

**CAPTIVA ISLAND FIRE CONTROL DISTRICT**  
**BASIC FINANCIAL STATEMENTS AND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED SEPTEMBER 30, 2016**

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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Captiva Island Fire Control District  
Captiva, Florida

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Captiva Island Fire 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 entity'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 each major fund of the District as of September 30, 2016, and the respective changes in financial position and the 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, schedule of funding progress for the District's other postemployment benefit plan, the schedules of District's proportionate share of net pension liability and the schedules of District contributions on pages 3 through 9, page 42, and pages 43 through 46, respectively, 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 May 8, 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.



**CliftonLarsonAllen LLP**

Fort Myers, Florida  
May 8, 2017

# Captiva Island Fire Control District, Florida

## Management's Discussion and Analysis

(unaudited)

This discussion and analysis of the Captiva Island Fire Control District (the "District") financial statements is designed to introduce the basic financial statements and provide an analytical overview of the District's financial activities for the fiscal year ended September 30, 2016. The basic financial statements are comprised of the government-wide financial statements, governmental fund financial statements, and notes to the financial statements. We hope this will assist readers in identifying significant financial issues and changes in the District's financial position.

### **District Highlights**

- At the close of fiscal year 2016 the District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources, resulting in net position of (\$140,664).
- The District's total net position decreased \$195,631, or 355.9 percent, in comparison to the prior year. The decrease was planned and is further discussed in the government-wide financial analysis.
- Total revenues decreased \$2,186, or 0.1 percent, in comparison to the prior year.
- Total expenses increased \$166,465, or 9.6 percent, in comparison to the prior year. This increase is discussed further in the government-wide financial analysis.

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

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements which are comprised of the following three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. Most of the District's revenue is collected via ad valorem taxes and is therefore reported as a Governmental Fund. The District does not perform any services to individual customers on a fee basis; therefore, there are no Proprietary Funds to report.

### **Government-wide Financial Statements**

Government-wide financial statements (statement of net position and statement of activities found on pages 10 and 11 are intended to allow a 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. Government-wide financial statements concentrate on the District as a whole and do not emphasize fund types.

The *Statement of Net Position* (Page 10) presents information on all of the District's assets and deferred outflows, and liabilities and deferred inflows, with the difference 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 11) 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 a liability is incurred).

## **Governmental Fund Financial Statements**

The District accounts for its services in a *general governmental fund*. A fund is a grouping of related accounts that is being used to maintain 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 current liabilities). The main focus is on how money flows into and out of the general fund 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 *Fund Financial Statements* can be found on pages 12 and 14.

## **Notes to the Financial Statements**

The notes to the financial statements explain in detail some of the data contained in the preceding statements and begin on page 17. These notes are essential to a full understanding of the data provided in the government-wide and fund financial statements.

## **Government-Wide Financial Analysis**

The government-wide financial statements were designed so that the user could determine if the District is in a better or worse financial condition from the prior year.

The following is a condensed summary of net position for the primary government as of September 30:

|                                  | <u>2016</u>         | <u>2015</u>      |
|----------------------------------|---------------------|------------------|
| Assets:                          |                     |                  |
| Current and other assets         | \$ 1,179,014        | \$ 1,350,163     |
| Capital assets                   | 4,069,106           | 3,634,042        |
| Total Assets                     | <u>5,248,120</u>    | <u>4,984,205</u> |
| <br>                             |                     |                  |
| Deferred outflow of resources:   |                     |                  |
| Deferred amount on pensions      | <u>896,843</u>      | <u>220,471</u>   |
| <br>                             |                     |                  |
| Liabilities:                     |                     |                  |
| Current liabilities              | 281,859             | 224,874          |
| Non-current liabilities          | 5,943,117           | 4,697,335        |
| Total Liabilities                | <u>6,224,976</u>    | <u>4,922,209</u> |
| <br>                             |                     |                  |
| Deferred inflow of resources:    |                     |                  |
| Deferred amount on pensions      | <u>60,651</u>       | <u>227,500</u>   |
| <br>                             |                     |                  |
| Net position:                    |                     |                  |
| Net Investment in capital assets | 392,867             | 404,972          |
| Restricted for capital outlay    | 2,532               | 6,757            |
| Unrestricted                     | (536,063)           | (356,762)        |
| Total Net Position               | <u>\$ (140,664)</u> | <u>\$ 54,967</u> |

At the close of the 2016 budget year, the District's current and other assets totaled \$1,179,014, a 12.7 percent decrease as compared to the prior year. These assets are comprised of unrestricted cash balances of \$937,317, investments of \$33,789, restricted cash of \$173,795, accounts receivable of \$540, receivables from other governments of \$12,510, and prepaid insurance of \$21,063. The decrease is a direct result of building the replacement fire station, converting restricted cash to capital assets during the year ended September 30, 2016.

The balances of unrestricted cash and investments represent amounts that are available for spending at the District's discretion. Restricted cash balances are comprised of the impact fee funds restricted for the purchase of capital assets, lease proceeds held in escrow for the delivery of a new fire truck and loan proceeds held in a custodial account for the completion of the District's fire station reconstruction project.

Capital assets totaled \$4,069,106, which represents 77.5 percent of total assets and is comprised of land, building, equipment, furniture, and vehicles, net of accumulated depreciation.

The deferred outflow of resources on pensions of \$896,843 reflects the consumption of net position during fiscal year 2016 that actually relate to and will be recognized in future periods. See Note 8, which begins on page 28 for a more detailed description. Deferred outflows have a positive effect on the District's net position.

The District's total liabilities increased 26.4 percent as compared to the prior year. Current liabilities increased by \$56,985 or 25.3 percent due to an increase in the current portion of debt, while non-current liabilities increased by \$1,245,782 or 26.5 percent due to the inclusion of a net pension liability of \$1,846,879 and the addition of a capital lease of \$431,435.

The deferred inflow of resources on pensions of \$60,651 reflects the acquisition of net position during fiscal year 2016 that actually relate to and will be recognized in future periods. See Note 8 which begins on page 28 for a more detailed description. Deferred inflows have a negative effect on the District's net position.

The unrestricted net position decrease of \$195,631 is the result of increases in personal services expenses associated with hiring a new Firefighter/EMT and the associated fringe benefit, training and equipment costs, as well as an increase in depreciation expense associated with the new fire house which was occupied for the first full fiscal year.

The unrestricted net position balance of (\$536,063) represents the difference between the District's total net position and the amounts invested in capital assets and restricted for capital outlay.

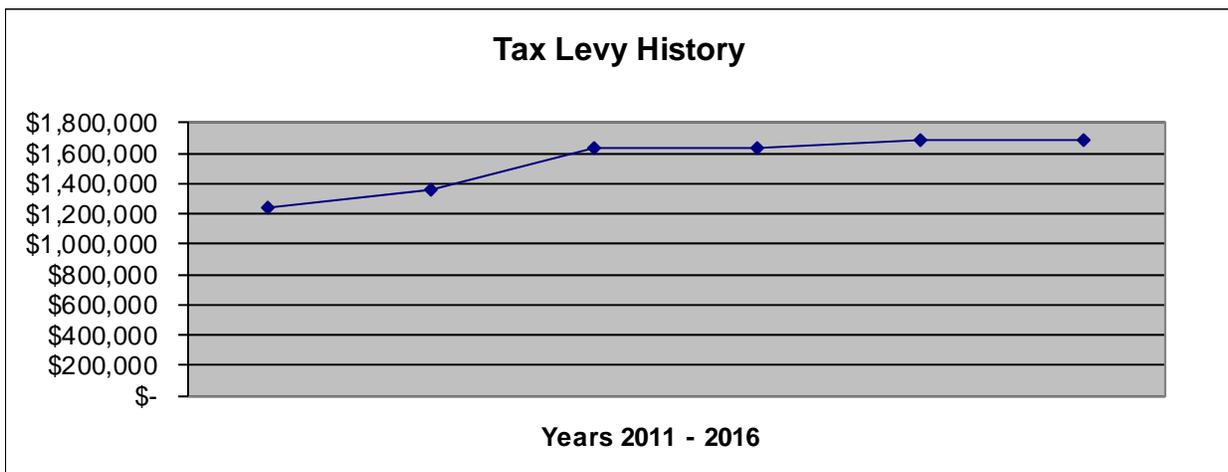
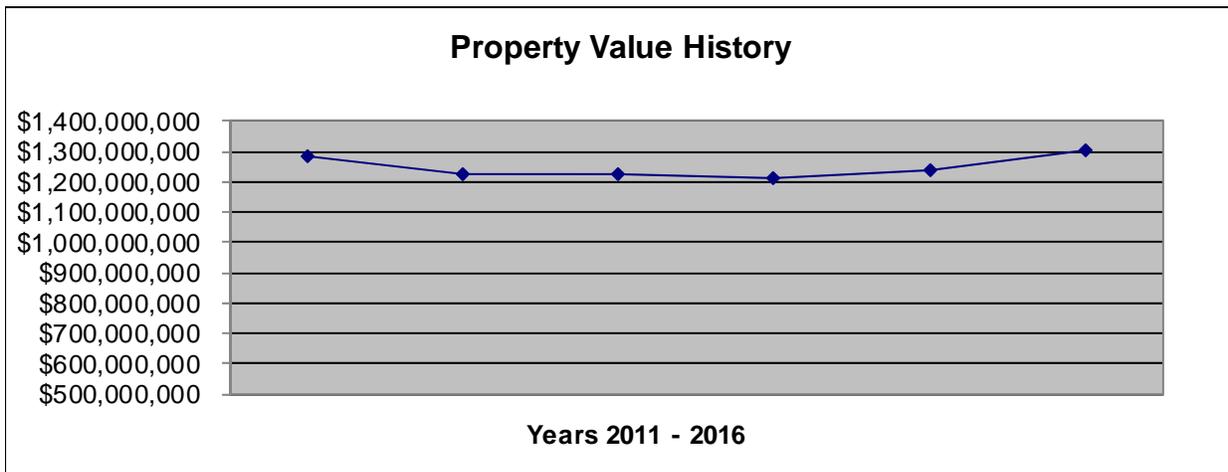
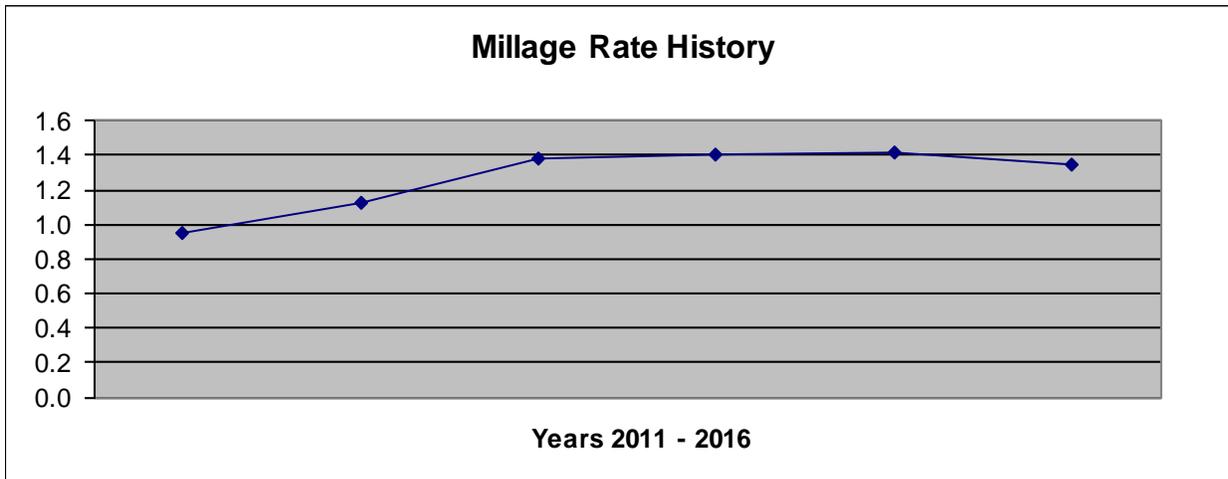
The following schedule reports the revenues, expenses, and changes in net position for the District for the year ended September 30:

|  | <u>2016</u>         | <u>2015</u>      |
|--|---------------------|------------------|
| Revenues:                                |                     |                  |
| General Revenues:                        |                     |                  |
| Ad Valorem Taxes                         | \$ 1,691,427        | \$ 1,687,635     |
| Investment Earnings                      | 2,841               | 4,949            |
| Impact Fees                              | 948                 | -                |
| Miscellaneous                            | 5,932               | 9,589            |
| Program Revenues:                        |                     |                  |
| Charges and Fees                         | 3,489               | 4,650            |
| Operating Grants and Contributions       | 4,440               | 4,440            |
| Total Revenues                           | <u>1,709,077</u>    | <u>1,711,263</u> |
| <br>                                     |                     |                  |
| Public Safety - Fire and Rescue Services |                     |                  |
| Personal Services                        | 1,433,308           | 1,260,183        |
| Operating Expenditures                   | 233,008             | 279,573          |
| Interest                                 | 106,942             | 103,366          |
| Depreciation                             | 131,450             | 95,121           |
| Total Expenses                           | <u>1,904,708</u>    | <u>1,738,243</u> |
| <br>                                     |                     |                  |
| Decrease in net position                 | (195,631)           | (26,980)         |
| <br>                                     |                     |                  |
| Net Position - Beginning                 | <u>54,967</u>       | <u>81,947</u>    |
| <br>                                     |                     |                  |
| Net Position - Ending                    | <u>\$ (140,664)</u> | <u>\$ 54,967</u> |

Total revenues decreased \$2,186, or 0.13 percent, in comparison to the prior year. The \$3,792 increase in ad valorem taxes is due to an increase in the taxable property values from both new construction and in market values, as the District levied the rolled-back rate of 1.3490 mills, which means there was no tax increase for existing properties.

Total expenses increased \$166,465, or 9.58 percent, in comparison to the prior year. The \$173,125 or 13.74% increase in Personal Services was the result of hiring an additional Firefighter/EMT to cover floater shifts, providing cost-of-living and STEP pay increases to eligible employees and for the State-mandated increase to the employer contribution to the retirement plan. The \$46,565 or 16.66% decrease in Operating Expenditures was the result of the non-recurrence of the acquisition in the previous year of furniture and equipment below the capitalization threshold. The District continues to focus on reducing expenses where possible without a reduction in services.

The following charts display the history of millage rates, property values, and taxes levied for the past five years.



### **Budgetary Highlights**

The District adopts an annual budget for its funds as required by Florida Statute (see Note 1 for more information). The District amended its budget two times during the current year.

Total personal services expenses were less than the budgeted amount by \$7,847 or 0.58 percent due to less overtime being used than was budgeted. Total operating expenses were less than the budgeted amount by \$37,600 and debt service expenses agreed to the budgeted amount. Capital outlay expenditures were less than the budget amount by \$66,503 due to funds intended for the acquisition of a fire truck continuing to be on deposit with the escrow agent at fiscal year-end.

See page 16 for more information on the District's budget to actual performance in the General Fund.

### **Capital Assets**

Non-depreciable capital assets are comprised of land and construction in progress. Depreciable assets include buildings, improvements other than buildings, office equipment, machinery and equipment, and vehicles.

The following is a schedule of the District's capital assets as of September 30:

|   | <u>2016</u>                | <u>2015</u>                |
|---|----------------------------|----------------------------|
| Land  | \$ 180,170                 | \$ 180,170                 |
| Work in Progress                            | 471,985                    | -                          |
| Total Capital Assets Not Being Depreciated  | <u>652,155</u>             | <u>180,170</u>             |
| <br>  |                            |                            |
| Fire and Rescue Equipment                   | 218,781                    | 180,597                    |
| Buildings                                   | 3,129,022                  | 3,129,022                  |
| Fire and Rescue Vehicles                    | 427,873                    | 427,873                    |
| Pagers and Radios                           | 107,685                    | 103,325                    |
| Furniture, Fixtures and Equipment           | 67,604                     | 67,604                     |
| Total Capital Assets Being Depreciated      | <u>3,950,965</u>           | <u>3,908,421</u>           |
| <br>  |                            |                            |
| <b>ACCUMULATED DEPRECIATION</b>             |                            |                            |
| Fire and Rescue Equipment                   | 71,379                     | 108,786                    |
| Buildings                                   | 100,289                    | 20,058                     |
| Fire and Rescue Vehicles                    | 243,968                    | 218,026                    |
| Pagers and Radios                           | 100,385                    | 99,209                     |
| Furniture, Fixtures and Equipment           | 17,993                     | 8,470                      |
| Total Accumulated Depreciation              | <u>534,014</u>             | <u>454,549</u>             |
| Total Capital Assets Being Depreciated, net | <u>3,416,951</u>           | <u>3,453,872</u>           |
| <b>CAPITAL ASSETS, NET</b>                  | <u><u>\$ 4,069,106</u></u> | <u><u>\$ 3,634,042</u></u> |

See Note 4 to the financial statements for capital asset activity for the year ended September 30, 2016.

**Long-Term Liabilities**

The following is a schedule of the District’s long-term liabilities at September 30:

|                             | <u>2016</u>         | <u>2015</u>         |
|-----------------------------|---------------------|---------------------|
| Compensated Absences        | \$ 201,142          | \$ 184,683          |
| Net OPEB Obligation Payable | 369,610             | 421,373             |
| Net Pension Liability       | 1,846,879           | 887,025             |
| Capital Leases              | <u>3,736,239</u>    | <u>3,340,285</u>    |
| Total Long-Term Debt        | <u>\$ 6,153,870</u> | <u>\$ 4,833,366</u> |

The proceeds from the Capital Leases were used to design and construct the new fire station which was placed in service during June 2015 and to purchase a new fire truck during the current year.

See Note 6 for more information on the District’s long term liabilities.

**Economic Factors and Next Year’s Budget Rates**

The following were factors considered when next year’s budget was prepared:

- Property values were assessed by the Lee County property appraiser’s office at 3.3 percent higher than the previous year and the addition of \$5,035,442 in new construction provided a taxable property base of \$1,353,054,144 for the budget year 2016-2017. The District levied an operating millage rate of 1.4284 in compliance with Amendment 1 which will provide \$164,066 in additional net tax revenue.
- Increased personal services expenditures in budget year 2016-2017 include hiring two additional Firefighter/EMT positions for one-half of the fiscal year.
- Increased operating expenditures were budgeted in fiscal year 2016-2017 for estimated increases in professional services for the labor attorney to assist in renegotiating the labor agreement and for increases in employee physicals and training for the two new personnel positions.

**Request for Information**

Questions regarding any information provided in this report should be directed to:

Captiva Island Fire Control District  
Chief Rich Dickerson  
P.O. Box 477  
Captiva, Florida 33924  
(239) 472-9494

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016**

|                                      | <u>Governmental<br/>Activities</u> |
|--------------------------------------|------------------------------------|
| <b>ASSETS</b>                        |                                    |
| Cash                                 | \$ 937,317                         |
| Investments                          | 33,789                             |
| Accounts Receivable                  | 540                                |
| Due From Other Governments           | 12,510                             |
| Prepaid Expenses                     | 21,063                             |
| Cash - Restricted                    | 173,795                            |
| Capital Assets:                      |                                    |
| Non-depreciable                      | 652,155                            |
| Depreciable, net                     | <u>3,416,951</u>                   |
| Total Assets                         | <u>5,248,120</u>                   |
| <b>DEFERRED OUTFLOW OF RESOURCES</b> |                                    |
| Deferred amount on pensions          | <u>896,843</u>                     |
| <b>LIABILITIES</b>                   |                                    |
| Accounts Payable                     | 8,828                              |
| Accrued Interest Payable             | 40,028                             |
| Accrued Expenses                     | 22,250                             |
| Long-Term Liabilities:               |                                    |
| Net Pension Liability                | 1,846,879                          |
| Due Within One Year                  | 210,753                            |
| Due In More Than One Year            | <u>4,096,238</u>                   |
| Total Liabilities                    | <u>6,224,976</u>                   |
| <b>DEFERRED INFLOWS OF RESOURCES</b> |                                    |
| Deferred amount on pensions          | <u>60,651</u>                      |
| <b>NET POSITION</b>                  |                                    |
| Net Investment in Capital Assets     | 392,867                            |
| Restricted for Capital Outlay        | 2,532                              |
| Unrestricted                         | <u>(536,063)</u>                   |
| Total Net Position                   | <u><u>\$ (140,664)</u></u>         |

See accompanying Notes to Financial Statements.

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2016**

|                                      | Governmental<br>Activities |
|--------------------------------------|----------------------------|
| <b>Program Expenses:</b>             |                            |
| Public Safety - Fire Control:        |                            |
| Personal Service                     | \$ 1,433,308               |
| Operating                            | 233,008                    |
| Interest                             | 106,942                    |
| Depreciation                         | 131,450                    |
| Total Program Expenses               | 1,904,708                  |
| <br><b>Program Revenues:</b>         |                            |
| Charges and Fees                     | 3,489                      |
| Operating Grants and Contributions   | 4,440                      |
| Total Program Revenues               | 7,929                      |
| <br>Net Program Expenses             | <br>1,896,779              |
| <br><b>General Revenues:</b>         |                            |
| Ad Valorem Taxes                     | 1,691,427                  |
| Miscellaneous:                       |                            |
| Investment Income                    | 2,841                      |
| Impact Fees                          | 948                        |
| Other                                | 5,932                      |
| Total General Revenues               | 1,701,148                  |
| <br>Change in Net Position           | <br>(195,631)              |
| <br>Net Position - Beginning of Year | <br>54,967                 |
| <br>Net Position - End of Year       | <br>\$ (140,664)           |

See accompanying Notes to Financial Statements.

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
BALANCE SHEET – GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016**

|                                      | <u>General<br/>Fund</u> | <u>Capital<br/>Project<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--------------------------------------|-------------------------|-------------------------------------|---|
| <b>ASSETS</b>                        |                         |                                     |   |
| Cash                                 | \$ 937,317              | \$ -                                | \$ 937,317                              |
| Investments                          | 33,789                  | -                                   | 33,789                                  |
| Accounts Receivable                  | 540                     | -                                   | 540                                     |
| Due from Other Funds                 | 86,222                  | -                                   | 86,222                                  |
| Due from Other Governments           | 12,510                  | -                                   | 12,510                                  |
| Cash - Restricted                    | 62,532                  | 111,263                             | 173,795                                 |
|                                      | <u>62,532</u>           | <u>111,263</u>                      | <u>173,795</u>                          |
| Total Assets                         | <u>\$ 1,132,910</u>     | <u>\$ 111,263</u>                   | <u>\$ 1,244,173</u>                     |
| <b>LIABILITIES AND FUND BALANCES</b> |                         |                                     |   |
| <b>LIABILITIES</b>                   |                         |                                     |   |
| Account Payable                      | \$ 8,828                | \$ -                                | \$ 8,828                                |
| Due to Other Funds                   | -                       | 86,222                              | 86,222                                  |
| Accrued Expenses                     | 22,250                  | -                                   | 22,250                                  |
|                                      | <u>22,250</u>           | <u>-</u>                            | <u>22,250</u>                           |
| Total Liabilities                    | 31,078                  | 86,222                              | 117,300                                 |
| <b>FUND BALANCES</b>                 |                         |                                     |   |
| Restricted for Capital Outlay        | 62,532                  | 25,041                              | 87,573                                  |
| Committed:                           |                         |                                     |   |
| Postemployment Health Benefits       | 80,105                  | -                                   | 80,105                                  |
| Disaster Contingency                 | 200,000                 | -                                   | 200,000                                 |
| Future Lease Payments                | 83,690                  | -                                   | 83,690                                  |
| Assigned for Budget Deficit          | 405,967                 | -                                   | 405,967                                 |
| Unassigned                           | 269,538                 | -                                   | 269,538                                 |
|                                      | <u>269,538</u>          | <u>-</u>                            | <u>269,538</u>                          |
| Total Fund Balances                  | <u>1,101,832</u>        | <u>25,041</u>                       | <u>1,126,873</u>                        |
| Total Liabilities and Fund Balances  | <u>\$ 1,132,910</u>     | <u>\$ 111,263</u>                   | <u>\$ 1,244,173</u>                     |

See accompanying Notes to Financial Statements.

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016**

|   |  |                            |
|---|--|----------------------------|
| Total Fund Balances - governmental funds  |  | \$ 1,126,873               |
| 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 in the funds.               |  | 4,069,106                  |
| Prepaid expenses reported on statement of net position are not reported in the funds.   |  | 21,063                     |
| Deferred outflows of resources are reported as a result of changes in deferred amounts on pensions in the statement of net position.    |  | 896,843                    |
| Debt interest payable that will not be liquidated with current financial resources is not reported as a liability on the balance sheet. |  | (40,028)                   |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.                      |  |                            |
|   | Compensated Absences (see Note 5)        | \$ (201,142)               |
|   | Capital Lease Payable (see Note 5)       | (3,736,239)                |
|   | Net OPEB Obligation Payable (see Note 5) | (369,610)                  |
|   | Net Pension Liability (see Note 7)       | <u>(1,846,879)</u>         |
|   |  | (6,153,870)                |
| Deferred inflows of resources are reported as a result of changes in deferred amounts on pensions in the statement of net position.     |  | <u>(60,651)</u>            |
| Net Position of governmental activities   |  | <u><u>\$ (140,664)</u></u> |

See accompanying Notes to Financial Statements.

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2016**

|  | <u>General<br/>Fund</u> | <u>Capital<br/>Project<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-------------------------|-------------------------------------|---|
| <b>REVENUES</b>                          |                         |                                     |   |
| Ad Valorem Taxes                         | \$ 1,691,427            | \$ -                                | \$ 1,691,427                            |
| Intergovernmental Revenue                | 4,440                   | -                                   | 4,440                                   |
| Charges For Services                     | 3,489                   | -                                   | 3,489                                   |
| Miscellaneous:                           |                         |                                     |   |
| Interest Income                          | 2,794                   | 47                                  | 2,841                                   |
| Impact Fees                              | 948                     | -                                   | 948                                     |
| Other                                    | 5,932                   | -                                   | 5,932                                   |
| Total Revenues                           | <u>1,709,030</u>        | <u>47</u>                           | <u>1,709,077</u>                        |
| <b>EXPENDITURES</b>                      |                         |                                     |   |
| Public Safety - Fire Control:            |                         |                                     |   |
| Current:                                 |                         |                                     |   |
| Personal Services                        | 1,355,465               | -                                   | 1,355,465                               |
| Operating                                | 227,454                 | 5,852                               | 233,306                                 |
| Debt Service:                            |                         |                                     |   |
| Principal                                | 136,031                 | -                                   | 136,031                                 |
| Interest                                 | 100,651                 | -                                   | 100,651                                 |
| Capital Outlay                           | 484,895                 | 81,619                              | 566,514                                 |
| Total Expenditures                       | <u>2,304,496</u>        | <u>87,471</u>                       | <u>2,391,967</u>                        |
| Deficiency of Revenues Over Expenditures | <u>(595,466)</u>        | <u>(87,424)</u>                     | <u>(682,890)</u>                        |
| <b>OTHER FINANCING SOURCES</b>           |                         |                                     |   |
| Proceeds from Issuance of Capital Lease  | 531,985                 | -                                   | 531,985                                 |
| Total Other Financing Sources            | <u>531,985</u>          | <u>-</u>                            | <u>531,985</u>                          |
| Net Change in Fund Balances              | (63,481)                | (87,424)                            | (150,905)                               |
| <b>FUND BALANCES, Beginning of Year</b>  | <u>1,165,313</u>        | <u>112,465</u>                      | <u>1,277,778</u>                        |
| <b>FUND BALANCES, End of Year</b>        | <u>\$ 1,101,832</u>     | <u>\$ 25,041</u>                    | <u>\$ 1,126,873</u>                     |

See accompanying Notes to Financial Statements.

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2016**

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

Net changes in fund balances - total governmental funds \$ (150,905)

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Transactions involving capital assets are summarized below.

|                |    |                  |         |
|----------------|----|------------------|---------|
| Capital Outlay | \$ | 566,514          |         |
| Depreciation   |    | <u>(131,450)</u> | 435,064 |

Certain operating expenditures for future period recognized on the statement of revenues, expenditures, and changes in fund balances but not on the statement of activities. This amount represents the change in prepaid expenses. 3,784

Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

|                        |           |                |           |
|------------------------|-----------|----------------|-----------|
| Capital Lease Proceeds | (531,985) |                |           |
| Capital Lease Payments |           | <u>136,031</u> | (395,954) |

Certain 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 Compensated Absences        | (16,459) |               |        |
| Change in Accrued Interest Payable    |          | (6,291)       |        |
| Change in net OPEB Obligation Payable |          | <u>51,763</u> | 29,013 |

Net change in the liability for pensions and related deferred amounts is reported in the government-wide statements, but not in the governmental fund statements (116,633)

Change in net position of governmental activities \$ (195,631)

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2016**

|   | Budgeted Amounts  |                   | Actual<br>Amounts   | Variance with<br>Final Budget |
|---|-------------------|-------------------|---------------------|-------------------------------|
|   | Original          | Final             |                     |                               |
| <b>REVENUES</b>                               |                   |                   |                     |                               |
| Ad Valorem Taxes                              | \$ 1,693,425      | \$ 1,700,026      | \$ 1,691,427        | \$ (8,599)                    |
| Intergovernmental Revenue                     | 4,440             | 4,440             | 4,440               | -                             |
| Charges for Services                          | 3,600             | 908               | 3,489               | 2,581                         |
| Miscellaneous:                                |                   |                   |                     |                               |
| Interest Income                               | 2,500             | 2,500             | 2,794               | 294                           |
| Donations                                     | -                 | 1,800             | -                   | (1,800)                       |
| Impact Fees                                   | -                 | -                 | 948                 | 948                           |
| Other   | 4,600             | 3,000             | 5,932               | 2,932                         |
| Total Revenues                                | <u>1,708,565</u>  | <u>1,712,674</u>  | <u>1,709,030</u>    | <u>(3,644)</u>                |
| <b>EXPENDITURES</b>                           |                   |                   |                     |                               |
| Current:                                      |                   |                   |                     |                               |
| Personal Services:                            |                   |                   |                     |                               |
| Personal Service                              | 797,941           | 842,134           | 838,252             | 3,882                         |
| Personal Services Benefits                    | 528,408           | 521,178           | 517,213             | 3,965                         |
| Operating:                                    |                   |                   |                     |                               |
| Professional Services                         | 82,024            | 59,837            | 47,094              | 12,743                        |
| Communications Services                       | 30,100            | 30,650            | 26,655              | 3,995                         |
| Tax Collector Commissions                     | 22,116            | 22,116            | 22,116              | -                             |
| Insurance                                     | 25,500            | 20,671            | 20,670              | 1                             |
| Repairs and Maintenance                       | 44,030            | 37,070            | 33,961              | 3,109                         |
| Training and Education                        | 19,800            | 19,800            | 20,096              | (296)                         |
| Other Operating Expenditures                  | 79,350            | 74,910            | 56,862              | 18,048                        |
| Debt Service:                                 |                   |                   |                     |                               |
| Principal                                     | 136,031           | 136,031           | 136,031             | -                             |
| Interest                                      | 155,324           | 101,151           | 100,651             | 500                           |
| Capital Outlay                                | 467,500           | 551,398           | 484,895             | 66,503                        |
| Total Expenditures                            | <u>2,388,124</u>  | <u>2,416,946</u>  | <u>2,304,496</u>    | <u>112,450</u>                |
| Deficiencies of Revenues over<br>Expenditures | (679,559)         | (704,272)         | (595,466)           | 108,806                       |
| <b>OTHER FINANCING SOURCES</b>                |                   |                   |                     |                               |
| Proceeds from Issuance of Capital Lease       | 450,000           | 531,985           | 531,985             | -                             |
| Net Change in Fund Balances                   | (229,559)         | (172,287)         | (63,481)            | 3,882                         |
| <b>FUND BALANCE, October 1, 2015</b>          | <u>1,109,032</u>  | <u>1,165,313</u>  | <u>1,165,313</u>    | <u>-</u>                      |
| <b>FUND BALANCE, September 30, 2016</b>       | <u>\$ 879,473</u> | <u>\$ 993,026</u> | <u>\$ 1,101,832</u> | <u>\$ 108,806</u>             |

See accompanying Notes to Financial Statements.

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Defining the Governmental Reporting Entity**

The Captiva Island Fire Control District (the District) is an independent special district of the State of Florida. The District was established by act of the Florida legislature dated May 10, 1955, as Chapter 30929, Laws of Florida 1955, and as repealed and replaced by Chapter 2000 – 421, Laws of Florida, on June 5, 2000. The business and affairs of the District are governed by an elected Board of Commissioners, which consists of three members who are elected for terms of four years.

The purpose of the District is to provide fire suppression and control and emergency medical and rescue response services to Captiva Island. In providing these services, the District operates and maintains one station house and its related equipment and employs 12 full-time employees.

Statement of Governmental Accounting Standards Board (GASB) Statement No. 14, "*Financial Reporting Entity (as amended)*" requires the financial statements of the District (the primary government) to include its component units, if any. 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, 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 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.

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

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

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Government 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. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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. 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.

**Fund Accounting**

The accounts of the District are organized on the basis of a fund 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 individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District reports the following major governmental funds:

**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.

**Capital Project Fund**

The Capital Project Fund is used to account for the accumulation of resources that are restricted, committed, or assigned to expenditure for the re-building of the District's fire station.

**Interfund Receivables and Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds."

**Accounts Receivable**

Accounts receivable are stated at face amount, net of an allowance for uncollectible accounts. The District recognizes uncollectible accounts on an individual basis. There is no reserve for uncollectible accounts at September 30, 2016.

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements. The District has elected to treat these items under the purchase method for the governmental fund financial statements. As such, the costs are recognized immediately as expenditures when paid.

**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 for all capital assets except infrastructure. Infrastructure assets with a cost exceeding \$5,000 and an estimated useful life of one year or more are capitalized. Capital assets are recorded at historical cost if purchased or constructed. 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.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

| <u>Asset</u>              | <u>Years</u> |
|---------------------------|--------------|
| Building                  | 20-40        |
| Leasehold Improvements    | 2            |
| Fire and Rescue Vehicles  | 5-20         |
| Fire and Rescue Equipment | 5-40         |
| Furniture and Fixtures    | 7-30         |
| Pagers and Radios         | 5            |

**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 of each year, the District Fire Chief submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing on the upcoming first day of October. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayers comments.
3. The budget is adopted by approval of the Board of Commissioners.
4. Budget transfers can be made throughout the year between expenditure accounts within a fund by approval of the Board of Commissioners.

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets and Budgetary Accounting (Continued)**

5. Budget amounts, as shown in these financial statements, are as originally adopted and as finally amended by the Board of Commissioners.
6. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States. Budgeted appropriations lapse at year-end.
7. The level of control for appropriations is exercised at the fund level. There were no supplemental appropriations during the year ended September 30, 2016.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources reported in the District's statement of net position represent changes in actuarial assumptions, the net difference between projected and actual earnings on Health Insurance Subsidy Program investments, changes in the proportion and differences between the District's contributions and proportionate share of contributions, and the District's contributions subsequent to the measurement date, relating to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program. These amounts will be recognized as increases in pension expense in future years.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources reported in the District's statement of net position represent the difference between expected and actual economic experience, the net difference between projected and actual earnings on Florida Retirement System Pension investments, and changes in the proportion and differences between the District's contributions and proportionate share of contributions relating to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program. These amounts will be recognized as reductions in pension expense in future years.

**Pensions**

In the government-wide statements of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) and additions to/deductions from FRS's and HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and HIS plans. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds of employee contributions are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Compensated Absences**

The District's employees accumulate sick and vacation leave based on years of continuous service. District policy allows employees to accumulate vacation leave up to a maximum of 432 hours. Upon termination of employment, an employee will receive payment for accumulated vacation leave. District policy allows employees to accumulate sick leave up to a maximum of 1,440 hours. Upon termination of employment, an employee may receive payment of one-half of the sick leave accumulated.

The amount of compensated absences recorded as a liability in the General Fund would be the amount currently payable due to an employee termination. The District has no current portion in the current year. Both the current and non-current portion of compensated absences is reported in the statement of net position.

**Impact Fees**

The District receives impact fees in accordance with an interlocal agreement with Lee County, Florida. Impact fees collected by Lee County are remitted on a quarterly basis to the District. The District, with prior Lee County approval, may expend amounts collected on qualifying capital expenditures. Funds received that are not expended within twenty years must be refunded.

Because of the eligibility requirements imposed in the agreement, (1) prior approval before expenditure and (2) refund if not expended, the District records receipts of funds as restricted cash.

**Fund Balances**

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.

Non Spendable Fund Balance – Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash (such as inventories and prepaid amounts) and items such as long-term amount of loans and notes receivable, as well as property acquired for resale. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

Restricted Fund Balance – Amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balances (Continued)**

Committed Fund Balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the District’s Board of Commissioners, the District’s highest level of decision making authority. Commitments may be changed or lifted only by the Board of Commissioners taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned Fund Balance – Includes spendable fund balance amounts established by the administration of the District that are intended to be used for specific purposes that are neither considered restricted or committed.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been restricted, committed, or assigned to specific purposes within the general fund. Unassigned fund balance may also include negative balances for the general fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District expends restricted amounts first when both restricted and unrestricted fund balances are available unless there are legal documents that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. 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**

Unassigned fund balance is the residual classification for the general fund and represents fund balance that has not been restricted, committed or assigned to specific purposes within the general fund.

Annually, if prior committed or assigned fund balances cause the unassigned fund balance to fall below 17% of general fund operating expenditures, the Fire Chief will notify the Board of Commissioners in order for the necessary action to be taken to restore the unassigned fund balance to 17% of the general fund operating expenditures within no more than two years.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 2 CASH AND INVESTMENTS**

**Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. In accordance with its policy, all District depositories are banks designated by the Florida Chief Financial Officer as qualified public depositories. Chapter 280 of the Florida Statutes, "Florida Security for Public Deposits Act," provides procedures for public depositories to ensure public monies in banks and saving and loans are collateralized with the Florida Chief Financial Officer as agent for the public entities. Chapter 280 defines deposits as demand deposit accounts, time deposit accounts, and nonnegotiable certificates of deposit.

Financial institutions qualifying as public depositories shall deposit with the Florida Chief Financial Officer eligible collateral at the pledging level required pursuant to Chapter 280. The Florida Security for Public Deposits Act has a procedure for the payment of losses in the event of a default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof, and therefore, the District is not exposed to custodial credit risk for its deposits.

**Investments**

In accordance with its policy and Section 218.415(17), Florida Statutes, the District is authorized to invest its funds in the Florida PRIME™ (PRIME) Trust Fund (formerly the Local Government Surplus Funds Trust Fund Investment Pool), which is administered by the Florida State Board of Administration (SBA) under the regulatory oversight of the State of Florida, Chapter 19-7 of the Florida Administrative Code.

The SBA Florida PRIME meets the criteria of a Rule 2a-7 like pool and the investments are valued using the account balance which is stated at amortized cost. Rule 2a-7 is the rule that permits money market funds to use amortized cost to maintain a constant net asset value (NAV) of \$1.00 per share. The weighted average days to maturity (WAM) of the Florida PRIME at September 30, 2016 was 50 days.

The District's investment in the SBA Florida Prime investment pool was rated AAAM by Standard and Poor's as of September 30, 2016.

The balance of the District's investment in Florida PRIME was \$33,789 at September 30, 2016.

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

With regard to redemption gates relating to the SBA trust fund, Florida Statutes, Chapter 218.409(8)(a), provides that the principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time set by the Trustees exceed 15 days.

With regard to liquidity fees, Florida Statute 219.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2016, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

**NOTE 3 INTERFUND RECEIVABLE AND PAYABLE**

Due to/from other funds:

| <u>Receivable<br/>Fund</u> | <u>Payable Fund</u> | <u>Purpose of Balance</u>   | <u>Amount</u> |
|----------------------------|---------------------|---|---------------|
| General                    | Capital Projects    | Time lag between the dates transactions are recorded and payments are made. | \$ 86,222     |

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 4 CAPITAL ASSETS**

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

|  | Balance<br>9/30/2015 | Increases         | Decreases     | Balance<br>9/30/2016 |
|--|----------------------|-------------------|---------------|----------------------|
| <i>Capital Assets Not Being</i>                    |                      |                   |               |                      |
| <i>Depreciated:</i>                                |                      |                   |               |                      |
| Land   | \$ 180,170           | \$ -              | \$ -          | \$ 180,170           |
| Work in progress                                   | -                    | 471,985           | -             | 471,985              |
| <b>Total Capital Assets Not Being Depreciated</b>  | <b>180,170</b>       | <b>471,985</b>    | <b>-</b>      | <b>652,155</b>       |
| <i>Capital Assets Being</i>                        |                      |                   |               |                      |
| <i>Depreciated:</i>                                |                      |                   |               |                      |
| Fire and rescue equipment                          | 180,597              | 90,169            | 51,985        | 218,781              |
| Buildings  | 3,129,022            | -                 | -             | 3,129,022            |
| Fire and rescue vehicles                           | 427,873              | -                 | -             | 427,873              |
| Pagers and radios                                  | 103,325              | 4,360             | -             | 107,685              |
| Furniture, fixtures,<br>and equipment              | 67,604               | -                 | -             | 67,604               |
| <b>Total Capital Assets Being Depreciated</b>      | <b>3,908,421</b>     | <b>94,529</b>     | <b>51,985</b> | <b>3,950,965</b>     |
| <i>Accumulated Depreciation:</i>                   |                      |                   |               |                      |
| Fire and rescue equipment                          | 108,786              | 14,578            | 51,985        | 71,379               |
| Buildings  | 20,058               | 80,231            | -             | 100,289              |
| Fire and rescue vehicles                           | 218,026              | 25,942            | -             | 243,968              |
| Pagers and radios                                  | 99,209               | 1,176             | -             | 100,385              |
| Furniture, fixtures,<br>and equipment              | 8,470                | 9,523             | -             | 17,993               |
| <b>Total Accumulated Depreciation</b>              | <b>454,549</b>       | <b>131,450</b>    | <b>51,985</b> | <b>534,014</b>       |
| <b>Total Capital Assets Being Depreciated, net</b> | <b>3,453,872</b>     | <b>(36,921)</b>   | <b>-</b>      | <b>3,416,951</b>     |
| <b>Total Capital Assets</b>                        | <b>\$ 3,634,042</b>  | <b>\$ 435,064</b> | <b>\$ -</b>   | <b>\$ 4,069,106</b>  |

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 5 LINE OF CREDIT**

The District has an agreement with a local financial institution to provide a \$200,000 revolving line of credit. The proceeds of this line of credit can be used for working capital or other lawful purpose, as may be duly approved by the District's Board of Commissioners.

The line of credit was renewed effective April 5, 2017 and has a maturity date of April 4, 2018. Interest is charged on a floating basis at 65% of the prime rate as quoted in the Wall Street Journal. There is no collateral associated with this line of credit. During the year ended September 30, 2016, the District borrowed and repaid \$-0- under this line of credit.

**NOTE 6 LONG-TERM LIABILITIES**

Governmental activities long-term liabilities at September 30, 2016 are comprised of the following:

|  |                            |
|--|----------------------------|
| \$3,500,000 capital lease payable to a financial institution, semi-annual payments of \$118,341 including interest payable at 3.03%, due June 1, 2024. | \$ 3,204,254               |
| \$531,985 capital lease payable to a financial institution, annual payments of \$83,690, including interest payable at 2.47%, due March 1, 2023.       | 531,985                    |
| Compensated Absences   | 201,142                    |
| Net OPEB Obligation  | <u>369,610</u>             |
| Total Long-Term Liabilities  | <u><u>\$ 4,306,991</u></u> |

The following is a summary of changes in the District's long-term liabilities for the year ended September 30, 2016:

|                       | Beginning<br>Balance       | Additions                | Reductions               | Ending<br>Balance          | Due Within<br>One Year   |
|-----------------------|----------------------------|--------------------------|--------------------------|----------------------------|--------------------------|
| Compensated Absences  | \$ 184,683                 | \$ 117,617               | \$ 101,158               | \$ 201,142                 | \$ -                     |
| Net OPEB Obligation   | 421,373                    | 43,651                   | 95,414                   | 369,610                    | -                        |
| Capital Lease Payable | <u>3,340,285</u>           | <u>531,985</u>           | <u>136,031</u>           | <u>3,736,239</u>           | <u>210,753</u>           |
|                       | <u><u>\$ 3,946,341</u></u> | <u><u>\$ 693,253</u></u> | <u><u>\$ 332,603</u></u> | <u><u>\$ 4,306,991</u></u> | <u><u>\$ 210,753</u></u> |

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 6 LONG-TERM LIABILITIES (CONTINUED)**

On June 1, 2013, the District entered into a capital lease purchase agreement at an interest rate of 3.03% with a financial institution to re-build its fire station. The lease obligation is effective for the period from June 1, 2013 through June 1, 2024. Semi-annual payments began on June 1, 2014. On March 28, 2014, this agreement was amended to allow for additional proceeds of \$500,000.

On March 1, 2016, the District entered into a capital lease purchase agreement at an interest rate of 2.47% with a financial institution to purchase a new fire truck. The District was required to remit \$471,985 to the vendor to commence building the fire truck. This amount is reflected as work in progress at September 30, 2016. \$60,000 was held in an escrow account at September 30, 2016, and will be remitted upon receipt and acceptance of the completed fire truck. The lease obligation is effective for the period from March 1, 2016 through March 1, 2023. Annual payments begin on March 1, 2017.

Debt service requirements to maturity for the capital lease payable are as follows:

| Year      | Principal    | Interest   | Total        |
|-----------|--------------|------------|--------------|
| 2017      | \$ 210,753   | \$ 109,619 | \$ 320,372   |
| 2018      | 216,795      | 103,576    | 320,371      |
| 2019      | 223,013      | 97,359     | 320,372      |
| 2020      | 229,410      | 90,960     | 320,370      |
| 2021      | 235,993      | 84,377     | 320,370      |
| 2022-2024 | 2,620,275    | 211,697    | 2,831,972    |
| Total     | \$ 3,736,239 | \$ 697,588 | \$ 4,433,827 |

**NOTE 7 PROPERTY TAXES**

Property taxes are levied on November 1st 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 Captiva Island Fire Control District for the fiscal year ended September 30, 2016 was \$1.349 per \$1,000 of assessed taxable property value. Property tax revenue is recognized in the fiscal year for which the taxes are levied.

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

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 8    DEFINED BENEFIT PENSION PLANS**

**Background**

The Florida Retirement System (FRS) was created by Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The District's pension expense totaled \$279,906 for both the FRS Pension Plan and HIS Plan for the fiscal year ended September 30, 2016.

**Florida Retirement System Pension Plan**

**Plan Description**

The Florida Retirement System Pension Plan (FRS Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers Class* – Members who hold specified elective offices in local government.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.
- *Special Risk Class* – Members who are special risk employees, such as law enforcement officers, meet the criteria to qualify for this class.

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 8    DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Florida Retirement System Pension Plan (Continued)**

**Plan Description (Continued)**

Employees enrolled in the FRS Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the FRS Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the FRS Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the FRS Plan may include up to 4 years of credit for military service toward creditable service. The FRS Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The FRS Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the FRS Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits under the FRS 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 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 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 class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Florida Retirement System Pension Plan (Continued)**

**Plan Description (Continued)**

| <u>Class, Initial Enrollment, and Retirement Age/Years of Service:</u>   | <u>% Value</u> |
|--|----------------|
| <b>Regular Class members initially enrolled before July 1, 2011</b>      |                |
| Retirement up to age 62 or up to 30 years of service                     | 1.60           |
| Retirement up to age 63 or up to 31 years of service                     | 1.63           |
| Retirement up to age 64 or up to 32 years of service                     | 1.65           |
| Retirement up to age 65 or up to 33 years of service                     | 1.68           |
| <b>Regular Class members initially enrolled on or after July 1, 2011</b> |                |
| Retirement up to age 65 or up to 33 years of service                     | 1.60           |
| Retirement up to age 66 or up to 34 years of service                     | 1.63           |
| Retirement up to age 67 or up to 35 years of service                     | 1.65           |
| Retirement up to age 68 or up to 36 years of service                     | 1.68           |
| <b>Elected County Officers</b>   | 3.00           |
| <b>Senior Management Service Class</b>                                   | 2.00           |
| <b>Special Risk Regular</b>  |                |
| Service from December 1, 1970, through September 30, 1974                | 2.00           |
| Service on and after October 1, 1974                                     | 3.00           |

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. FRS Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

**Contributions**

The Florida Legislature establishes contribution rates for participating employers and employees. Effective July 1, 2011, all FRS Plan members (except those in DROP) are required to make 3% employee contributions on a pretax basis. The contribution rates attributable to the District, effective July 1, 2015, were applied to employee salaries as follows: regular employees 7.26%, special risk 22.04%, county elected officials 42.27%, senior management 21.43%, and DROP participants 12.88%. The District's contributions to the FRS Plan were \$149,477 for the year ended September 30, 2016.

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Florida Retirement System Pension Plan (Continued)**

**Pension Costs**

At September 30, 2016, the District reported a liability of \$1,537,828 for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District's proportion of the net pension liability was based on the District's contributions received by FRS during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of FRS's participating employers. At June 30, 2016, the District's proportion was .00609%, which was an increase of 0.00113% from its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the District recognized pension expense of \$249,213 for its proportionate share of FRS's pension expense. In addition, the District reported its proportionate share of FRS's deferred outflows of resources and deferred inflows of resources from the following sources:

| Description   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Economic Experience   | \$ 117,748                           | \$ 14,318                           |
| Changes in Actuarial Assumptions  | 93,034                               | -                                   |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments                              | 397,510                              | -                                   |
| Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions | 164,191                              | 45,629                              |
| District Contributions Subsequent to the Measurement Date   | 43,069                               | -                                   |
| Total   | <u>\$ 815,552</u>                    | <u>\$ 59,947</u>                    |

\$43,069 reported as deferred outflows of resources related to pensions resulting from District contributions to the FRS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Florida Retirement System Pension Plan (Continued)**

**Pension Costs (Continued)**

| <u>Year Ending September 30,</u> | <u>Amount</u> |
|----------------------------------|---------------|
| 2017                             | \$ 99,788     |
| 2018                             | 99,788        |
| 2019                             | 254,762       |
| 2020                             | 189,708       |
| 2021                             | 50,849        |
| Thereafter                       | 17,641        |

**Actuarial Assumptions**

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 2.60% per year  |
| Salary Increases          | 3.25%, Average, Including Inflation                                   |
| Investment Rate of Return | 7.60%, Net of Pension Plan Investment Expense,<br>Including Inflation |

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation, as outlined in the FRS Plan's investment policy and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u>       | <u>Target<br/>Allocation</u> | <u>Annual<br/>Arithmetic<br/>Return</u> | <u>Compound<br/>Annual<br/>(Geometric)<br/>Return</u> | <u>Standard<br/>Deviation</u> |
|--------------------------|------------------------------|---|---|-------------------------------|
| Cash                     | 1.0%                         | 3.0%                                    | 3.0%  | 1.7%                          |
| Fixed Income             | 18.0%                        | 4.7%                                    | 4.6%  | 4.6%                          |
| Global Equity            | 53.0%                        | 8.1%                                    | 6.8%  | 17.2%                         |
| Real Estate (Property)   | 10.0%                        | 6.4%                                    | 5.8%  | 12.0%                         |
| Private Equity           | 6.0%                         | 11.5%                                   | 7.8%  | 30.0%                         |
| Strategic Investments    | 12.0%                        | 6.1%                                    | 5.6%  | 11.1%                         |
| Totals                   | <u>100%</u>                  |   |   |                               |
| Assumed Inflation - Mean |                              |   | 2.6%  | 1.9%                          |

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Florida Retirement System Pension Plan (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.60% for the FRS Plan. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Pension Liability Sensitivity**

The following presents the District's proportionate share of the net pension liability for the FRS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

| Description   | 1% Decrease  | Current<br>Discount Rate | 1% Increase<br>in Discount<br>Rate |
|---|--------------|--------------------------|------------------------------------|
| FRS Plan Discount Rate  | 6.60%        | 7.60%                    | 8.60%                              |
| District's Proportionate Share of the FRS Plan<br>Net Pension Liability | \$ 2,831,246 | \$ 1,537,827             | \$ 461,229                         |

**Pension Plan Fiduciary Net Position**

Detailed information about the FRS Plan's fiduciary's net position is available in a separately-issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report. That report may be obtained through the Florida Department of Management Services website at <http://www.dms.myflorida.com>.

**Retiree Health Insurance Subsidy Program**

**Plan Description**

The Retiree Health Insurance Subsidy Program (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

**Benefits Provided**

For the fiscal year ended June 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8    DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Retiree Health Insurance Subsidy Program (Continued)**

**Contributions**

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2016, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled. The District's contributions to the HIS Plan were \$13,796 for the year ended September 30, 2016.

**Pension Costs**

At September 30, 2016, the District reported a liability of \$309,051 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District's proportion of the net pension liability was based on the District's contributions received during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all participating employers. At June 30, 2016, the District's proportion was 0.00265%, which was an increase of 0.00023% from its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the District recognized pension expense of \$30,693 for its proportionate share of HIS's pension expense. In addition, the District reported its proportionate share of HIS's deferred outflows of resources and deferred inflows of resources from the following sources:

| Description   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual   |                                      |                                     |
| Economic Experience   | \$ -                                 | \$ 704                              |
| Changes in Actuarial Assumptions  | 48,498                               | -                                   |
| Net Difference Between Projected and Actual   |                                      |                                     |
| Earnings on HIS Program Investments   | 156                                  | -                                   |
| Changes in Proportion and Differences<br>Between District Contributions and<br>Proportionate Share of Contributions | 28,873                               | -                                   |
| District Contributions Subsequent to the<br>Measurement Date  | 3,764                                | -                                   |
| Total   | <u>\$ 81,291</u>                     | <u>\$ 704</u>                       |

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 8    DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Retiree Health Insurance Subsidy Program (Continued)**

**Pension Costs (Continued)**

\$3,764 reported as deferred outflows of resources related to pensions resulting from District contributions to the FRS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

| <u>Year Ending September 30,</u> | <u>Amount</u> |
|----------------------------------|---------------|
| 2017                             | \$    13,605  |
| 2018                             | 13,605        |
| 2019                             | 13,576        |
| 2020                             | 13,561        |
| 2021                             | 12,219        |
| Thereafter                       | 10,257        |

**Actuarial Assumptions**

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                     |                                     |
|---------------------|-------------------------------------|
| Inflation           | 2.60% per year                      |
| Salary Increases    | 3.25%, Average, Including Inflation |
| Municipal Bond Rate | 2.85%                               |

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

**Discount Rate**

The discount rate used to measure the total pension liability was 2.85% for the HIS Plan. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Retiree Health Insurance Subsidy Program (Continued)**

**Pension Liability Sensitivity**

The following presents the District's proportionate share of the net pension liability for the HIS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

| Description                                    | 1% Decrease | Current    | 1% Increase in |
|--|-------------|------------|----------------|
| HIS Plan Discount Rate                         | 1.85%       | 2.85%      | 3.85%          |
| District's Proportionate Share of the HIS Plan | \$ 354,553  | \$ 309,052 | \$ 271,289     |

**Pension Plan Fiduciary Net Position**

Detailed information about the HIS Plan's fiduciary's net position is available in a separately-issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report. That report may be obtained through the Florida Department of Management Services website at <http://www.dms.myflorida.com>.

**NOTE 9 DEFINED CONTRIBUTION PLAN**

The Florida State Board of Administration (SBA) administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Special Risk Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2015-16 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class. The percentages are the same as those listed previously to the FRS Plan.

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 9 DEFINED CONTRIBUTION PLAN (CONTINUED)**

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The District's Investment Plan pension expense totaled \$7,441 for the year ended September 30, 2016.

**NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

The District adheres to GASB Statement No. 45: *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB)*, which established accounting standards for postemployment benefits. This standard does not require funding of OPEB expense, but any difference between the annual required contribution (ARC) and the amount funded during the year is required to be recorded in the employer's financial statement as an increase (or decrease) in the net OPEB obligation.

**Plan Description and Funding Policy**

The District provides post-retirement health care benefits in accordance with Section 112.0801, *Florida Statutes*, to all eligible employees who retire from the District through a cost-sharing multiple-employer defined benefit plan administered by the Lee County Board of County Commissioners.

For employees hired prior to January 1, 2006, the retiree is responsible for 50% of the cost and submits their portion prior to the District's monthly payment to its provider. There were five (5) employees hired prior to January 1, 2006, of which all five (5) have retired as of September 30, 2016 and are receiving this subsidized benefit.

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**Plan Description and Funding Policy (Continued)**

For eligible employees hired after January 1, 2006, the retirees must pay 100% of the monthly premium as determined by the insurance carrier and paid by the District. The premium varies depending on whether the retiree elects single, couple, single plus children, or family coverage.

Expenditures for postemployment health care benefits are recognized as premiums are paid, i.e. pay-as-you-go basis.

The Plan does not issue a separate financial report.

**Annual OPEB Cost and Net OPEB Obligation**

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The District has elected to calculate the ARC and related information using the alternative measurement method for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan.

| <b>Net OPEB Obligation</b>                 |            |
|--|------------|
| Annual Required Contribution               | \$ 51,814  |
| Interest on Net OPEB Obligation            | 14,748     |
| Adjustment to Annual Required Contribution | (22,911)   |
| Annual OPEB Cost                           | 43,651     |
| Contributions Made                         |            |
| Contribution to Plan                       | -          |
| Net Retiree Claims Paid by District        | (34,627)   |
| Estimated Implicit Subsidy                 | (60,787)   |
| Change in Net OPEB Obligation              | (51,763)   |
| Net OPEB Obligation, Beginning of Year     | 421,373    |
| Net OPEB Obligation, End of Year           | \$ 369,610 |

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**Annual OPEB Cost and Net OPEB Obligation (Continued)**

Information as to the District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are shown in the table below.

| <b>Schedule of Employer Contributions</b> |                        |  |                           |  |  |
|---|------------------------|--|---------------------------|--|--|
| Year<br>Ended<br>September 30,            | Annual<br>OPEB<br>Cost | Percentage of<br>Annual OPEB<br>Cost Contributed | Net<br>OPEB<br>Obligation |  |  |
| 2016                                      | \$ 43,651              | 218.58%  | \$ 369,610                |  |  |
| 2015                                      | 94,535                 | 47.18%   | 421,373                   |  |  |
| 2014                                      | 93,252                 | 44.08%   | 371,439                   |  |  |

**Funded Status and Funding Progress**

As of the most recent actuarial valuation date, October 1, 2015, the funded status of the plan was as follows:

| <b>Funded Status of the Plan</b>        |                 |
|---|-----------------|
| Actuarial valuation date                | October 1, 2015 |
| Actuarial accrued liability (AAL)       | \$ 952,971      |
| Plan assets at fair value               | -               |
| Funded ratio                            | 0.0%            |
| Covered payroll                         | 1,394,539       |
| UAAL as a percentage of covered payroll | 68%             |

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 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.

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**Methods and Assumptions (Continued)**

The following simplifying assumptions were made:

*Retirement age for active employees.* Age 55 and six years of service or age 52 and 25 years of service.

*Mortality.* Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2000 United States Life Tables for Males and for Females were used.

*Turnover.* The probability that an employee will remain employed until the assumed retirement age was determined using non-group specific age-based turnover data provided in Table 1 in Paragraph 35b of the Postemployment Benefits other than Pension Benefits Standard.

*Healthcare cost trend rate.* The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 7.2 percent initially, reduced to an ultimate rate of 5.0 percent after seven years, was used.

*Health insurance premiums.* October 1, 2015, 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.

The discount rate used was 3.5 percent. In addition, the actuarial method used was the projected unit credit with 30-year amortization method of the unfunded liability. The actuarial value of plan assets is measured at fair value. The unfunded actuarial accrued liability is being amortized as a level dollar amount over 30 years.

**Health Savings Plan**

In order to assist employees hired after January 1, 2006 to fund future health expenses, the District contributes to a retirement health savings plan provided by ICMA Retirement Corporation (the Plan), a public sector retirement plan provider. Under the provisions of the Plan, the District is required to pay an annual funding amount of \$1,500 per eligible employee into a trust held by ICMA-RC. The administrator is required to maintain separate sub-accounts in the name of each participant having an interest in the Plan. The participant's balance is subject to vesting requirements and is fully vested after the employee has been employed for six continuous years with the District. Upon a participant's separation from service with the District, the participant (or, in the event of a deceased participant, his dependents) shall be entitled to be reimbursed from the participant's sub-account for qualifying medical expenses or health care premiums incurred by the participant, subject to vesting requirements. These benefits are limited to the participant's respective sub-account balance as of the date of the claim. Alternatively, the employee may elect to apply his or her benefit to their required contribution for dependent coverage.

During the fiscal year ended September 30, 2016, the District made contributions totaling \$13,213 to the Plan.

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 11 RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance.

The District participates in the public entity risk pool administered by Florida League of Cities, Inc. for workers' compensation. The District pays an annual premium to Florida League of Cities, Inc. for this insurance program. Participation in this risk pool is non-assessable. The District transfers the risk of loss to the pool with limits of liability of \$1,000,000 per accident or disease for workers' compensation.

The Florida League of Cities, Inc. published financial report for the year ended September 30, 2016 can be obtained from the Florida League of Cities, Inc., Public Risk Service, 135 East Colonial Drive, Orlando, Florida 32853-0065.

Insurance programs for general/professional liability, automobile, and property are covered by commercial insurance. The District retains the risk of loss up to a deductible amount (ranging from \$100 to \$5,000) with the risk of loss in excess of this amount transferred to the insurance carrier with limits of liability amounts (ranging from \$1,000,000 to \$6,000,000 per occurrence) for general/professional liability, automobile, and property.

There were no significant reductions in insurance coverage as compared to the prior year. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
OTHER POSTEMPLOYMENT BENEFITS PLAN  
SCHEDULE OF FUNDING PROGRESS  
SEPTEMBER 30, 2016**

**POSTEMPLOYMENT HEALTH PLAN**

**SCHEDULE OF FUNDING PROGRESS**

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL) -<br>Projected<br>Unit Credit<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a / b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>([b - a] / c) |
|--------------------------------|--|---|------------------------------------|----------------------------|---------------------------|---|
| 10/1/2009                      | \$ -                                   | \$ 869,490  | \$ 869,490                         | 0.00%                      | \$ 597,000                | 145.64%   |
| 10/1/2012                      | \$ -                                   | \$ 1,001,760  | \$ 1,001,760                       | 0.00%                      | \$ 695,130                | 144.11%   |
| 10/1/2015                      | \$ -                                   | \$ 952,970  | \$ 952,970                         | 0.00%                      | \$ 1,394,540              | 68.34%  |

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –  
FLORIDA RETIREMENT SYSTEM PENSION PLAN <sup>1</sup>  
SEPTEMBER 30, 2016**

|  | <u>2016</u>  | <u>2015</u>  | <u>2014</u>  |
|--|--------------|--------------|--------------|
| District's Proportion of the Net Pension Liability   | 0.006090390% | 0.004956261% | 0.004680159% |
| District's Proportionate Share of the Net Pension Liability  | \$ 1,537,828 | \$ 640,168   | \$ 285,559   |
| District's Covered-Employee Payroll*   | \$ 719,026   | \$ 639,431   | \$ 620,168   |
| District's Proportionate Share of the Net Pension Liability<br>(Asset) as a Percentage of Its Covered-Employee Payroll | 213.88%      | 100.12%      | 46.05%       |
| Plan Fiduciary Net Position as a Percentage of the total<br>Pension Liability  | 84.88%       | 92.00%       | 96.09%       |

\*The Amounts Presented for Each Fiscal Year were Determined as of June 30.

<sup>1</sup> Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for only those years for which information is

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS –  
FLORIDA RETIREMENT SYSTEM PENSION PLAN <sup>1</sup>  
SEPTEMBER 30, 2016**

|  | <u>2016</u>      | <u>2015</u>      | <u>2014</u>      |
|--|------------------|------------------|------------------|
| Contractually Required Contribution                                  | \$ 149,477       | \$ 129,472       | \$ 120,607       |
| Contributions in Relation to the Contractually Required Contribution | <u>(149,477)</u> | <u>(129,472)</u> | <u>(120,607)</u> |
| Contribution Deficiency (Excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| District's Covered-Employee Payroll*                                 | \$ 729,599       | \$ 775,290       | \$ 620,915       |
| Contributions as a Percentage of Covered Employee Payroll            | 20.49%           | 16.70%           | 19.42%           |

\*The Amounts Presented for Each Fiscal Year were Determined as of September 30.

<sup>1</sup> Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for only those years for which information is

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –  
HEALTH INSURANCE SUBSIDY PENSION PLAN <sup>1</sup>  
SEPTEMBER 30, 2016**

|   | <u>2016</u>  | <u>2015</u>  | <u>2014</u>  |
|---|--------------|--------------|--------------|
| District's Proportion of the Net Pension Liability  | 0.002651765% | 0.002420540% | 0.002279482% |
| District's Proportionate Share of the Net Pension Liability   | \$ 309,051   | \$ 246,857   | \$ 213,137   |
| District's Covered-Employee Payroll*  | \$ 818,614   | \$ 735,705   | \$ 715,268   |
| District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll | 37.75%       | 33.55%       | 29.80%       |
| Plan Fiduciary Net Position as a Percentage of the total Pension Liability  | 0.97%        | 0.50%        | 0.99%        |

\*The Amounts Presented for Each Fiscal Year were Determined as of June 30.

<sup>1</sup> Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for only those years for which information is

**CAPTIVA ISLAND FIRE CONTROL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS –  
HEALTH INSURANCE SUBSIDY PENSION PLAN <sup>1</sup>  
SEPTEMBER 30, 2016**

|  | <u>2016</u>     | <u>2015</u>     | <u>2014</u>    |
|--|-----------------|-----------------|----------------|
| Contractually Required Contribution                                  | \$ 13,796       | \$ 10,718       | \$ 8,693       |
| Contributions in Relation to the Contractually Required Contribution | <u>(13,796)</u> | <u>(10,718)</u> | <u>(8,693)</u> |
| Contribution Deficiency (Excess)                                     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>    |
| District's Covered-Employee Payroll*                                 | \$ 831,087      | \$ 782,658      | \$ 716,016     |
| Contributions as a Percentage of Covered Employee Payroll            | 1.66%           | 1.37%           | 1.21%          |

\*The Amounts Presented for Each Fiscal Year were Determined as of September 30.

<sup>1</sup> Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for only those years for which information is

**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  
Captiva Island Fire Control District  
Captiva, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Captiva Island Fire 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, and have issued our report thereon dated May 8, 2017.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District’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 District’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Fort Myers, Florida  
May 8, 2017

## MANAGEMENT LETTER

Board of Commissioners  
Captiva Island Fire Control District  
Captiva, Florida

### Report on the Financial Statements

We have audited the financial statements of the Captiva Island Fire Control District (the District), Florida, as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated May 8, 2017.

### Auditors' Responsibility

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; and Chapter 10.550, Rules of the Florida Auditor General.

### Other Reports

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* dated May 8, 2017 and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General dated April 21, 2017. Disclosures in those reports should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and recommendations made in the preceding annual financial audit report.

### Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The District discloses this information in Note 1 to the financial statements.

### Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and 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 condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

**Financial Condition (Continued)**

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.

**Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 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. The District does not have any special district component units.

**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 did not have any such recommendations.

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 did not have any such findings.

**Purpose of this Letter**

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



**CliftonLarsonAllen LLP**

Fort Myers, Florida  
May 8, 2017



# Captiva Island Fire Control District

14981 Captiva Drive; P.O. Box 477, Captiva, Florida 33924 Phone: (239) 472-9494



May 8, 2017

Martin A. Redovan, CPA  
CliftonLarsonAllen LLP  
Certified Public Accountants  
Fort Myers, Florida

RE: Response to Management Letter

Dear Mr. Redovan,

The District is writing in response to the Management Letter for the audited financial statements of the year ended September 30, 2016.

The District has received the Auditor's Management Letter as required by Auditor General rule 10.554(1)(i) and acknowledges that the Auditor found that there were no current year comments or recommendations.

Respectfully submitted,

CAPTIVA ISLAND FIRE CONTROL DISTRICT

A handwritten signature in cursive script, appearing to read "Rich Dickerson".

Rich Dickerson  
Fire Chief



**CliftonLarsonAllen**

CliftonLarsonAllen LLP  
CLAconnect.com

## **INDEPENDENT ACCOUNTANTS' REPORT**

Board of Commissioners  
Captive Island Fire Control District  
Captive, Florida

We have examined the Captive Island Fire Control District's (the District) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds, 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 the District and the Florida Auditor General and is not intended to be, and should not be, used by anyone other than these specified parties.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Fort Myers, Florida  
April 21, 2017