deferred outflows other than employer contributions subsequent to measurement date	569,512
Deferred Inflows	(1,537,851)
Net pension liability - beginning of year	(2,505,653)
<u>Net Pension Obligation</u>	<u>\$ (3,360,824)</u>

**Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2015**

NOTE 9: 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.

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.

**Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2015**

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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 2015 fiscal year, the District contributed \$1,147,971 to the plan, including \$397,971 for current premiums (75 percent of total premiums) an additional \$750,000 to prefund benefits. Plan members receiving benefits contributed \$151,687, or 25 percent of the total premiums through their required contributions.

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.

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	10/1/2012
Annual required contribution	\$ 1,744,779
Interest on NET OPEB Obligation	534,437
Adjustment to ARC	(356,291)
	Annual OPEB Cost 1,922,925
	Estimated net contributions made (1,147,971)
	Increase in Net OPEB obligation 774,954
	Net OPEB obligation - beginning of year 10,688,742
	Net OPEB obligation - end of year \$ 11,463,696

**Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2015**

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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:

Fiscal Year Ended	Annual OPEB Cost	Employer contributions toward OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2015	\$ 1,922,925	\$ 1,147,971	59.7%	\$ 11,463,696
9/30/2014	2,394,374	719,650	30.1%	10,688,742
9/30/2013	1,512,973	668,659	44.2%	9,014,018

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	10/1/2012
Plan Assets at Fair Value	\$ -
Actuarial Accrued Liability	15,352,846
Unfunded AAL (UAAL)	15,352,846
Funded Ratio	0.0%
Covered Payroll	NA
UAAL as a Percentage of Covered Payroll	NA

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.

Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2015

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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. 5% 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.

Health Care Participation. 100% participation assumed, with 80% electing spouse coverage.

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

Healthcare and dental cost trend rate. 7.5% in 2014 decreasing 1% each year until the ultimate rate of 4.5% in fiscal 2017.

Health insurance premiums. October 1, 2011 health insurance premiums for both active employees and retirees were used as the basis for calculation of the present value of total benefits to be paid.

Funding method. Entry age normal actuarial cost method (level dollar).

Amortization period. 30 year amortization period with 30 years remaining.

Payroll growth rate. 0% payroll growth rate was assumed.

Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2015

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Statement of Plan Net Position

Assets	
Cash and cash equivalents	\$ 1,000,000
Total assets	\$ 1,000,000

Net Position	
Restricted for OPEB benefits	\$ 1,000,000

Statement of Changes In Plan Net Position

Additions	
Contributions:	
Employer	
Lee County Mosquito Control District	\$ 750,000
Lee County Hyacinth Control Dstrict	250,000
Total contributions	1,000,000
Change in net position	1,000,000
Total net position - beginning	-
Total net position - ending	\$ 1,000,000

Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2015

NOTE 10: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. Insurance coverage for risk of loss is purchased from commercial insurance companies for general, automobile and aviation and pesticide applications with some self-insured portions. Buildings have a deductible of \$2,500 for most claims but the deductible is 5% of the insured value in the event of a hurricane. The District retains the total risk of loss for a number of buildings as they are not insured. The District does not insure vehicles for collision damage. Aircraft have a deductible for claims for up to \$2,500 per insured aircraft when the aircraft is not in motion and a deductible for claims for up to \$65,625 for an in motion claim. The District is also insured for pollution claims related to aircraft operations.

As of September 30, 2015 the District is insured for its above ground storage tanks (22 tanks), pollution from vehicles carrying pesticides and/or fuel and for worker's compensation. Above ground storage tanks have a deductible of \$25,000 per occurrence. During fiscal year ended September 30, 2015, there were no claims for the above ground storage tanks or for pollution. Worker's compensation coverage is \$1,000,000 for bodily injury by accident for each accident.

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, 2015, the District reported incurred health insurance expense of \$1,581,478. There have been no claims in excess of insurance coverage as of September 30, 2015.

NOTE 11: 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, 2015 LCMCCU had total assets of \$381,500. 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
Notes to Financial Statements
September 30, 2015**

NOTE 12: RESTATEMENT

The District has restated previously issued balances of governmental activities - prepaid expenses and net position – beginning of the year; and general fund – prepaid expenditures and fund balance – beginning of the year, due to a correction of an error, relating to the timing of an insurance payment for fiscal year 2015. The previously reported balances, as restated, are as follows:

	2014, as previously reported	Restatements	2014, as restated
<i>Governmental activities:</i>			
Prepaid expenses	\$ 157,846	\$ 294,470	\$ 452,316
Net pension liability	-	(3,360,824)	(3,360,824)
Net position - beginning of the year	\$ 23,637,255	\$ (3,066,354)	\$ 20,570,901
<i>General fund:</i>			
Prepaid expenses	\$ 157,846	\$ 294,470	\$ 452,316
Fund balance - beginning of the year	\$ 13,935,836	\$ 294,470	\$ 14,230,306



**REQUIRED SUPPLEMENTARY
INFORMATION**

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/2012	\$ -	\$ 15,352,846	\$ 15,352,846	0.0%	NA	NA
10/1/2011	-	15,619,566	15,619,566	0.0%	NA	NA
10/1/2010	-	15,278,391	15,278,391	0.0%	NA	NA

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

Florida Retirement System	2015
Employer's proportion of the net pension liability (asset)	0.015609925%
Employer's proportionate share of the net pension liability (asset)	\$ 2,016,231
Employer's covered-employee payroll (2)	\$ 5,583,857
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.11%
Plan fiduciary net position as a percentage of the total pension liability	92.00%
Health Insurance Subsidy Program	2015
Employer's proportion of the net pension liability (asset)	0.017779645%
Employer's proportionate share of the net pension liability (asset)	\$ 1,813,245
Employer's covered-employee payroll (2)	\$ 5,583,857
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	32.47%
Plan fiduciary net position as a percentage of the total pension liability	0.50%

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) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

GASB Statement No. 68 was implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

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

Florida Retirement System	2015
Contractually required contribution	\$ 386,404
Contributions in relation to the contractually required contribution	386,404
<u>Contribution deficiency (excess)</u>	<u>\$ -</u>
Employer's covered-employee payroll (1)	\$ 5,583,857
Contributions as a percentage of covered-employee payroll	6.92%
Health Insurance Subsidy Program	2015
Contractually required contribution	\$ 76,319
Contributions in relation to the contractually required contribution	76,319
<u>Contribution deficiency (excess)</u>	<u>\$ -</u>
Employer's covered-employee payroll (1)	\$ 5,583,857
Contributions as a percentage of covered-employee payroll	1.37%

Notes to schedules:

(1) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

GASB Statement No. 68 was implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

**Lee County Mosquito Control District
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015**

**Material Weakness
2014-002: 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.



COMPLIANCE

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, 2015, and have issued our report thereon dated June 30, 2016.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, Rules of the Auditor General.

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 on Internal Control over Compliance Required by OMB Circular A-133; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of Auditor General. Disclosures in those reports and schedule, which are dated June 30, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Findings 2014-001, 2014-003, 2014-004, 2014-005 have been addressed and are no longer relevant.

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, 2015, 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, 2015. 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, L.L.C.

CARR, RIGGS & INGRAM, LLC

Clearwater, Florida
June 30, 2016

Lee County Mosquito Control District Corrective Action Plan

BOARD OF COMMISSIONERS
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T. WAYNE GALE, DIRECTOR

RESPONSE TO MANAGEMENT LETTER AND CORRECTIVE ACTION PLAN

June 30, 2016

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, 2015. Management has reviewed the reports and concurs with your finding.

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

Response and Corrective Action Plan: Material Weakness 2014-002: Inventory

As indicated in the comment, the District put into place a manual system to determine that cost of inventory reported in the inventory/purchasing system that is in agreement with the general ledger. The audit determined that the financial statements are not misstated. Management began working on a solution to integrate inventory management, purchasing and the general ledger systems in the prior year. The District expects to have an integrated system sometime in fiscal year ended September 30 2017.

Yours truly,



T. Wayne Gale, Executive Director



Russell T. Baker, CFO

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

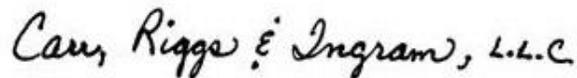
Board of Commissioners
Lee County Mosquito Control District
Fort Myers, Florida

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, 2015. 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, 2015.

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.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram, L.L.C." in a cursive script.

CARR, RIGGS & INGRAM, LLC

Clearwater, Florida
June 30, 2106