

Lee County Mosquito Control District

FINANCIAL STATEMENTS

Year Ended September 30, 2018



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Lee County Mosquito Control District
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September 30, 2018

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REPORT





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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Lee County Mosquito Control District (the "District"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the Auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Lee County Mosquito Control District as of September 30, 2018, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2019 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 solely 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Tampa, Florida

June 28, 2019



**MANAGEMENT DISCUSSION AND
ANALYSIS**

Lee County Mosquito Control District Management's Discussion and Analysis

We, as management of the Lee County Mosquito Control District (the "District"), offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2018. The information presented in this MD&A should be considered in conjunction with the accompanying financial statements.

District Highlights:

- The Lee County Mosquito Control District is an independent special district, which operates under Chapter 388, Florida Statutes, and is governed by a seven member Board of Commissioners. The commissioners are elected for a four-year term.
- The District employs 90 full-time employees and numerous part-time employees.
- The primary location for operations is at the Lee County Mosquito Control District Headquarters at the old Buckingham Army Airfield with seven separate heliports located throughout the county. The District and its operations are located in Lee County, which is located on the southwest coast of Florida.
- Ground and aerial mosquito control services were provided to residents and the public at large within the District's boundary in Lee County during the fiscal year ended September 30, 2018.

Financial Highlights:

- The District's assets exceed its liabilities at the close of the fiscal year by \$19,055,627 (net position).
- Included in total net position is an unrestricted deficit of \$20,243,989. The unrestricted deficit is a result of adopting GASB statements 43, 45, 68, 71 and 75 for reporting long-term pension and healthcare benefit liabilities.
- The District's total net position increased by \$6,972,598. This increase is discussed further in the government-wide financial analysis.
- Total liabilities increased by \$16,004,958 during the fiscal year. The net pension liability assigned to the District by the Florida Retirement System increased by \$91,364 and the post-employment healthcare liability of the District decreased by \$713,470.
- At the close of the current fiscal year, the ending fund balance was \$17,246,466 a increase of \$6,406,893, or 59.1%, from the 2017 ending fund balance of \$10,839,573.
- Of this balance, \$3,086,195 is nonspendable, consisting of prepaid insurance and inventories, and \$3,601,784 is assigned for the fiscal year end September 30, 2019, budgeted decrease in fund balance. The remaining \$10,558,487 is available for spending at the District's discretion (unassigned fund balance).

Overview of the Financial Statements:

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

Government-Wide Financial Statements:

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

The *Statement of Net Position* (Page 11) presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. The District's capital assets (property, plant, and equipment) are included in this statement and reported net of their accumulated depreciation.

The *Statement of Activities* (Page 12) presents revenue and expense information showing how the District's net position changed during the fiscal year. Both statements are measured and reported using the economic resource measurement focus (revenues and expenses) and the accrual basis of accounting (revenue recognized when earned and expense recognized when cost is incurred).

Fund Financial Statements:

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

The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The *Governmental Fund Financial Statements* begin on page 13 and provide a more detailed look at the District's most significant activities. An accounting method called modified accrual accounting is utilized to measure cash and all other financial assets that can readily be converted to cash. These statements provide a detailed short-term view of the general government operations and the basic services provided. You will find reconciliations on pages 14 and 16 that convert the data to an economic resource measurement focus and the accrual basis of accounting for use in the government-wide financial statements.

Notes to Financial Statements:

The notes to the financial statements explain in detail some of the data contained in the preceding statements and begin on page 18. These notes are essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis:

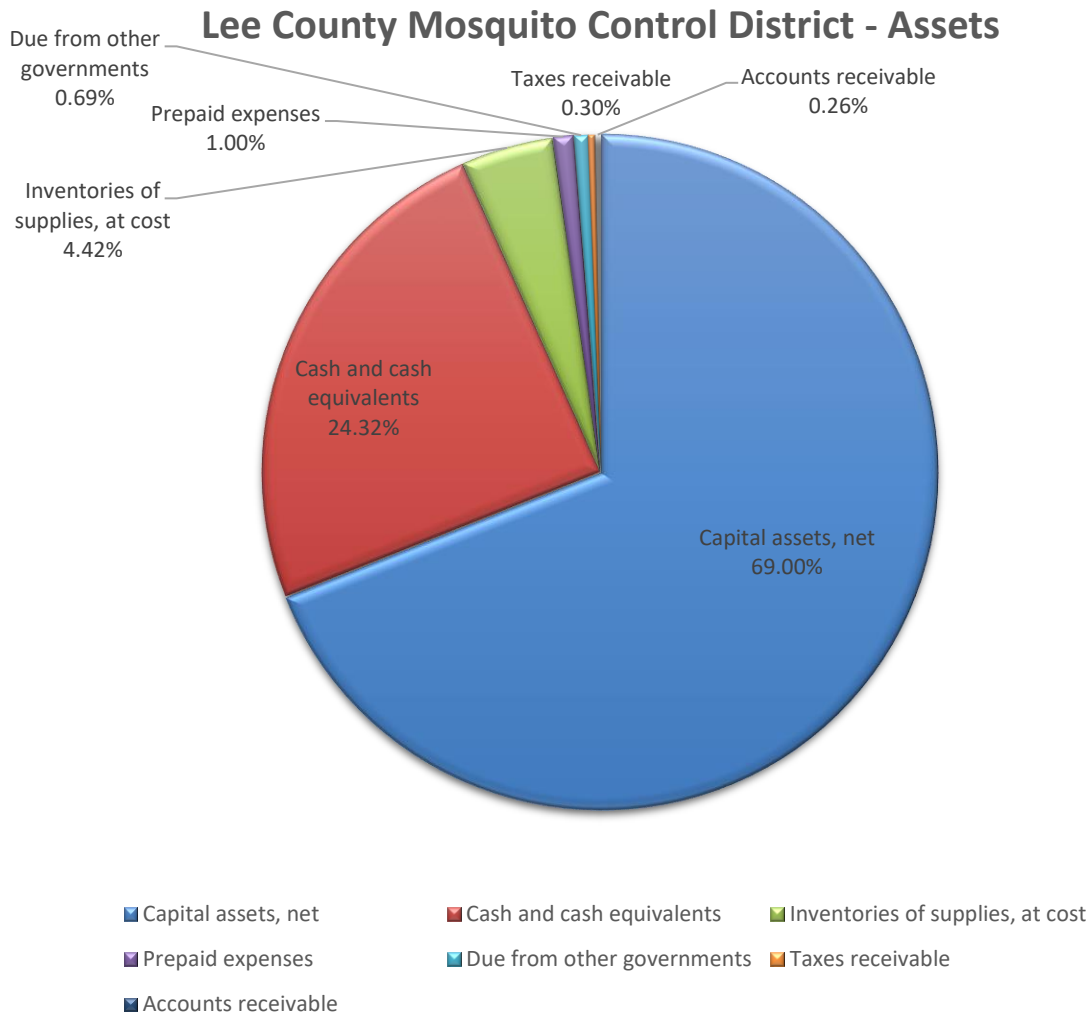
Net position may serve as a useful indicator of an agency's financial position. The District's net position as of September 30, 2018 was \$19,055,627. Its revenues, which include property taxes, interest on investments, and miscellaneous income, totaled \$23,409,421 (general revenue plus program revenue). Total program expenses were \$16,436,823.

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

Summary of Net Position

	09/30/18	09/30/17	Difference
Current and Other Assets	\$ 17,654,128	\$ 11,461,219	\$ 6,192,909
Capital Assets	39,299,616	22,154,151	17,145,465
Total Assets	56,953,744	33,615,370	23,338,374
Deferred Outflows	2,469,511	2,585,011	(115,500)
Current and Other Liabilities	2,714,851	1,026,810	1,688,041
Long-Term Liabilities	36,938,651	22,621,734	14,316,917
Total Liabilities	39,653,502	23,648,544	16,004,958
Deferred Inflows	714,126	468,808	245,318
Net Position			
Invested in Capital Assets	39,299,616	22,154,151	17,145,465
Unrestricted (deficit)	(20,243,989)	(10,071,122)	(10,172,867)
Total Net Position	\$ 19,055,627	\$ 12,083,029	\$ 6,972,598

Summary of Net Position (Continued)

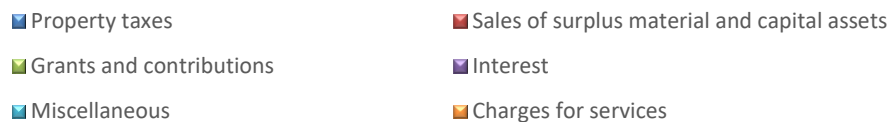
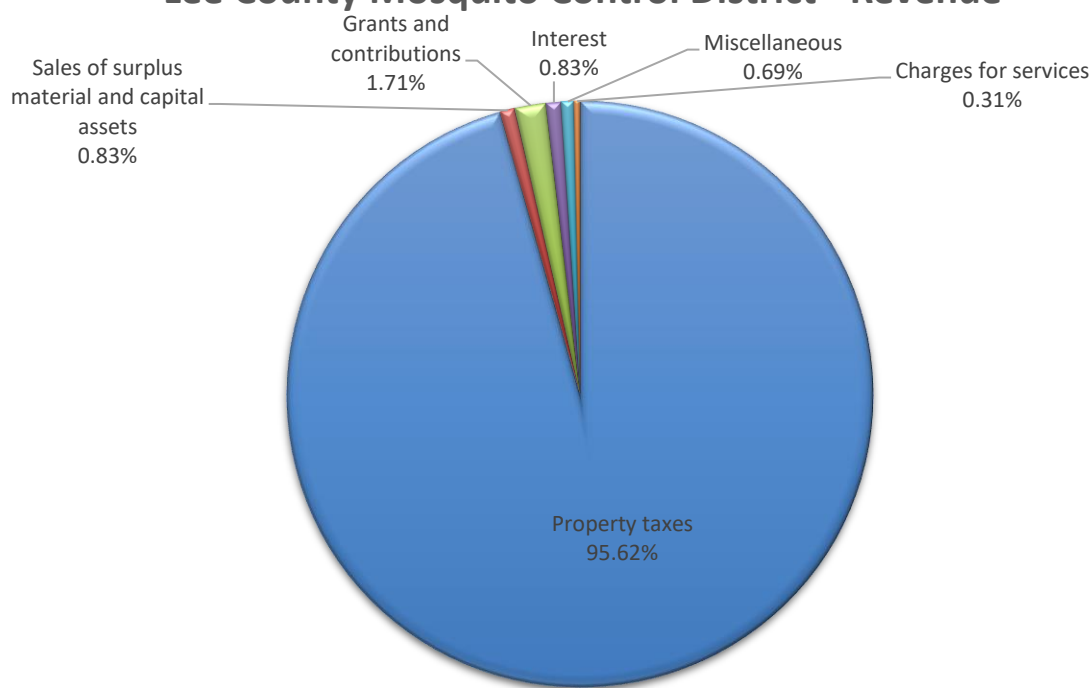


During the past year, total assets increased by \$23,338,374 and total liabilities increased by \$16,004,958. Deferred outflows decreased by \$115,500 and deferred inflows increased by \$245,318. Net position increased by \$6,972,598, primarily due to an increase in the ad valorem tax rate, the sale of an airplane and four helicopters from the existing fleet and the purchase through a lease agreement with SunTrust Equipment Leasing Corporation of six new Airbus helicopters. The District made its fourth contribution to the Retiree Health Insurance Trust Fund for \$1,500,000 in 2018. In fiscal year 2018, total program expenses decreased by \$940,109 from 2017 due to a decrease in contributions to the Lee County Mosquito Hyacinth Control Districts Retiree Health Insurance Trust Fund and for debt service expenditures for the new Airbus helicopter lease. The balance in cash and investments increased \$4,709,969, primarily due to an increase in the ad valorem tax rate to fund the debt service on the new helicopter purchases and due to the sale of part of the existing fleet of aircraft. The value of the capital assets increased due to aircraft and equipment acquisitions.

Summary Changes in Net Position

	09/30/18	09/30/17	Difference
Revenues			
Program revenues:			
Charges for services	\$ 66,620	\$ 78,697	\$ (12,077)
General revenues:			
Property taxes	20,745,085	16,404,518	4,340,567
Interest	180,788	55,498	125,290
Miscellaneous	150,636	85,997	64,639
Grants and contributions	371,653	50,020	321,633
Gain on sales of surplus material and capital assets	1,894,639	-	1,894,639
Total revenues	\$ 23,409,421	\$ 16,674,730	\$ 6,734,691
Expenses			
Physical environmental services	\$ 16,066,715	\$ 17,376,932	\$ (1,310,217)
Interest on long term debt	370,108	-	370,108
Decrease in Net Position	\$ 6,972,598	\$ (702,202)	\$ 7,674,800
Net position - beginning of fiscal year	\$ 12,083,029	\$ 12,785,231	\$ (702,202)
Net position - end of fiscal year	\$ 19,055,627	\$ 12,083,029	\$ 6,972,598

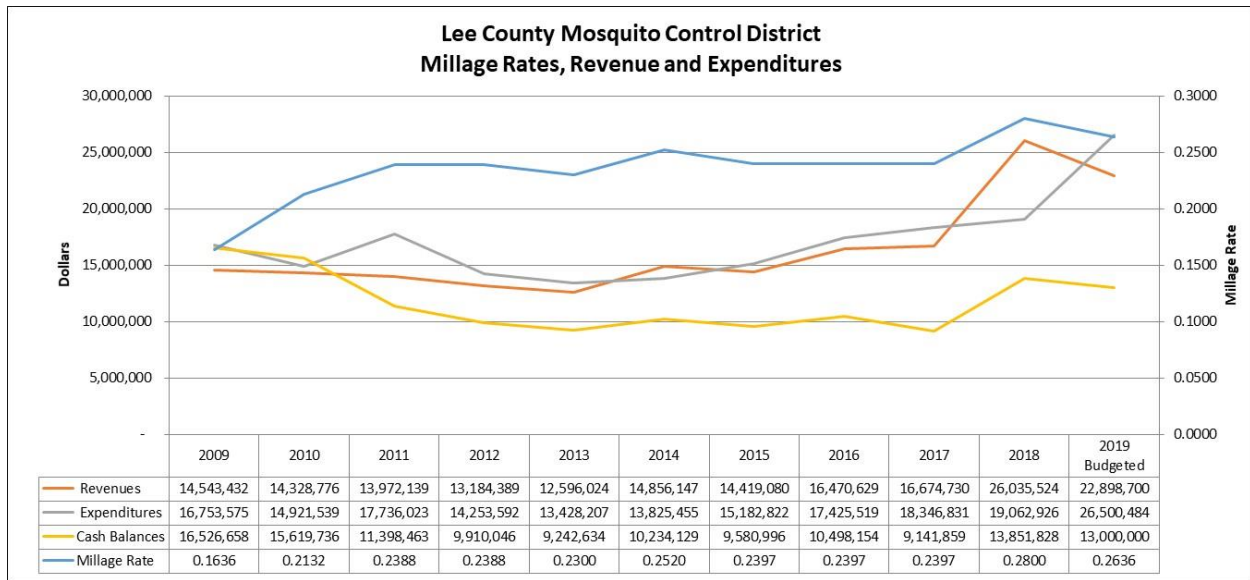
Lee County Mosquito Control District - Revenue



Summary Changes in Net Position (Continued)

Total revenue increased by \$6,734,691. Property taxes totaled \$20,745,085 in 2018 and represented 95.62% of the District’s revenues. Total fund revenue increased due to an increase in ad valorem tax rates. Grant revenue increased due to grants received for Hurricane Irma cleanup and repairs. Total expenses decreased by \$940,109. Net position increased at the end of the fiscal year primarily due to the reasons for the revenue changes discussed above.

The chart below reflects revenues, expenses, and millage rates for the past ten years and projections for the upcoming fiscal year (FY 2018-2019). For more information on the 2019 budgeted revenues and expenditures, refer to the “Economic Factors and Next Year’s Budget and Rates” section on page 11.



Budgetary Highlights:

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

The budget also authorizes the District to obtain funds from identified sources to finance these current period activities. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund is provided on page 17 and denotes changes in the budget from the original to the final budget. The comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the original legal budget document.

Budgetary Highlights: (Continued)

Variances from the original budget as compared to the final budget are depicted on page 17. The difference between the final amended budgeted expenditures and actual expenditures represents a positive variance of \$4,418,664. The variance is due primarily to lower than budgeted costs for personnel services and benefits and repair and maintenance of aircraft and for chemical purchases.

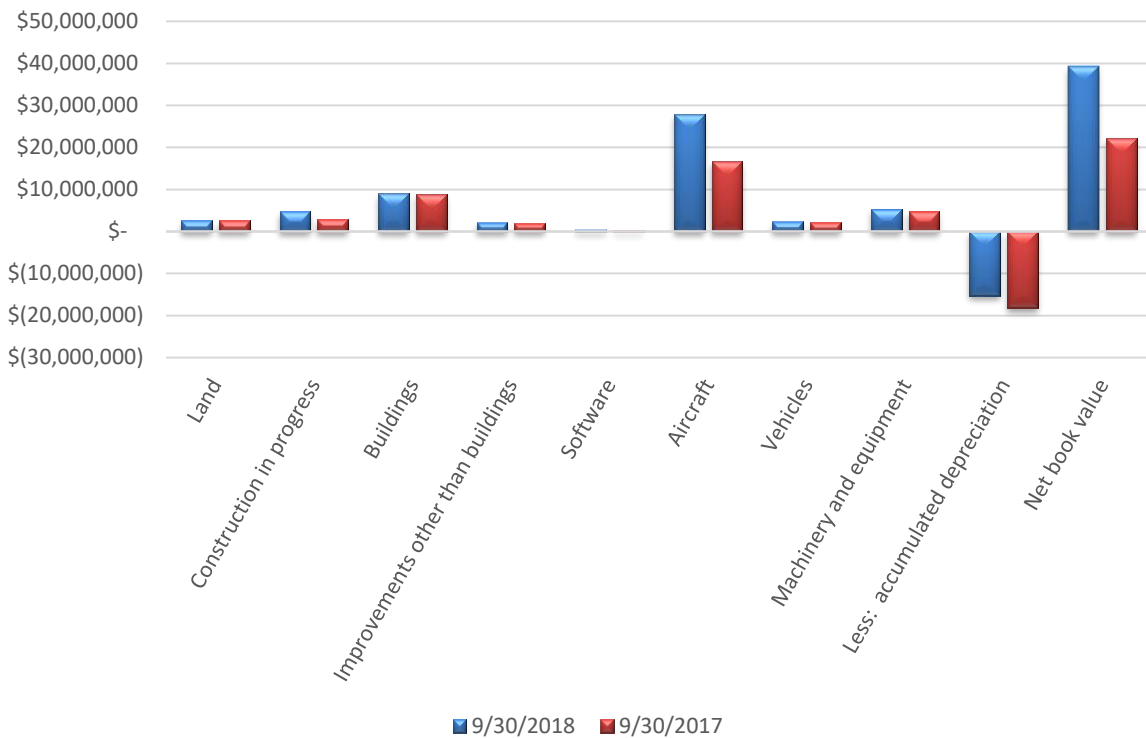
Capital Asset and Debt Administration

The District's investment in capital assets at year-end is \$39,299,616 (net of accumulated depreciation) which includes property, plant, and equipment with a threshold of \$1,000 and an estimated useful life of more than one year. Assets are recorded at the lesser of cost when purchased or constructed and at fair value at the date of donation and are depreciated utilizing the straight-line method. Maintenance and repairs of aircraft are not capitalized.

At September 30, 2018, the District's long-term liabilities were comprised of a capital lease for helicopters, accrued compensated absences, net OPEB obligation payables, and a net pension obligation. For more information on the capital lease for helicopters, accrued compensated absences, postemployment benefits other than pensions, and the net pension obligation, please see Note 1 on page 18, Note 5 on page 25, and Note 7 & 8 on page 26 and page 32, respectively, of the Notes to Financial Statements. For more information on Capital assets, please see Note 4 on page 24, of the Notes to Financial Statements. For more information on the State of Florida Pension Plan, please see Note 7 on page 26, of the Notes to Financial Statements.

	09/30/18	09/30/17
Land	\$ 2,595,912	\$ 2,595,912
Construction in progress	4,782,238	2,926,520
Buildings	9,006,892	8,929,899
Improvements other than buildings	2,119,827	1,992,633
Software	511,639	313,421
Aircraft	27,912,006	16,684,390
Vehicles	2,290,073	2,238,388
Machinery and equipment	5,354,342	4,728,463
Total assets	54,572,929	40,409,626
Less: accumulated depreciation	(15,273,313)	(18,255,475)
Net book value	\$ 39,299,616	\$ 22,154,151

Lee County Mosquito Control District Capital Assets



Economic Factors and Next Year’s Budget and Rates:

In September of 2018, the Board of Commissioners approved total budgeted revenues of \$22,898,700 for fiscal year 2019. The adopted millage rate of .2636 mills per thousand produced Ad Valorem taxes in the amount of \$20,732,700, a decrease of \$2,400 over the prior year. Property taxes are the largest source of revenue for the Lee County Mosquito Control District.

Budgeted revenues remained stable for the 2018-2019 fiscal year. Expenditures are budgeted to increase by \$2,453,189. The increase in budgeted expenditures reflects the acquisition of Woodstock Airport on Pine Island for larviciding operations and the lease/purchase payments for six new Airbus helicopters for mosquito control operations and the purchase of specialized equipment for the new Sterilized Insect Technique (SIT) program. Included in the budgeted expenditure total is another contribution to the Retiree Health Insurance Trust Fund totaling \$3,500,000 for post-employment health insurance benefits. The District’s board adopted the 2018-2019 budget in keeping with its goal of lowering fund balance and maintaining service levels.

Contacting the District’s Financial Management:

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



**GOVERNMENT-WIDE FINANCIAL
STATEMENTS**

Lee County Mosquito Control District
Statement of Net Position
September 30, 2018

Assets	
Cash and investments	\$ 13,851,828
Taxes receivable	173,647
Due from other governments	395,112
Accounts receivable	147,346
Prepaid expenses	569,144
Inventories of supplies, net	2,517,051
<hr/>	
Total current assets	17,654,128
<hr/>	
Capital assets:	
Land	2,595,912
Construction in progress	4,782,238
Buildings	9,006,892
Improvements other than buildings	2,119,827
Software	511,639
Aircraft	27,912,006
Vehicles	2,290,073
Machinery and equipment	5,354,342
Less accumulated depreciation	(15,273,313)
<hr/>	
Total capital assets	39,299,616
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Total assets	56,953,744
<hr/>	
Deferred Outflow of Resources	
Deferred outflows for pensions	2,469,511
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Liabilities	
Accounts payable	51,974
Due to other governments	148,386
Accrued wages payable	207,302
Current portion of accrued compensated absences	171,002
Current portion of capital lease obligation	2,136,187
<hr/>	
Total current liabilities	2,714,851
<hr/>	
Noncurrent liabilities:	
Capital lease obligation	14,763,256
Net OPEB liability	15,118,615
Accrued compensated absences	653,966
Net pension liability	6,402,814
<hr/>	
Total noncurrent liabilities	36,938,651
<hr/>	
Total liabilities	39,653,502
<hr/>	
Deferred Inflow of Resources	
Deferred inflows for OPEB	8,183
Deferred inflows for pensions	705,943
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Total deferred inflows	714,126
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Net Position	
Invested in capital assets	39,299,616
Unrestricted (deficit)	(20,243,989)
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Total net position	\$ 19,055,627
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The accompanying notes are an integral part of these financial statements.

Lee County Mosquito Control District
Statement of Activities
Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues Charges for Services	Net Expense and Changes in Net Position Total
General Government			
Physical environment services	\$ 16,066,715	\$ 66,620	\$ (16,000,095)
Interest on capital lease	370,108	-	(370,108)
Total program	16,436,823	66,620	(16,370,203)
General revenues			
Property taxes			20,745,085
Government grants			371,653
Interest income			180,788
Miscellaneous income			150,636
Gain on sales of surplus material and capital assets			1,894,639
		Total general revenues	23,342,801
		Change in net position	6,972,598
		Net position - beginning of year	12,083,029
		Net position - end of year	\$ 19,055,627

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



FUND FINANCIAL STATEMENTS

**Lee County Mosquito Control District
Balance Sheet – General Fund
September 30, 2018**

ASSETS	
Cash and investments	\$ 13,851,828
Taxes receivable	173,647
Due from other governments	395,112
Accounts receivable	147,346
Prepaid expenditures	569,144
Inventories of supplies, net	2,517,051
<hr/>	
Total assets	\$ 17,654,128
<hr/> <hr/>	
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable and accrued liabilities	\$ 51,974
Accrued wages and payroll taxes payable	207,302
Due to other governments	148,386
<hr/>	
Total liabilities	407,662
<hr/>	
FUND BALANCES	
Nonspendable:	
Prepaid and inventories	3,086,195
Assigned for subsequent year's budget deficit	3,601,784
Unassigned	10,558,487
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Total fund balance	17,246,466
<hr/>	
Total liabilities and fund balance	\$ 17,654,128
<hr/> <hr/>	

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

**Lee County Mosquito Control District
Reconciliation of the Balance Sheet to the Statement
of Net Position
September 30, 2018**

Fund balance \$ 17,246,466

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

Capital assets used in governmental activities are not financial resources and are, therefore, not reported on the governmental balance sheet. 39,299,616

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental fund

 Capital lease obligation (16,899,443)

 Compensated absences (see Note 5) (824,968)

 Net pension liability (see Note 7) (6,402,814)

 Net OPEB liability (see Note 8) (15,118,615)

Deferred outflows and inflows associated with pensions are not reported in the governmental funds.

 Deferred outflows related to pensions 2,469,511

 Deferred inflows related to pensions (705,943)

 Deferred inflows OPEB (8,183)

Net position **\$ 19,055,627**

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

**Lee County Mosquito Control District
Statement of Revenues, Expenditures, and
Changes in Fund Balance – General Fund
Year Ended September 30, 2018**

Revenues

Property taxes	\$	20,745,085
Charges for services		66,620
Grants		371,653
Miscellaneous income		
Interest income		180,788
Miscellaneous income		150,636
Total revenues	\$	21,514,782

Expenditures

Current		
Physical environment - mosquito control		
Personnel services	\$	9,813,201
Operating expenditures		5,000,325
Debt service		
Principal		1,564,157
Interest		370,108
Capital outlay		
Capital expenditures		21,344,440
Total expenditures		38,092,231

Other financing sources

Proceeds from capital lease	18,463,600
Sales of surplus material and capital assets	4,520,742
Total other financing sources	22,984,342

Excess of expenditures over revenues	6,406,893
Fund balance, beginning of year	10,839,573
Fund balance, end of year	\$ 17,246,466

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

Lee County Mosquito Control District
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance to the Statement of Activities
Year Ended September 30, 2018

Net change in fund balance \$ 6,406,893

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

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

Expenditures for capital assets	21,419,253	
Less current year depreciation	(1,647,685)	19,771,568

Governmental funds report cash proceeds on sales of capital assets as other financing sources. However in the statement of activities net gain on sale of capital assets are reported as general revenues

Cash proceeds	(4,520,742)	
Net gain on sale of capital assets	1,894,639	(2,626,103)

The issuance of capital lease 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. This is the amount by which repayments exceeded proceeds:

Issuance of capital lease	(18,463,600)	
Principal payments on capital lease	1,564,157	(16,899,443)

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

Change in compensated absences (see Note 5)	58,395	
Change in net pension liability (see Note 7)	(91,364)	
Change in deferred inflows related to pensions	(115,500)	
Change in deferred outflows related to pensions	(256,114)	
Change in net OPEB liability (see Note 8)	732,449	
Change in deferred inflows related to OPEB	(8,183)	319,683

Change in net position		\$ 6,972,598
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The accompanying notes are an integral part of these financial statements.

Lee County Mosquito Control District
Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Fund
Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues				
Ad valorem Taxes	\$ 20,735,100	\$ 20,735,100	\$ 20,745,085	\$ 9,985
Charges for services	69,000	69,000	66,620	(2,380)
Grants	-	-	371,653	-
Miscellaneous income				
Interest	45,000	45,000	180,788	135,788
Miscellaneous	10,000	10,000	150,636	140,636
Total revenues	\$ 20,859,100	\$ 20,859,100	\$ 21,514,782	\$ 284,029
Expenditures				
Physical environment - mosquito control				
Personnel services				
Personnel services	\$ 6,323,372	\$ 6,323,372	\$ 6,034,883	\$ 288,489
Benefits	4,101,745	4,101,745	3,778,318	323,427
Operating expenditures				
Operating expenses	806,800	1,006,800	994,619	12,181
Travel and per diem	150,000	150,000	133,363	16,637
Communications services	56,000	81,000	77,388	3,612
Freight & postage services	14,000	14,000	9,995	4,005
Utilities	196,000	221,000	220,292	708
Rentals and leases	2,095,878	161,613	136,363	25,250
Insurance	445,000	495,000	484,432	10,568
Repairs & maintenance	1,220,000	1,220,000	526,389	693,611
Printing & binding	-	500	398	102
Promotional activities	-	1,000	871	129
Other current charges	75,000	75,000	42,297	32,703
Office supplies	22,000	22,000	13,910	8,090
Gasoline/oil/lube	430,000	430,000	267,956	162,044
Chemicals	2,500,000	2,500,000	1,727,799	772,201
Protective devices	45,000	45,000	25,355	19,645
Miscellaneous supplies	145,000	145,000	152,964	(7,964)
Small tools	-	-	3,438	(3,438)
Tools & implements	-	5,000	-	5,000
Books-pubs-sub-member	110,000	140,000	98,088	41,912
Training	110,000	110,000	84,408	25,592
Grants & aids	60,000	60,000	-	60,000
Debt service				
Principal	-	1,564,157	1,564,157	-
Interest	-	370,108	370,108	-
Capital outlay				
Capital expenditures	5,141,500	23,268,600	21,344,440	1,924,160
Total expenditures	24,047,295	42,510,895	38,092,231	4,418,664
Other financing sources				
Proceeds from capital lease	-	18,463,600	18,463,600	-
Sales of surplus material and capital assets	25,500	25,500	4,520,742	4,495,242
Total other financing sources	25,500	18,489,100	22,984,342	4,495,242
Excess of expenditures over revenues	(3,162,695)	(3,162,695)	6,406,893	(360,607)
Fund balance, beginning of year	5,637,305	5,637,305	10,839,573	5,202,268
Fund balance, end of year	\$ 2,474,610	\$ 2,474,610	\$ 17,246,466	\$ 4,841,661

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

Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2018

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

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

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

Governmental Accounting Standards Board (GASB) requires the financial statements of a reporting entity to include its component units, if any. A component unit is a legally separate organization for which the elected officials of the primary government or financial reporting entity are financially accountable. Based on the aforementioned criteria, there are no component units included in the District’s financial statements.

Basic Financial Statements

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

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

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

Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2018

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

Measurement Focus and Basis of Accounting, and Financial Statement Presentation

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

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when such liabilities have matured.

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

Fund Accounting

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

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

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

**Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2018**

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

Budgets and Budgetary Accounting

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

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

Capital Assets

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

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

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

Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2018

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

Inventories

Inventories, consisting primarily of chemicals, fuels and parts to be used in operations, are stated at the lower of cost (first-in, first-out, method) or market. Reported inventories are equally offset as nonspendable fund balance in the fund financial statement, which indicate that they do not constitute "available spendable resources." Certain parts held in inventory were acquired from other governmental agency at values established by governmental agencies. The District periodically adjusts those values to reflect the lower of cost or market. A valuation allowance totaling \$250,000 was recorded by the District for the period ending September 30, 2018.

Prepaid Items

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

Compensated Absences

The District's employees accumulate sick and annual leave based on years of continuous service. Upon termination of employment, employees can receive payment for accumulated sick and annual leave, if they meet certain criteria. Accumulated sick and annual leave payable at September 30, 2018 was \$824,968, of which \$171,002 is estimated to be currently payable.

The amount of compensated absences recorded as expenditures in the General Fund is the amount accrued during the year that would normally be liquidated with expendable available financial resources. Only compensated absences due and payable at September 30, 2018 are recorded on the balance sheet of the General Fund. Both the current and noncurrent portion of compensated absences is reported in the Statement of Net Position.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2018

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

Fund Balance

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

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

The District uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed fund balance, followed by assigned fund balance and then unassigned fund balance, when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Minimum Fund Balance Policy

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

Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2018

NOTE 2: CASH AND INVESTMENTS

Cash

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

Investments

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

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

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

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

Concentrations of Credit Risk – Concentration of credit risk represents the risk of investments in any one issue that represents 5% or more of investments. The District does not have any policies related to this risk.

Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2018

NOTE 3: INVENTORIES

Inventories consisted of the following as of September 30, 2018:

	Carrying Amount
Chemicals	\$ 1,796,964
Vehicle, fuel and other parts	585,925
Held for resale	384,162
	2,767,051
less: valuation allowance	(250,000)
	2,517,051
Total	\$ 2,517,051

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018:

	Balance October 01, 2017	Increases	Decreases	Balance September 30, 2018
<i>Non-depreciated assets:</i>				
Land	\$ 2,595,912	\$ -	\$ -	\$ 2,595,912
Construction in progress	2,926,520	2,091,992	(236,274)	4,782,238
<i>Depreciated assets:</i>				
Buildings	8,929,899	76,993	-	9,006,892
Improvements other than buildings	1,992,633	127,194	-	2,119,827
Software	313,421	198,218	-	511,639
Aircraft	16,684,390	18,007,035	(6,779,419)	27,912,006
Vehicles	2,238,388	200,280	(148,595)	2,290,073
Machinery and equipment	4,728,463	953,815	(327,936)	5,354,342
Total capital assets at historical cost	40,409,626	21,655,527	(7,492,224)	54,572,929
Less accumulated depreciation for:				
Buildings	2,969,496	112,815	-	3,082,311
Improvements other than buildings	814,536	84,893	-	899,429
Software	-	23,424	-	23,424
Aircraft	9,290,953	999,997	(4,230,804)	6,060,146
Vehicles	1,833,169	149,402	(148,595)	1,833,976
Machinery and equipment	3,347,321	277,154	(250,448)	3,374,027
Total accumulated depreciation	18,255,475	1,647,685	(4,629,847)	15,273,313
Capital assets, net	\$ 22,154,151	\$ 20,007,842	\$ (2,862,377)	\$ 39,299,616

**Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2018**

NOTE 5: CHANGES IN LONG-TERM LIABILITIES

	Balance October 01, 2017	Additions	Reductions	Balance September 30, 2018	Due Within One Year
Capital Lease	\$ -	\$ 18,463,600	\$ (1,564,157)	\$ 16,899,443	\$ 2,136,187
Compensated absences	883,363	207,960	(266,355)	824,968	171,002
Net pension liability	6,311,450	91,364	-	6,402,814	-
Net OPEB liability	15,832,085	-	(713,470)	15,118,615	-
	<u>\$ 23,026,898</u>	<u>\$ 18,762,924</u>	<u>\$ (2,543,982)</u>	<u>\$ 39,245,840</u>	<u>\$ 2,307,189</u>

Annual debt service requirements to maturity for capital leases are as follows:

Year ending September 30,	Capital lease	
	Principal	Interest
2019	\$ 2,136,187	\$ 442,831
2020	2,195,541	383,477
2021	2,256,544	322,474
2022	2,319,242	259,777
2023	2,383,682	195,337
2024-2026	5,608,247	194,544
<u>Total</u>	<u>\$ 16,899,443</u>	<u>\$ 1,798,440</u>

For the year ended September 30, 2018, interest expense of the General Fund was \$370,108.

The District has entered into a lease agreement as lessee for financing the acquisition of aircraft. The lease qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of future minimum lease payments as of the date of its inception. At September 30, 2018, the amount capitalized under capital leases totals \$17,544,125 net of accumulated depreciation of \$462,909. The imputed interest rate is 2.75%.

NOTE 6: PROPERTY TAXES

Property taxes are levied on November 1 of each year, and are due and payable upon receipt of the notice of levy. The Lee County Tax Collector's office bills and collects property taxes on behalf of the District. The tax rate levied upon all of the taxable property in the Lee County Mosquito Control District for the fiscal year ended September 30, 2018, was \$0.2800 per \$1,000 of assessed taxable property value. Property tax revenue is recognized in the fiscal year for which the taxes are levied.

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

Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2018

NOTE 7: STATE OF FLORIDA PENSION PLANS

Defined Benefit Plans

The District participates in two defined benefit pension plans that are administered by the State of Florida, Department of Management Services, Division of Retirement. The plans provide retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report may be obtained by writing to the Division of Retirement, PO Box 9000, Tallahassee, Florida, 32315-9000 or by calling (844) 377-1888.

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

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

Benefits Provided

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

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

**Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2018**

NOTE 7: STATE OF FLORIDA PENSION PLANS (Continued)

Contributions

The contribution requirements of plan members and the District are established and may be amended by the Florida Legislature. Employees are required to contribute 3.00% of their salary to the FRS. The District's contribution rates as of September 30, 2018, were as follows:

	FRS	HIS
Regular Class	6.20%	1.66%
Special Risk Class	22.84%	1.66%
Senior Management Service Class	22.40%	1.66%
Elected Officials	47.04%	1.66%
DROP from FRS	12.37%	1.66%

The District's contributions for the year ended September 30, 2018, were \$434,813 to the FRS and \$100,472 to the HIS.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2018, the District reported a liability for its proportionate shares of the net pension liabilities. The net pension liabilities were measured as of June 30, 2018. The District's proportions of the net pension liabilities were based on the District's share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	FRS	HIS
Net pension liability	\$ 4,460,567	\$ 1,942,247
Proportion at:		
Current measurement date	0.014809061%	0.018350590%
Prior measurement date	0.014608029%	0.018615846%
Pension expense (benefit)	\$ 835,690	\$ 162,572

**Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2018**

NOTE 7: STATE OF FLORIDA PENSION PLANS (Continued)

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 377,877	\$ (13,715)	\$ 29,735	\$ (3,300)
Changes of assumptions	1,457,496	-	216,002	(205,351)
Net difference between projected and actual earnings on pension plan investments	-	(344,633)	1,172	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	169,729	(100,746)	87,756	(38,198)
Employer contributions subsequent to the measurement date	106,351	-	23,393	-
Total	\$ 2,111,453	\$ (459,094)	\$ 358,058	\$ (246,849)

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2018. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending September 30,	FRS	HIS
2019	\$ 645,259	\$ 44,836
2020	410,071	44,836
2021	48,574	32,883
2022	250,121	12,471
2023	174,972	(29,909)
Thereafter	17,011	(17,301)
Total	\$ 1,546,008	\$ 87,816

Actuarial Assumptions

The total pension liability for each of the defined benefit plans was measured as of June 30, 2018. The total pension liability for the FRS Pension Plan was determined by an actuarial valuation dated July 1, 2018. For the HIS Program, the total pension liability was determined by an actuarial valuation dated July 1, 2017, rolled-forward using standard actuarial procedures. The individual entry age normal actuarial cost method was used for each plan, along with the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%
Investment rate of return	7.00%	N/A
Discount rate	7.00%	3.87%

**Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2018**

NOTE 7: STATE OF FLORIDA PENSION PLANS (Continued)

Actuarial Assumptions (Continued)

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

For both plans, the actuarial assumptions used in the valuation dated July 1, 2017 were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The following changes in key actuarial assumptions occurred in 2017:

FRS: The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 7.10% to 7.00%.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability increased from 3.58% to 3.87%.

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For the FRS Pension Plan, the table below summarizes the consulting actuary's assumptions based on the long-term target asset allocation. The reduced investment return assumption of 7.10 percent, which was adopted by the Florida Retirement System Actuarial Assumption Conference, conflicts with the consulting actuary's judgment of a reasonable assumption as defined by Actuarial Standards of Practice No. 27.

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return
Cash	1%	2.9%	2.9%
Fixed income	18%	4.4%	4.3%
Global equity	54%	7.6%	6.3%
Real estate (property)	11%	6.6%	6.0%
Private equity	10%	10.7%	7.8%
Strategic investments	6%	6.0%	5.7%
	<u>100%</u>		

**Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2018**

NOTE 7: STATE OF FLORIDA PENSION PLANS (Continued)

Discount Rate

The discount rate used to measure the total pension liability for the FRS Pension Plan was 7.00%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.87% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Sensitivity Analysis

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

	FRS			HIS		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Employer's proportionate share of the net pension liability	\$ 8,140,720	\$ 4,460,567	\$ 1,403,981	\$ 2,212,106	\$ 1,942,247	\$ 1,717,304

Pension Plans' Fiduciary Net Position

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

Defined Contribution Plan

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan ("FRS Investment Plan"), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class. Required employer contributions made to the plan during the year ended September 30, 2018, totaled \$56,418.

Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2018

NOTE 8: OTHER POSTEMPLOYMENT BENEFIT PLAN

The Plan has adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Plan Description. The Lee County Mosquito Control District provides post-employment health care and dental insurance benefits (OPEB) for retired employees and their spouses through a cost-sharing multiple-employer defined benefit plan, the Lee County Mosquito Control District/Lee County Hyacinth Control District OPEB Plan (the "Plan"). The benefits, benefit levels, employee contributions and employer contributions are governed by the Plan and can be amended by the Plan at any time. The Plan issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report may be obtained by writing to Lee County Mosquito Control, 15191 Homestead Road, Lehigh Acres, FL 33971 or by calling (239) 694-2174.

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

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

When the retiree reaches eligibility age for Medicare, Medicare must become the primary provider; the District would then provide the supplemental coverage for the remainder of the benefit period.

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

For the 2018 fiscal year, the District contributed \$1,500,000 to the Plan to prefund future benefits. Plan members receiving benefits contributed \$575,036.

**Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2018**

NOTE 8: OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2018, the District reported a liability of \$15,118,615 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined. At September 30, 2018, the District's proportion was 89.22 percent.

For the year ended September 30, 2018, the District recognized OPEB expense of \$1,320,515. At September 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 8,183
Total	\$ -	\$ 8,183

The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ended September 30:		
2019	\$	(859)
2020		(859)
2021		(859)
2022		(5,606)
2023		-
Thereafter		-
Total	\$	(8,183)

**Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2018**

NOTE 8: OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

Actuarial assumptions. The total OPEB liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	3.25%
Discount rate	6.00%
Investment rate of return	6.00%
Healthcare cost trend rates	4.00% - 8.50%

Mortality rates were based on the RP-2000 mortality tables. For female lives, 100% of the white-collar table was used. For male lives, a 50% white collar table, 50% blue collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB. For disabled lives, mortality rates were based on the RP-2000 sex-distinct disabled mortality tables with female lives set forward two (2) years, male lives set back four (4) years. Disabled mortality has not been adjusted for mortality improvements.

The Long-Term Expected Rate of Return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	30%	8.12%
International Equity	10%	3.38%
Bonds	50%	3.55%
Convertibles	10%	6.68%
Total	100%	5.22%

Discount rate. The discount rate used to measure the total OPEB liability was 6.00 percent. The projection of cash flows used to determine the Discount Rate assumed that current Sponsor contributions will be made at the current contribution rate which is above the Actuarially Determined Contribution. Based on this assumption, the OPEB Plan's Fiduciary Net Position was projected to provide all future benefit payments.

**Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2018**

NOTE 8: OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Net OPEB Liability of the Sponsor, as well as what the Sponsor's Net OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
Net OPEB Liability (asset)	\$ 17,927,487	\$ 15,118,615	\$ 12,825,883

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the Net OPEB Liability of the Sponsor, as well as what the Sponsor's Net OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease 3.00%-7.75%	Healthcare Cost Trend Rates 4.00%-8.50%	1% Increase 5.00%-9.75%
Net OPEB Liability (asset)	\$ 12,496,897	\$ 15,118,615	\$ 18,333,484

NOTE 9: RISK MANAGEMENT

The District maintains employee health insurance coverage from a commercial company for employees, retired employees and their eligible dependents. For the fiscal year ended September 30, 2018, the District reported incurred health insurance expense of \$1,352,002. There have been no claims in excess of insurance coverage as of September 30, 2018.

NOTE 10: RELATED PARTIES

The Lee County Mosquito Control Credit Union (LCMCCU), a state chartered natural person credit union, is owned and operated by current and retired District employees at the District's main location in Lehigh Acres, Florida as an employee benefit. As of September 30, 2018 LCMCCU had total assets of \$385,925. The District provides LCMCCU with District space and part-time personnel. The assets, liabilities, and net members' equity in the LCMCCU are not included as a component unit of the District.



**Lee County Mosquito Control District
Notes to Financial Statements
September 30, 2018**

NOTE 11: COMMITMENTS AND CONTINGENCIES

The District is currently receiving, and has received in the past, grants that are subject to special compliance audits by the grantor agency that may result in disallowed expense amounts. These amounts constitute a contingent liability of the District. The District does not believe any contingent liabilities to be material.

In December of 2018, the District purchased several parcels of property for \$1,500,000 on Pine Island, Florida that had zoning for airport operations. Plans for the development and construction of facilities on the properties are in the planning stage.

NOTE 12: LITIGATION

The District is a defendant in a civil lawsuit in state court over a zoning matter. The lawsuit is currently under appeal. The outcome of the litigation has not been determined and the District is not in a position, at this time, to predict the outcome of the lawsuit or the exact amount of cost and/or potential recovery. The District plans to continue to contest this matter. The District believes that the outcome of this lawsuit will not have a material effect on these financial statements.



**REQUIRED SUPPLEMENTARY
INFORMATION**

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

Florida Retirement System	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.014809061%	0.014608029%	0.015420705%	0.015609925%
Employer's proportionate share of the net pension liability (asset)	\$ 4,460,567	\$ 4,320,957	\$ 3,893,740	\$ 2,016,231
Employer's covered payroll (2)	\$ 6,095,969	\$ 5,722,346	\$ 5,946,740	\$ 5,583,857
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	73.17%	75.51%	65.48%	36.11%
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%
 Health Insurance Subsidy Program	 2018	 2017	 2016	 2015
Employer's proportion of the net pension liability (asset)	0.018350590%	0.018615846%	0.018827602%	0.017779645%
Employer's proportionate share of the net pension liability (asset)	\$ 1,942,247	\$ 1,990,492	\$ 2,194,279	\$ 1,813,245
Employer's covered payroll (2)	\$ 6,095,969	\$ 5,722,346	\$ 5,946,740	\$ 5,583,857
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	31.86%	34.78%	36.90%	32.47%
Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%

Notes to schedules:

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

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

(3) The Plan's fiduciary net position as a percentage of the total pension liability is published in Note 4 of the Plan's Comprehensive Annual Financial Report.

(4)(a) The FRS's long-term expected rate of return and the discount used to determine the total pension liability decreased from 7.10% to 7.00%.

(4)(b) The HIS's municipal rate used to determine the net pension liability was decreased from 3.58% to 3.87%.

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

Florida Retirement System	2018	2017	2016	2015
Contractually required contribution	\$ 434,813	\$ 380,283	\$ 380,612	\$ 386,404
Contributions in relation to the contractually required contribution	434,813	380,283	380,612	386,404
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll (1)	\$ 6,095,969	\$ 5,722,346	\$ 5,946,740	\$ 5,583,857
Contributions as a percentage of covered payroll	7.13%	6.65%	6.40%	6.92%
Health Insurance Subsidy Program	2017	2017	2016	2015
Contractually required contribution	\$ 100,472	\$ 98,520	\$ 96,782	\$ 76,319
Contributions in relation to the contractually required contribution	100,472	98,520	96,782	76,319
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll (1)	\$ 6,095,969	\$ 5,722,346	\$ 5,946,740	\$ 5,583,857
Contributions as a percentage of covered payroll	1.65%	1.72%	1.63%	1.37%

Notes to schedules:

- (1) The amounts presented for each fiscal year were determined as of the measurement date, which was June 30th of the current fiscal year.
(2) GASB required information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for only those years for information is available.

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

	2018	2017
District's proportion of the net OPEB liability	89.22%	89.22%
District's proportionate share of the net OPEB liability (asset)	\$ 15,118,615	\$ 15,832,085
District's covered payroll	\$ 6,095,969	\$ 5,722,346
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	248.01%	276.67%
Plan fiduciary net position as a percentage of the total OPEB liability	25.82%	19.43%

Notes to schedules:

(1) GASB required information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for only those years for information is available.

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

	2018	2017
Contractually required contribution	\$ 276,748	\$ 555,105
Contributions in relation to the contractually required contribution	1,500,000	1,814,447
Contribution deficiency (excess)	\$ (1,223,252)	\$ (1,259,342)
District's covered payroll	\$ 6,095,969	\$ 5,722,346
Contribution as a percentage of covered payroll	24.61%	31.71%

Notes to schedules:

(1) GASB required information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for only those years for information is available.



COMPLIANCE INFORMATION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Lee County Mosquito Control District, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 28, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Tampa, Florida
June 28, 2019



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MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the Lee County Mosquito Control District (the "District"), as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated June 28, 2019.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards and Independent Accountants' Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 28, 2019, 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 in the preceding annual report.

Financial Condition and Management

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

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

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

Special District Component Units

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note 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, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Tampa, Florida

June 28, 2019



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**INDEPENDENT ACCOUNTANTS' REPORT IN ACCORDANCE WITH SECTION 218.415,
FLORIDA STATUTES, LOCAL GOVERNMENT INVESTMENT POLICIES**

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

We have examined Lee County Mosquito Control District's, (the "District"), compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2018. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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 Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2018.

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Tampa, Florida
June 28, 2019