

FLORIDA KEYS MOSQUITO CONTROL DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

Florida Keys Mosquito Control District

Table of Contents

	<u>Page</u>
Letter of Transmittal	1
Independent Auditor's Report	2
Management's Discussion & Analysis	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements	
Balance Sheet – General Fund	10
Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund	11
Statement of Revenue, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund	13
Notes to Financial Statements	15
Required Supplementary Information	
Schedule of the District's Proportionate Share of Net Pension Liability – Florida Retirement System Pension Plan	31
Schedule of the District's Contributions – Florida Retirement System Pension Plan	31
Schedule of the District's Proportionate Share of Net Pension Liability – Florida Retirement System Health Insurance Subsidy	31
Schedule of the District's Contributions – Florida Retirement System Health Insurance Subsidy	32
Schedule of Changes in Net OPEB Liability and Related Ratios	33
Schedule of the District's Contributions - OPEB	34
Supplementary Independent Auditor's Reports	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35
Independent Auditor's Management Letter	36
Report of Independent Accountant on Compliance with Local Government Investment Policies	38



FLORIDA KEYS

MOSQUITO CONTROL DISTRICT

Board of Commissioners

Phil Goodman, Chairman
Stanley Zuba, Vice Chairman
Brandon Pinder, Secretary/Treasurer
Jill Cranney-Gage
Thomas McDonald

Executive Director
Andrea Leal

18 Aquamarine Drive
Key West, FL 33040

Telephone: (305) 292-7190
FAX: (305) 292-7199

www.keysmosquito.org

March 24, 2020

Board of Commissioners
Florida Keys Mosquito Control District
18 Aquamarine Drive
Key West, FL 33040

To the Chair and Members of the Board:

Florida Statutes require that all local government entities publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants within 45 days after the completion of the audit report but no later than 9 months after the close of each fiscal year. Pursuant to that requirement, we hereby issue the Annual Financial Report of the Florida Keys Mosquito Control District (the District) for the fiscal year ended September 30, 2019.

This report consists of management's representations concerning the finances of the District. Therefore, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect its assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the Transmittal Letter.

The District's financial statements have been audited by Oropeza & Parks, Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended September 30, 2019 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended September 30, 2019, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the annual financial report.

The preparation of this annual financial report on an accurate, timely basis was made possible by the dedicated administrative staff of the Florida Keys Mosquito Control District.

Respectfully Submitted,


Bruce L. Holden
Finance Director


Andrea L. Leal
Executive Director



**OROPEZA
& PARKS**
Certified Public Accountants

815 Peacock Plaza
Key West, Florida 33040
305.294.1049 | 305.294.1040
Fax: 305.294.3951

Members:
AMERICAN INSTITUTE OF CPA'S
FLORIDA INSTITUTE OF CPA'S

John G. Parks, Jr., CPA - retired

Scott G. Oropeza, CPA, PA
James H. Hill, Jr., CPA, PLLC

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Florida Keys Mosquito Control District
Key West, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Florida Keys Mosquito Control District ("the District"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the District, as of September 30, 2019, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

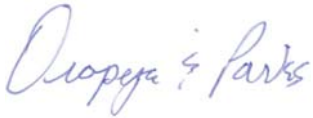
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part 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* and Chapter 10.550, Rules of the Florida Auditor General

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2020 on our consideration of the District's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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.

In accordance with Chapter 10.550, Rules of the Florida Auditor General, Local Governmental Entity Audits we have also issued our reports dated March 24, 2020. The purpose of those reports is to communicate certain matters prescribed by Chapter 10.550, Rules of the Florida Auditor General.

A handwritten signature in blue ink that reads "Dioppeya S. Parks". The signature is written in a cursive, flowing style.

March 24, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

CORE BUSINESS

The Florida Keys Mosquito Control District (the District) is a unit of local government engaged solely in mosquito control in the Florida Keys. The District's stated business is defined in Florida Statute 388.0101 as ". . . maintain such levels of arthropod control as will protect human health and safety and foster the quality of life of the people, promote the economic development of the state, and facilitate the enjoyment of its natural attractions by reducing the number of pestiferous and disease-carrying arthropods."

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the transmittal letter and the District's financial statements.

HIGHLIGHTS

District Highlights

- The District is an independent special taxing district established by Monroe County, Florida referendum on November 7th 1950. It was created by special act of the Florida Legislature and is governed by a five member Board of Commissioners.
- Operations are conducted in the Florida Keys and not in the mainland portion of Monroe County.
- At year-end, the District employed 71 full time and 29 part time employees operating 2 airplanes, 4 helicopters, 75 vehicles, 5 ATV's and 5 boats.
- The threat of dengue fever recurrence in Key West or the introduction of other mosquito borne diseases into the Florida Keys continues to pressure the scope of District operations.
- Due to environmental regulations and biological pressures (i.e. growing resistance of mosquitoes to particular insecticides), District operations have had to encompass a wider variety of abatement materials. This can create financial pressure with increasing costs of the various mosquito abatement materials required.
- In June 2019, the District entered into a lease agreement with Airbus Helicopters, Inc. to acquire 2 new H125 helicopters. These two helicopters, valued at nearly \$4 million each, will be leased over a 12-year period; ownership will transfer to the District at the end of the lease term. The District has an annual renewal option each year during the 12-year period, and there is no obligation to renew the lease annually. The two new helicopters will replace older District helicopters that were manufactured over 35 years ago.

Financial Highlights

- The District's fund balance increased by \$6,372,324 and net position decreased by \$454,905.
- Based on the October 1, 2017 actuarial study for the District's other post-retirement employment benefits (OPEB), subsequent years' planning for funding and reporting continued.
- The FKMCD Board of Commissioners continued to fund the retiree healthcare trust with an addition of \$200,000.

USING THIS ANNUAL REPORT

This annual report consists of two parts: Management's Discussion and Analysis, and Financial Statements. The Financial Statements also include notes that explain in more detail some of the information presented in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). All of the current year's revenues and expenses are accounted for in the Statement of Activities. These statements measure the success of the District's operations over the past year and can be used to determine fiscal efficiency, credit worthiness and whether the District has successfully managed operations in a financially prudent manner for the benefit of the taxpayers of the Florida Keys.

MANAGEMENT'S DISCUSSION AND ANALYSIS**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The discussion and analysis provided by management is intended to concisely give the reader an overview and assessment of the District.

1. Has met operational objectives efficiently and effectively.
2. Assess if it can meet its goals in the immediate future.
3. If it is viable as an ongoing business enterprise.

One of the most important questions asked about the District's finances is "Is the District, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District's operations in a way that will help answer this question. These two statements report the net position of the District and changes in net position. You can think of the District's net position (the difference between assets and liabilities) as one way to measure financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, population growth or loss, and new or changed legislation.

Changes in the District's net position can be determined by reviewing the following Net Position Analysis for the year (Table 1).

Table 1**Net Position Analysis**

	Restated			2018 to 2019 Increase (Decrease)	
	2017	2018	2019	Amount	Percent
Net Capital Assets	\$ 11,463,810	\$ 13,355,960	\$ 14,599,765	\$ 1,243,805	9.31%
OPEB Asset	-	-	-	-	0.00%
Current Assets	7,132,858	6,057,147	12,708,972	6,651,825	109.82%
Total Assets	18,596,668	19,413,107	27,308,737	7,895,630	40.67%
Total Deferred Outflow of Resources	1,551,869	2,866,252	3,936,016	1,069,764	37.32%
Total Assets and Deferred Outflow of Resources	<u>\$ 20,148,537</u>	<u>\$ 22,279,359</u>	<u>\$ 31,244,753</u>	<u>\$ 8,965,394</u>	
Current and Long Term Liabilities					
Accounts Payable	214,275	45,770	299,938	\$ 254,168	555.32%
Retainage Payable	84,289	-	-	-	0.00%
Accrued Wages and Benefits Payable	231,613	151,946	177,279	25,333	16.67%
Accrued Compensated Absences	496,712	581,358	654,945	73,587	12.66%
Accrued OPEB Liability	10,693,375	12,295,623	13,698,929	1,403,306	11.41%
Net Pension Liability	4,271,740	4,267,460	4,922,998	655,538	15.36%
Capital Lease Payable	-	-	7,104,947	7,104,947	100.00%
Total Liabilities	15,992,004	17,342,157	26,859,036	9,516,879	54.88%
Total Deferred Inflow of Resources	422,575	572,451	475,871	(96,580)	-16.87%
Net Position:					
Invested in Capital Assets, net of related debt	11,463,810	13,355,960	7,494,818	(5,861,142)	-43.88%
Restricted	-	-	6,246,289	6,246,289	0.00%
Unrestricted	(7,729,852)	(8,991,209)	(9,831,261)	(840,052)	9.34%
Total Net Position	<u>3,733,958</u>	<u>4,364,751</u>	<u>3,909,846</u>	<u>(454,905)</u>	-10.42%
Total Liabilities, Deferred Inflow of Resources and Net Position	<u>\$ 20,148,537</u>	<u>\$ 22,279,359</u>	<u>\$ 31,244,753</u>	<u>\$ 8,965,394</u>	40.24%

MANAGEMENT'S DISCUSSION AND ANALYSIS

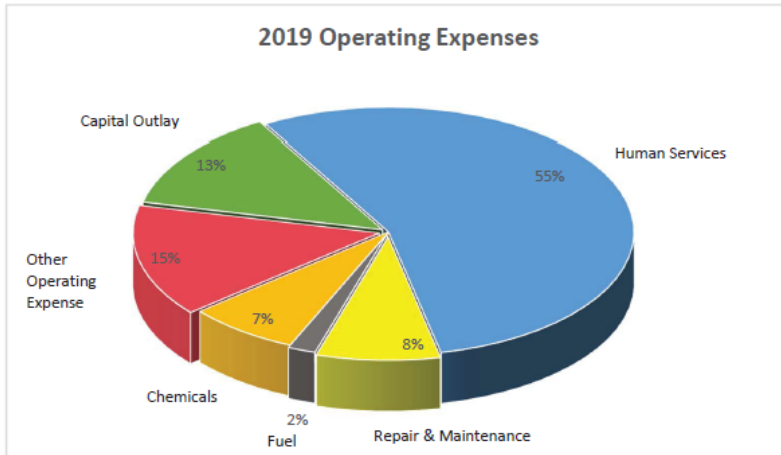
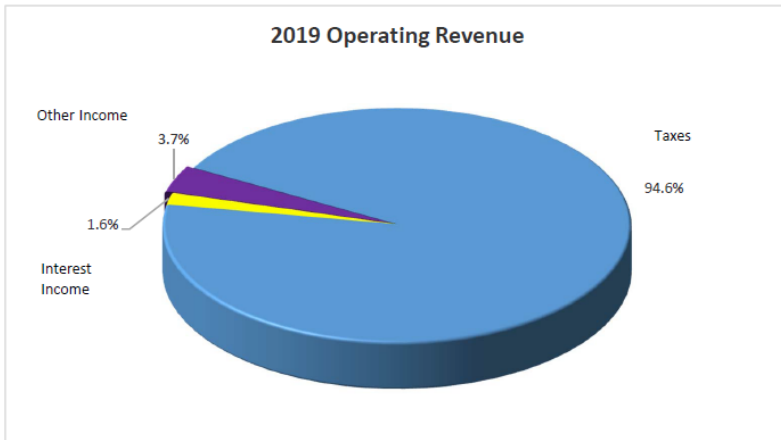
Changes in the District's fund balance can be determined by reviewing the following condensed Fund Balance Analysis for the year (Table 2).

Table 2

Fund Balance Analysis

	Restated			2018 to 2019 Increase (Decrease)	
	2017	2018	2019	Amount	Percent
Total Operating Revenues	\$ 13,029,664	\$ 11,252,356	\$ 11,689,136	\$ 436,780	3.88%
Interest Income	74,334	118,635	206,809	88,174	74.32%
Other Income	474,275	775,151	707,499	(67,652)	-8.73%
Total Revenues	13,578,273	12,146,142	12,603,444	457,302	3.76%
Human Services	6,503,634	6,856,211	6,334,259	\$ (521,952)	-7.61%
Operating Expenditures	5,542,623	6,035,963	6,960,111	924,148	15.31%
Total Expenditures	12,046,257	12,892,174	13,294,370	402,196	3.12%
Excess (deficiency) of Revenues over expenses	1,532,016	(746,032)	(690,926)	55,106	7.39%
Other financing sources (uses)	-	-	7,060,625	7,060,625	0.00%
Special items	4,999	2,782	2,625	(157)	-5.64%
Net Change in Fund Balance	1,537,015	(743,250)	6,372,324	7,115,574	957.36%
Fund Balance, beginning of Year	5,065,666	6,602,681	5,859,431	(743,250)	-11.26%
Fund Balance, end of Year	\$ 6,602,681	\$ 5,859,431	\$ 12,231,755	\$ 6,372,324	108.75%

The following charts illustrate the sources of operating revenues and expenditures.



MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

An ongoing uncertainty facing the District is the taxable value of countywide properties, foreclosures, and ad valorem tax delinquencies despite the ongoing national economic recovery. Faced with changing operational demands, the District is facing crucial choices regarding operations, taxes and its budget. Ongoing expenditure reductions and continued reorganization efforts may not be adequate to maintain the necessary statutory mandated level of current and future mosquito control operations. Addressing this problem, the District reduced expenditures during the past several fiscal years in order to have budgeted revenues and expenditures in balance.

The District continues mosquito control operational streamlining in previously excluded protected lands and offshore islands to protect citizens from mosquito migrations into populated areas using environmentally compatible materials. As in the past, the District continues to use a two-pronged approach to eradicate mosquitoes – spraying adult mosquitoes (adulticiding operations) and eliminating larvae in water (larviciding operations).

The appearance of dengue fever has increased the urgency of mosquito control operations in the city of Key West, and the Florida Keys. Although this disease has not been present in the Keys in the past eight years, the District continued aggressive operations to combat the vector *Aedes aegypti* mosquito which transmits the disease.

In addition to the dengue virus, the District is also faced with the looming threat of residents contracting the Zika virus. This viral disease is very similar to dengue, and it has become more pronounced in the western hemisphere. Zika, which has infected inhabitants of Miami and other U.S. cities, is also spread by the *Aedes aegypti* mosquito; it is likely one of many vector borne diseases that the District will be combating in the coming years. In order to avoid the reappearance, introduction, or spread of disease to other areas, the District tailored a ground inspection program and further increased aerial adult and larval mosquito control spraying missions over the city of Key West. These additional operations continue placing demands on District resources.

District's management would like to earmark approximately \$1 million reserves annually in order to purchase another Airbus helicopter in the ongoing effort to modernize and homogenize the District's aerial fleet. Setting aside annual reserves will allow the District to purchase a new helicopter for cash in approximately four years. These reserves will allow the District to maintain current lease expenditure levels, which are limited by the District's enabling legislation. Establishing these reserves will necessitate the need for increased ad valorem revenues unless corresponding decreases in expenditures can be pinpointed.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Comptroller at 18 Aquamarine Drive, Key West, Florida, 33040, phone (305) 292-7190.

BASIC FINANCIAL STATEMENTS

FLORIDA KEYS MOSQUITO CONTROL DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

ASSETS

Current assets:

Cash and cash equivalents	\$ 5,484,934
Inventory	599,810
Prepaid insurance	377,939

Total unrestricted current assets	6,462,683
--	------------------

Restricted current assets: Cash and cash equivalents	6,246,289
---	------------------

Capital assets:

Property, plant and equipment	24,775,384
Construction work in progress	1,626,146
Less accumulated depreciation	(11,801,765)

Capital assets, net of accumulated depreciation	14,599,765
--	-------------------

Total assets	27,308,737
---------------------	-------------------

Deferred outflow of resources:

Pensions	1,479,357
OPEB	2,456,659

Total deferred outflow of resources	3,936,016
--	------------------

LIABILITIES AND NET POSITION

Current liabilities:

Accounts payable	299,938
Accrued wages and benefits payable	177,279
Current portion of accrued compensated absences	504,634
Current portion of capital lease	571,818

Total current liabilities	1,553,669
----------------------------------	------------------

Long term liabilities:

Accrued compensated absences	150,311
Accrued OPEB liability	13,698,929
Net pension liability	4,922,998
Capital Lease Payable	6,533,129

Total long term liabilities	25,305,367
------------------------------------	-------------------

Total liabilities	26,859,036
--------------------------	-------------------

Deferred inflow of resources:

Pensions	447,411
OPEB	28,460

Total deferred inflow of resources	475,871
---	----------------

Net position:

Net investment in capital assets	7,494,818
Restricted for capital lease	6,246,289
Unrestricted	(9,831,261)

Total net position	\$ 3,909,846
---------------------------	---------------------

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

**FLORIDA KEYS MOSQUITO CONTROL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2019**

Expenses:

Personnel services	\$ 8,192,846
Operating expenditures	4,373,890
Depreciation	<u>490,848</u>
Total program expenses	<u>13,057,584</u>

Program revenues:

Charges for services	<u>206,436</u>
Net program expenses	<u>12,851,148</u>

General revenues:

Taxes	11,689,136
Intergovernmental	33,215
Interest income	206,809
Insurance proceeds	247,576
Refunds	203,548
Rents & royalties	300
Loss on equipment sales	(765)
Miscellaneous	<u>16,424</u>
Total general revenues	<u>12,396,243</u>

Change in net position	(454,905)
-------------------------------	------------------

Net position, beginning of year	<u>4,364,751</u>
--	-------------------------

Net position, end of year	<u><u>\$ 3,909,846</u></u>
----------------------------------	-----------------------------------

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

**FLORIDA KEYS MOSQUITO CONTROL DISTRICT
BALANCE SHEET – GENERAL FUND
SEPTEMBER 30, 2019**

ASSETS

Cash and cash equivalents	\$ 11,731,223
Inventory	599,810
Prepaid Insurance	377,939
Total assets	\$ 12,708,972

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 299,938
Accrued wages and benefits payable	177,279
Total liabilities	477,217

Fund Balance

Nonspendable:	
Prepaid and inventory	977,749
Restricted: Cash in Escrow	6,246,289
Assigned: reserves	1,925,602
Unassigned	3,082,115
Total fund balance	12,231,755
Total liabilities and fund balance	\$ 12,708,972

**Amounts reported in the statement of net position differ
from amounts reported above as follows:**

Fund balance	\$ 12,231,755
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	14,599,765
Long-term liabilities are not due and payable in the current period and therefore are not in the governmental funds	
Compensated absences	(654,945)
Capital Lease	(7,104,947)
Net pension liability	(4,922,998)
Net OPEB liability	(13,698,929)
Deferred outflows and inflows associated with pensions and OPEB are not reported in the governmental funds	
Deferred outflows of resources related to pensions	1,479,357
Deferred outflows of resources related to OPEB	2,456,659
Deferred inflows of resources related to pensions	(447,411)
Deferred inflows of resources related to OPEB	(28,460)
Net position	\$ 3,909,846

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

FLORIDA KEYS MOSQUITO CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2019

Revenues

Taxes	\$ 11,689,136
Intergovernmental	33,215
Charges for services	206,436
Interest income	206,809
Insurance proceeds	247,576
Refunds	203,548
Rents & royalties	300
Miscellaneous	16,424
Total revenues	<u>12,603,444</u>

Expenditures

Personnel services	6,334,259
Operating expenditures	5,222,068
Capital outlay	1,738,043
Total expenditures	<u>13,294,370</u>
Deficiency of revenues over expenditures	<u>(690,926)</u>

Other financing sources

Proceeds from long-term capital related debt	7,804,684
Payment of capital related principal	(744,059)
Total other financing sources	<u>7,060,625</u>

Special Items

Sales of Equipment	<u>2,625</u>
--------------------	--------------

Net change in fund balance

6,372,324

Fund balance beginning of year

5,859,431

Fund balance end of year

\$ 12,231,755

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

FLORIDA KEYS MOSQUITO CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2019

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

Net change in fund balance - total governmental funds	\$ 6,372,324
---	--------------

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

Governmental funds report capital outlays as expenditures.

However, in the statements of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	1,738,043
Depreciation expense	(490,848)

In the Statement of Activities, only the gain on the disposal of capital assets is reported, whereas in the governmental funds there is no use of financial resources. As a result, the change in net position differs from the change in fund balance by the net book value of the disposed capital assets	(3,390)
---	---------

Debt proceeds provide current financial resources to governmental funds, but debt proceeds increase long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The total amount of proceeds exceeds repayments.	(7,060,625)
---	-------------

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 payable	(73,587)
Change in net OPEB obligation payable	(1,403,306)
Change in net pension payable	(655,538)
Change in deferred outflows	1,069,764
Change in deferred inflows	96,580

Interest on long-term debt is accrued as a liability in the statement of net position, but is not recognized in the governmental funds until paid.	(44,322)
--	----------

Change in net position	<u>\$ (454,905)</u>
------------------------	---------------------

FLORIDA KEYS MOSQUITO CONTROL DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Taxes	\$ 11,995,372	\$ 11,995,372	\$ 11,689,136	\$ (306,236)
Intergovernmental	25,000	148,725	33,215	(115,510)
Charges for services	-	-	206,436	206,436
Interest income	115,000	203,000	206,809	3,809
Insurance proceeds	-	-	247,576	247,576
Refunds	200,000	34,099	203,548	169,449
Rents & royalties	300	-	300	300
Miscellaneous	50,000	285,000	16,424	(268,576)
Total Revenues	<u>12,385,672</u>	<u>12,666,196</u>	<u>12,603,444</u>	<u>(62,752)</u>
Expenditures				
Human services				
Personnel services	4,705,569	4,705,569	4,501,254	204,315
Personnel service benefits	3,517,664	3,517,664	2,799,092	718,572
Operating expenditures	855,698	933,698	976,580	(42,882)
Travel and per diem	98,270	88,270	107,990	(19,720)
Communication services	95,100	95,100	108,191	(13,091)
Freight services	14,000	34,000	37,297	(3,297)
Utility services	88,000	93,000	82,779	10,221
Rental and leases	42,628	782,628	46,863	735,765
Insurance	377,154	377,154	374,543	2,611
Repair and maintenance	636,850	1,205,575	1,080,686	124,889
Printing and binding	9,300	9,300	7,827	1,473
Promotional activities	17,000	17,000	14,729	2,271
Other operating expenditures	12,875	12,875	10,139	2,736
Office supplies and materials	60,650	60,650	37,660	22,990
Gas, oil and lube	216,917	216,917	243,436	(26,519)
Chemicals	1,333,262	1,181,262	974,682	206,580
Clothing and wearing apparel	33,925	33,925	28,964	4,961
Miscellaneous supplies	75,004	75,004	69,283	5,721
Tools and small implements	81,737	81,737	14,037	67,700
Books and subscriptions	50,975	50,975	48,014	2,961
Training	118,125	113,125	65,868	47,257
Capital outlay	1,807,738	516,837	1,738,043	(1,221,206)
Contingency	1,909,862	1,860,621	-	1,860,621
Total expenditures	<u>16,158,303</u>	<u>16,062,886</u>	<u>13,367,957</u>	<u>2,694,929</u>

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

**FLORIDA KEYS MOSQUITO CONTROL DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (3,772,631)</u>	<u>\$ (3,396,690)</u>	(764,513)	<u>\$ 2,632,177</u>
Other financing sources				
Proceeds from long-term capital related debt			7,804,684	
Payment of capital related principal			<u>(744,059)</u>	
Total other financing uses			<u>7,060,625</u>	
Special item				
Sales of Equipment			<u>2,625</u>	
Net change in fund balance			6,298,737	
Fund balance, beginning of year			<u>5,859,431</u>	
Fund balance, end of year			12,158,168	
Reconciliation of budgetary to full accrual basis:				
Reconciling items:				
Compensation accrual			<u>73,587</u>	
Fund balance, end of year (full accrual)			<u>\$ 12,231,755</u>	

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

**FLORIDA KEYS MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The State of Florida created the Monroe County Mosquito Control District ("the District"), a special taxing district, under the enabling act of Chapter 67-1726, Laws of Florida, Acts of 1967. The District was renamed the Florida Keys Mosquito Control District in 1998. The District operates under a Board of Commissioners consisting of five (5) members elected by the voters of Monroe County. Each member is elected for a term of four years and their terms are staggered so that an entirely new board will never be elected at one time.

For financial reporting purpose, the District is not included as a component unit of any other entity, nor does it include the financial statements of any other entity as a component unit. The District is not subject to oversight responsibility relative to any other unit of government. The manifestation of oversight responsibility includes financial interdependency, selection of governing body, ability to significantly influence operation, designation of management and accountability of fiscal matters, as well as the scope of services provided in the community. Although the District supplies mosquito control services to the residents of Monroe County, it is not considered a component unit of Monroe County as it is financially independent and has an independently elected Board of Commissioners, which is responsible for directing operations and designating management. The District has no accountability to Monroe County for its fiscal affairs.

Measurement Focus, Basis of Accounting and Financial Statement Presentation – The accounting policies and the presentation of the financial report of the District have been designed to conform to U.S. generally accepted accounting principles as applicable to governmental units, in accordance with the Governmental Accounting Standards Boards (GASB). GASB embodies the official pronouncements previously issued by the National Council on Governmental Accounting (NCGA).

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.

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.

**FLORIDA KEYS MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Fund Accounting – The accounts of the District are organized on the basis of a fund and account groups, each of which is considered a separate accounting entity. The operations of the general fund are 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 general 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.

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.

Cash and Investments –The District's cash and investments consist of demand deposits and highly liquid investments, including restricted assets, with a maturity of 90 days or less when purchased. Investments are carried at cost, which is approximately fair value.

Inventory – Inventory is stated at cost (as determined on first-in, first-out basis) and consists of chemicals held for use by the District.

Property, Plant and Equipment – Property, plant and equipment are recorded at cost for items purchased or constructed and at estimated fair market value on the date donated for contributed items. The capitalization threshold for capital assets is \$1,000. Depreciation is computed by the straight-line method based on the estimated useful lives of related asset classifications.

<u>Classification</u>	<u>Years</u>
Aircraft	5 - 10
Buildings, structures and improvements	5 - 40
Equipment, vehicles, furniture and fixtures	3 - 20
Computer equipment	3 - 5

Compensated Absences – District policy grants employees annual leave and sick leave in varying amounts. Upon termination of employment, employees can receive payment for accumulated annual leave. In general, sick leave payments are granted upon termination of employment to employees with 10 years or more of credited service. The maximum payment is subject to a percentage and maximum hour limitations. The District accrues a liability for leave hours that meet the criteria for payment at the eligible employees' current rates of pay plus retirement benefits and employment taxes.

Net Position – Net Position in the government-wide fund financial statements is classified as net investment in capital assets; restricted and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments imposed by law through state statute.

Fund Balance – In the governmental fund financial statements, fund balance is composed of five classifications designated to disclose the hierarchy of constraints placed on how fund balance can be spent. The government fund types classify fund balances as follows:

Nonspendable – Include amounts that cannot be spent because they are either not in spendable form, or for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

**FLORIDA KEYS MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted – Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

Committed – Amounts that can only be used for specific purposes because of formal action (resolution or ordinance) by the government's highest level of decision-making authority.

Assigned – Amounts that are constrained by the District's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

Unassigned – This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Budget – The District's annual budget is prepared on the cash basis in conformity with requirements of the Department of Agriculture and Consumer Services, Bureau of Entomology. The budget and all amendments thereto are approved by the Board and then submitted to the Bureau of Entomology for approval. Prior to, or on about, September 30, the District's budget is legally enacted through passage of a resolution. Budgeted to Actual expenditure reports are employed as a management control device during the year for the fund. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America, except that compensation accruals are not budgeted. For the fiscal year 2019, the following adjustments were necessary to present the actual data on a budgetary basis for the General fund excess of revenues over expenditures:

GAAP basis	\$ 6,372,324
Compensation accrual difference	<u>(73,587)</u>
Non-GAAP budgetary basis	<u>\$ 6,298,737</u>

Use of Estimates – The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

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 District's Retiree Health Care Plan (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.

**FLORIDA KEYS MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

As of September 30, 2019, the District had demand deposits of \$12,030,966.

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 State of Florida, Department of Insurance and Treasurer ("the Treasurer") 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 Treasurer 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 Treasurer eligible collateral having a market value equal to or in the excess of the average daily balance of public deposits times the depository collateral pledging level required, pursuant to Chapter 280, as computed and reported monthly, or 125 percent of the average monthly balance, whichever is greater. The Public Deposit Security Trust Fund has a procedure to allocate and recover 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.

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates the District's investment policy limits its portfolio to maturities of no more than five years unless matched to a specific cash flow.

Credit Risk – The District's general investment policy is to apply the prudent person rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general avoid speculative investments.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019 was as follows:

	Balance at 10/01/18	Additions	Disposals	Balance at 09/30/19
Land	\$ 2,450,241	\$ -	\$ -	\$ 2,450,241
Buildings/hangers	13,823,447	-	-	13,823,447
Equipment:				
Aircraft	5,371,825	-	-	5,371,825
Aviation and other airport equipment	452,683	-	-	452,683
Autos, trucks & heavy equipment	1,508,220	-	(84,460)	1,423,760
Other equipment	1,200,512	111,896	(58,980)	1,253,428
Subtotal	24,806,928	111,896	(143,440)	24,775,384
Construction work in progress	-	1,626,146	-	1,626,146
Less accumulated depreciation:	(11,450,968)	(490,848)	140,051	(11,801,765)
Net capital assets	<u>\$ 13,355,960</u>	<u>\$ 1,247,194</u>	<u>\$ (3,389)</u>	<u>\$ 14,599,765</u>

The District's policy concerning capitalized interest costs is in accordance with GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, which no longer requires the capitalization of interest costs.

**FLORIDA KEYS MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 4 – REVENUES

Property Taxes – Property taxes, based on assessed values at January 1, become due and payable on November 1st of each year. A four percent discount is allowed if the taxes are paid in November with the discount declining by one percent each month thereafter. Taxes become delinquent on April 1st of each year; and tax certificates for the full amount of any unpaid taxes and assessments must be sold not later than June 1st of each year. No accrual for the property tax levy becoming due in November 2019 is included in the accompanying financial statements, since such taxes are collected to finance expenditures of the subsequent period.

The collection of the District's tax revenues is administered by the Tax Collector of Monroe County.

Charge for Services – The District receives payment from the Naval Air Station, Key West (N.A.S. Key West) for mosquito control services provided on base. The contract between the District and N.A.S. Key West began October 1, 2006 and ended September 30, 2007 with 4 option years to follow. A new contract was awarded for the period October 1, 2011 through September 30, 2012 with two option years. In fiscal year end September 30, 2008, the Navy separated the management of the core military sites and military housing creating two separate contracts. The contract for the core military sites ended on September 30, 2014; however, the District continues mosquito control service to the military housing sites under contracts which are renewed annually. The annual rate for all services for fiscal year ended September 30, 2019 is \$25,000. The receivable balance at September 30, 2019 was \$0.

NOTE 5 – CHANGES IN LONG-TERM LIABILITIES

	Balance 10/01/18	Additions	Reductions	Balance 09/30/19	Due Within One Year
FRS pension liability	\$ 4,267,460	\$ 655,538		\$ 4,922,998	\$ -
Compensated absences	581,358	578,221	(504,634)	654,945	504,634
Net OPEB liability	12,295,623	1,403,306	-	13,698,929	-
	<u>\$ 17,144,441</u>	<u>\$ 2,637,065</u>	<u>\$ (504,634)</u>	<u>\$ 19,276,872</u>	<u>\$ 504,634</u>

NOTE 6 – CAPITAL LEASE

The District entered into a lease/purchase agreement for two new helicopters in June 2019. The agreement is secured with cash held in escrow account by the Lessor, in the District's name. Eleven annual payments are due on October 1 in equal installments of \$744,059, including 2.4375% interest, maturing October 1, 2030. At the end of the term, in which all payments are fulfilled, the District will acquire ownership. At September 30, 2019, the helicopters were in production by manufacturer and construction work in progress contained a total cost of \$1,626,146.

The capital lease matures as follows:

2020	\$ 527,496
2021	584,814
2022	599,068
2023	613,671
2024	628,629
Thereafter	4,106,947
Total	<u>\$ 7,060,625</u>

**FLORIDA KEYS MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 7 – FLORIDA RETIREMENT SYSTEM RETIREMENT PLANS

Florida Retirement System:

General Information - All of the District's employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost-sharing, multiple-employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan (Pension Plan) and the Retiree Health Insurance Subsidy (HIS Plan). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan (Investment Plan) alternative to the Pension Plan, which is administered by the State Board of Administration (SBA). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site, www.dms.myflorida.com/workforce_operations/retirement/publications.

Pension Plan

Plan Description - The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees.

Benefits Provided - Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits.

Special risk Administrative Support class members who retire at or age 55 with at least six years of credited service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary, for each year of credited service.

Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service.

Elected officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For Pension Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular and Senior Management Service, and Elected Officers' class members, and to age 60 or 30

**FLORIDA KEYS MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 7 – FLORIDA RETIREMENT SYSTEM RETIREMENT PLANS (Continued)

years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost of living adjustment is three 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 three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions - Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute 3% of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2018 through June 30, 2019 and from July 1, 2019 through September 30, 2019, respectively, were as follows: Regular 8.26% and 6.54%, Special Risk Administrative Support 34.98% and 33.26%, Special Risk 24.50% and 22.78%, Senior Management Service 24.06% and 22.34%, Elected Officers 48.7% and 48.70%, and DROP participants 14.03% and 12.37%. These employer contribution rates include 1.66% and 1.66% HIS Plan subsidy for the periods October 1, 2018 through June 30, 2019 and from July 1, 2019 through September 30, 2019, respectively.

The District's contributions, including employee contributions, to the Pension Plan totaled \$308,722 for the fiscal year ended September 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2019, the District reported a liability of \$3,428,870 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The District's proportionate share of the net pension liability was based on the District's 2019 fiscal year contributions relative to the 2019 fiscal year contributions of all participating members. At June 30, 2019, the District's proportionate share was 0.01%, which was the same proportionate share measured as of June 30, 2018.

For the fiscal year ended September 30, 2019, the District recognized pension expense of \$825,274. In addition the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 203,376	\$ 2,127
Change of assumptions	880,682	-
Net difference between projected and actual earnings on Pension Plan investment	-	189,703
Changes in proportion and differences between District's Pension Plan contribution and proportionate share of contributions	60,535	94,486
District's Pension Plan Contributions subsequent to the measurement date	76,372	-
Total	\$ 1,220,965	\$ 286,316

**FLORIDA KEYS MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 7 – FLORIDA RETIREMENT SYSTEM RETIREMENT PLANS (Continued)

The deferred outflows of resources related to the Pension Plan, totaling \$76,372 resulting from the District's contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Year Ended September 30	Amount
2020	20,968
2021	21,162
2022	8,076
2023	(3,329)
2024	(8,657)
Thereafter	(4,269)
Total	<u>\$ 33,951</u>

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.20%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables. The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

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 and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.30%	3.30%	1.20%
Fixed Income	18.00%	4.10%	4.10%	3.50%
Global Equity	54.00%	8.00%	6.80%	16.50%
Real Estate	10.00%	6.70%	6.10%	11.70%
Private Equity	11.00%	11.20%	8.40%	25.80%
Strategic Investments	6.00%	5.90%	5.70%	6.70%
Total	<u>100.00%</u>			

Assumed Inflation - Mean	2.60%	1.70%
--------------------------	-------	-------

(1) As outlines in the Pension Plan's investment policy

Discount Rate - The discount rate used to measure the total pension liability was 6.90%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active

**FLORIDA KEYS MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 7 – FLORIDA RETIREMENT SYSTEM RETIREMENT PLANS (Continued)

and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the District's proportionate share of the net pension liability calculated using the discount rate of 6.90%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.90%) or one percentage point higher (7.90%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	5.90%	6.90%	7.90%
District's Proportionate share of the net liability	\$ 5,007,646	\$ 2,896,825	\$ 1,133,933

Pension Plan Fiduciary Net Position - Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

HIS Plan

Plan Description - The 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 September 30, 2019, 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. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

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 September 30, 2019, the HIS contribution for the period October 1, 2018 through June 30, 2019 and from July 1, 2019 through September 30, 2019 was 1.66%. The District contributed 100% of its statutorily required contributions for the current and preceding three 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 legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The District's contributions to the HIS Plan totaled \$74,151 for the fiscal year ended September 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2019, the District reported a liability of \$1,494,124 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The District's proportionate share of the net pension liability was based on the District's 2019 fiscal year contributions relative to the 2019 fiscal year contributions of all participating members. At June 30, 2019, the District's proportionate share was 0.013 percent, which was the same proportionate share measured as of June 30, 2018.

**FLORIDA KEYS MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 7 – FLORIDA RETIREMENT SYSTEM RETIREMENT PLANS (Continued)

For the fiscal year ended September 30, 2019, the District recognized pension expense of \$105,122. In addition the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,148	\$ 1,830
Change of assumptions	173,003	122,118
Net difference between projected and actual earnings on HIS Plan investment	964	
Changes in proportion and differences between District's HIS Plan contribution and proportionate share of contributions	48,804	37,147
District's HIS Contributions subsequent to the measurement date	17,473	
Total	\$ 258,392	\$ 161,095

The deferred outflows of resources related to the HIS Plan, totaling \$17,473 resulting from District's contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Year Ended September 30	Amount
2020	\$ 9,473
2021	995
2022	(4,452)
2023	(3,976)
2024	(6,559)
Thereafter	(7,138)
Total	\$ (11,657)

Actuarial Assumptions - The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Municipal bond rate	3.50 %

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018. The municipal rate used to determine total pension liability decreased from 3.87% to 3.50%.

Discount Rate - The discount rate used to measure the total pension liability was 3.50%. 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

**FLORIDA KEYS MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 7 – FLORIDA RETIREMENT SYSTEM RETIREMENT PLANS (Continued)

sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the District's proportionate share of the net pension liability calculated using the discount rate of 3.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	2.50%	3.50%	4.50%
District's Proportionate share of the net liability	\$ 1,565,786	\$ 1,371,630	\$ 1,209,920

HIS Plan Fiduciary Net Position - Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Investment Plan

The SBA administers the defined contribution plan officially titled the FRS 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 as the Pension 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 the investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 and 0.06 percent of payroll and by forfeited benefits of plan members for the periods October 1, 2018 through June 30, 2019 and from July 1, 2019 through September 30, 2019, respectively. Allocations to the investment member's accounts during the 2019 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, Special Risk Administrative Support class 7.95%, Special Risk class 14.00%, Senior Management Service class 7.67%, and Elected Officers class 11.34%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2019, 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 Pension Plan when approved for disability retirement to receive guaranteed

**FLORIDA KEYS MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 7 – FLORIDA RETIREMENT SYSTEM RETIREMENT PLANS (Continued)

lifetime monthly benefits under the 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 \$0 for the fiscal year ended September 30, 2019.

NOTE 8 – OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

General Information About Post Employment Health Care Benefits:

Plan Description – The District's Retiree Health Care Plan (Plan) is a single-employer defined benefit postemployment health care plan that covers eligible retired employees. The Plan, which is administered by the District, allows employees who retire and meet retirement eligibility requirements under one of the District's retirement plans to continue medical, dental, vision, and life coverage as a participant in the District's plan.

Employees covered by benefit terms – At October 1, 2017, the following employees were covered by the benefit terms:

Inactive Plan Members, Dependent Spouses, or Beneficiaries Currently Receiving Benefits	34
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	70
	<u>104</u>

Benefits Provided – The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All employees of the District are eligible to receive postemployment health care benefits. Coverage for retirees and their spouses and dependents is provided for life. The Trust was established with the intent to advance fund benefits provided under the Plan.

The District subsidizes the medical, dental, vision and life insurance benefits provided to retirees participating in the District's group insurance plans who were hired prior to September 21, 2010. For medical insurance, retirees only pay a premium of \$50/month for single coverage, and \$288.33/month for spouse coverage. The District pays 100% of the active premium for dental, vision and life insurance benefits for retirees hired prior to September 21, 2010.

Retirees who were hired on or after September 21, 2010 and are participating in the District's group insurance plans are required to contribute 100% of the active premiums. An employer-provided implicit subsidy for the health plan will still exist for these participants. In future years, contributions for retirees hired on or after September 21, 2010 are assumed to increase at the same rate as premiums.

Contributions – the contributions made to the program are assumed to be at least the benefits paid to retirees (both on an explicit and implicit basis) and administrative expenses.

Investment Policy – the following was the District's adopted asset allocation as of September 30, 2019:

Asset Class	Target Allocation
Fixed Income	99%
Cash & Cash Equivalents	1%
Total	<u>100%</u>

Concentrations – The Plan did not hold investments in any one organization that represents 5 percent or more of the Fund's Fiduciary Net Position.

**FLORIDA KEYS MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 8 – OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Rate of Return – For the year end September 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 2.88%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

Net OPEB Liability:

The measurement date for GASB 75 reporting is September 30, 2019. The measurement period for the OPEB expense is October 1, 2018 to September 30, 2019. The reporting period is October 1, 2018 to September 30, 2019. The District's Net OPEB Liability was measured as of September 30, 2019. The Total OPEB Liability used to calculate the Net OPEB Liability was determined as of that date.

Actuarial Assumptions – The Total OPEB Liability was determined by an actuarial valuation as of October 1, 2017 using the following assumptions:

Inflation Rate	2.50%
Salary Increase Rate(s)	Varies by Service
Discount Rate	3.58%
Initial Trend Rate	8.50%
Ultimate Trend Rate	4.00%
Years to Ultimate	55
Investment Rate of Return	3.00%

All mortality rates were based on the RP-2000 mortality tables. All mortality rates are those outlined in Milliman's July 1, 2017 Florida Retirement System (FRS) valuation report.

Mortality - Active Lives – For female lives, 100% of the Combined Healthy White-Collar table was used. For male (non- special risk) lives, a 50% Combined Healthy White-Collar table, 50% Combined Healthy Blue- Collar table blend was used. For male special risk lives, a 10% Combined Healthy White-Collar table, 90% Combined Healthy Blue-Collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB.

Mortality - Inactive Healthy Live – For female lives, 100% of the Annuitant White-Collar table was used. For male (non-special risk) lives, a 50% Annuitant White-Collar table, 50% Annuitant Blue-Collar table blend was used. For male special risk lives, a 10% Annuitant White-Collar table, 90% Annuitant Blue-Collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB.

Mortality - Disabled Lives – For female (non-special risk) lives, 100% of the Disabled Female table was used, set forward two years. For female special risk lives, a 60% Disabled Female table, 40% Annuitant White Collar table with no setback blend was used. For male (non-special risk) lives, 100% of the Disabled Male table was used, set back four years. For Male special risk lives, a 60% Disabled Male table, 40% Annuitant White Collar table with no setback blend was used. Disabled mortality has not been adjusted for mortality improvements.

Long-Term Expected Rate of Return – 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:

**FLORIDA KEYS MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 8 – OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Fixed Income	99%	1.00%
Cash & Cash Equivalents	1%	0.00%
Total	100%	

Long-Term Expected Real Rates of Return by asset class were provided by the District's investment advisor.

Discount Rate – Given that the Trust's expected long-term rate of return is less than the discount rate mandated by GASB 74/75, all future benefit payments were discounted using a high-quality municipal bond rate of 3.58%. The high-quality municipal bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

Changes in Net OPEB Liability:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Reporting Period Ending September 30, 2018	\$ 13,882,131	\$ 1,586,508	\$ 12,295,623
Changes for the Year:			
Service Cost	313,415	-	313,415
Interest	584,118	-	584,118
Differences Between Expected and Actual Experience			
Changes of Assumptions	1,436,276	-	1,436,276
Changes of Benefit Terms	-	-	-
Explicit Contributions - Employer	-	200,000	(200,000)
Implicit Contributions - Employer	-	447,474	(447,474)
Net Investment Income	-	86,170	(86,170)
Benefit Payments	(447,474)	(447,474)	-
Administrative Expense	-	-	-
Other Changes	-	196,859	(196,859)
Net Changes	1,886,335	483,029	1,403,306
Reporting Period Ending September 30, 2019	\$ 15,768,466	\$ 2,069,537	\$ 13,698,929

Changes of assumptions – Changes of assumptions reflect a change in the discount rate from 4.18% for the reporting period ended September 30, 2018 to 3.58% for the reporting period ended September 30, 2019.

Other Changes – This reflects an adjustment to the asset balance as of September 30, 2018 to align with actual assets in the trust as of that date.

Sensitivity of the Total OPEB Liability to the Discount Rate Assumption – The following presents the Net OPEB Liability of the District, as well as what the District's Net OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current rate:

**FLORIDA KEYS MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 8 – OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

	1% Decrease 2.58%	Current Discount Rate 3.58%	1% Increase 4.58%
Net OPEB Liability (asset)	\$ 16,588,679	\$ 13,698,929	\$ 11,408,343

Sensitivity of the Total OPEB Liability to the changes in the Healthcare Cost Trend Rates – The following presents the Net OPEB Liability of the District, as well as what the District' Net OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (3% to 7.5%) or one percentage point higher (5% to 9.5%) than the current healthcare cost trend rates:

	1% Decrease (3.00% to 7.50%)	Healthcare Cost Trend Rates (4.00% to 8.50%)	1% Increase (5.00% to 9.50%)
Net OPEB Liability (asset)	\$ 10,800,517	\$ 13,698,929	\$ 17,506,546

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB Plan's Fiduciary Net Position is available in a separately issued Plan financial report by contacting the District's Comptroller at 18 Aquamarine Drive, Key West, Florida, 33040, phone (305) 292-7190.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources:

For the year ended September 30, 2019, the District will recognize OPEB Expense of \$996,392.

On September 30, 2019, the District reported Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected	\$ 496,200	\$ -
Changes of assumptions	1,827,783	-
Net differences between Projected and Actual		
Earnings on OPEB Plan investments	132,676	28,460
Total	\$ 2,456,659	\$ 28,460

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in OPEB Expense as follows:

Year ending	Amount
9/30/2020	\$ 346,311
9/30/2021	346,311
9/30/2022	346,309
9/30/2023	302,085
9/30/2024	309,200
Thereafter	777,983
Total	\$ 2,428,199

**FLORIDA KEYS MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for all risks of loss except group insurance. Settled claims have not exceeded this commercial coverage in any of the last three years, except FY 2017, relating to uncovered damages from Hurricane Irma, totaling \$60,866.

The District is self-insured for hospitalization and medical care. The plan is administered by an independent third party who processes the claims for payment. The plan administrator actuarially calculates a premium for which the District makes monthly payments. During the fiscal year, the District incurred expenses totaling \$1,386,226 for claims, administrative fees and premiums.

NOTE 10 – SUBSEQUENT EVENTS

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure. The District did not have any subsequent events or transactions requiring recording or disclosure in the financial statements through March 24, 2020, the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**FLORIDA KEYS MOSQUITO CONTROL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2019**

LAST 10 FISCAL YEARS *

**Schedule of the District's Proportionate Share of Net Pension Liability
Florida Retirement System Pension Plan**

	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.009956470%	0.009617446%	0.009798313%	0.010036154%	0.010939155%	0.011095530%
District's proportionate share of the net pension liability (asset)	\$ 3,428,870	\$ 2,896,825	\$ 2,899,270	\$ 2,534,137	\$ 1,412,939	\$ 676,990
District's covered-employee payroll	4,489,830	4,489,830	4,109,965	4,047,881	\$ 3,937,462	\$ 3,957,888
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	76.37%	64.52%	70.54%	62.60%	35.88%	17.10%
Plan fiduciary net position as a percentage of the total pension liability	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%

**Schedule of the District's Contributions
Florida Retirement System Pension Plan**

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 308,722	\$ 274,089	\$ 255,074	\$ 244,748	\$ 266,706	\$ 243,039
Contributions in relation to the contractually required contribution	(308,722)	(274,089)	(255,074)	(244,748)	(266,706)	(243,039)
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered-employee payroll	\$ 4,489,830	\$ 4,489,830	\$ 4,109,965	\$ 4,047,881	\$ 3,937,462	\$ 3,957,888
Contributions as a percentage of covered-employee payroll	6.88%	6.10%	6.21%	6.05%	6.77%	6.14%

**Schedule of the District's Proportionate Share of Net Pension Liability
Florida Retirement System Health Insurance Subsidy**

	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.013353541%	0.012959334%	0.012845170%	0.013111192%	0.012985855%	0.013318112%
District's proportionate share of the net pension liability (asset)	\$ 1,494,128	\$ 1,371,630	\$ 1,373,465	\$ 1,528,055	\$ 1,324,353	\$ 1,245,276
District's covered-employee payroll	\$ 4,489,830	\$ 4,489,830	\$ 4,109,965	\$ 4,047,881	\$ 3,937,462	\$ 3,957,888
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.28%	30.55%	33.42%	37.75%	33.63%	31.46%
Plan fiduciary net position as a percentage of the total pension liability	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

**FLORIDA KEYS MOSQUITO CONTROL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2019**

LAST 10 FISCAL YEARS *

**Schedule of the District's Contributions
Florida Retirement System Health Insurance Subsidy**

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 74,151	\$ 70,279	\$ 67,980	\$ 67,203	\$ 49,640	\$ 45,623
Contributions in relation to the contractually required contribution	(74,151)	(70,279)	(67,980)	(67,203)	(49,640)	(45,623)
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered-employee payroll	\$ 4,489,830	\$ 4,489,830	\$ 4,109,965	\$ 4,047,881	\$ 3,937,462	\$ 3,957,888
Contributions as a percentage of covered-employee payroll	1.65%	1.57%	1.65%	1.66%	1.26%	1.15%

* GASB 68 implemented FY15 - no prior data available

**FLORIDA KEYS MOSQUITO CONTROL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2019**

LAST 10 FISCAL YEARS *

Schedule of Changes in Net OPEB Liability and Related Ratios

Reporting Date	9/30/2019	9/30/2018	9/30/2017
Measurement Date	9/30/2019	9/30/2018	9/30/2017
Total OPEB Liability			
Service Cost	\$ 313,415	\$ 227,527	\$ 280,615
Interest	584,118	469,998	423,996
Changes in benefit terms	-	-	-
Difference Between Actual and Expected Experience	-	637,972	-
Changes of Assumption	1,436,276	708,551	(1,272,780)
Benefit Payments	(447,474)	(413,190)	(379,686)
Net Change in Total OPEB Liability	1,886,335	1,630,858	(947,855)
Total OPEB Liability - Beginning	13,882,131	12,251,273	13,199,128
Total OPEB Liability - Ending (a)	<u>\$ 15,768,466</u>	<u>\$ 13,882,131</u>	<u>\$ 12,251,273</u>
Plan Fiduciary Net Position			
Explicit Contributions - Employer	\$ 200,000	\$ 200,000	\$ -
Implicit Contributions - Employer	447,474	413,190	379,686
Net Investment Income	86,170	(171,391)	19,675
Benefit Payments	(447,474)	(413,190)	(379,686)
Administrative Expense	-	-	-
Other	196,859	-	-
Net Change in Plan Fiduciary Net Position	483,029	28,609	19,675
Plan Fiduciary Net Position - Beginning	1,586,508	1,557,899	1,538,224
Plan Fiduciary Net Position - Ending (b)	<u>2,069,537</u>	<u>1,586,508</u>	<u>1,557,899</u>
Sponsor's Net OPEB Liability - Ending (a) - (b)	<u>\$ 13,698,929</u>	<u>\$ 12,295,623</u>	<u>\$ 10,693,374</u>
Plan's Fiduciary Net Position as a percentage of the Total OPEB Liability	13.12%	11.43%	12.72%
Covered Employee Payroll (Projected)	\$ 4,215,475	\$ 4,007,106	\$ 3,707,389
Sponsor's Net OPEB Liability as a percentage of Covered Employee Payroll	324.97%	306.85%	288.43%

Notes to Schedule

The current year's Covered Employee Payroll was projected from the Valuation Date to the Measurement Date.

Other Changes reflects an adjustment to the asset balance sheet as of September 30, 2018 to align with actual assets in the trust of of that date

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

FY 2019	3.58%
FY 2018	4.18%
FY 2017	3.64%
FY 2016	3.06%

* GASB 75 implemented FY18 - no prior data available

**FLORIDA KEYS MOSQUITO CONTROL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2019**

LAST 10 FISCAL YEARS *

Schedule of the District's Contributions - OPEB

	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>
Actuarially Determined Contribution	\$ 993,843	\$ 988,861	\$ 800,340
Contributions in relation to the Actuarially Determined Contributions	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Contribution Deficiency (Excess)	<u>\$ 793,843</u>	<u>\$ 788,861</u>	<u>\$ 800,340</u>
Covered Employee Payroll (Projected)	\$ 4,215,475	\$ 4,007,106	\$ 3,707,389
Contributions as a percentage of Covered Employee Payroll	4.74%	4.99%	0.00%

* GASB 75 implemented FY18 - no prior data available

Notes to Schedule

Actuarially determined contribution rates shown above are calculated as of September 30 for the plan/fiscal year in which contributions are reported.

SUPPLEMENTARY INDEPENDENT AUDITOR REPORTS

**OROPEZA
& PARKS**
Certified Public Accountants

815 Peacock Plaza
Key West, Florida 33040
305.294.1049 | 305.294.1040
Fax: 305.294.3951

John G. Parks, Jr., CPA - retired

Scott G. Oropeza, CPA, PA
James H. Hill, Jr., CPA, PLLC

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

Board of Commissioners
Florida Keys Mosquito Control District
Key West, 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, the major fund and the aggregate remaining fund information of the Florida Keys Mosquito Control District ("the District") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2020.

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 of the effectiveness of the District's internal control.

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

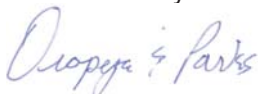
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in a letter dated March 24, 2020 and we consider finding 2019-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 *Governmental 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 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.



March 24, 2020



**OROPEZA
& PARKS**
Certified Public Accountants

815 Peacock Plaza
Key West, Florida 33040
305.294.1049 | 305.294.1040
Fax: 305.294.3951

Members:
AMERICAN INSTITUTE OF CPA'S
FLORIDA INSTITUTE OF CPA'S

John G. Parks, Jr., CPA - retired

Scott G. Oropeza, CPA, PA
James H. Hill, Jr., CPA, PLLC

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

The Board of Commissioners
Florida Keys Mosquito Control District
Key West, Florida

Report on the Financial Statements

We have audited the financial statements of the Florida Keys Mosquito Control District (the District), as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated March 24, 2020.

Auditor's 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. Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Florida Auditor General, which govern the conduct of local government entity audits performed in the State of Florida and require that certain items be addressed in this letter.

Other Reporting Requirements

We have issued our Independent Auditor's Report and Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, ATC Section 315, regarding compliance requirements in accordance with Chapter 10.550 Rules of the Florida Auditor General, all dated March 24, 2020. 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, require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address 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 this management letter, unless disclosed in the notes to the financial statements.

There were no component units related to the District. The District's name and legal authority is disclosed in the notes to the financial statements.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires 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 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.

Pursuant to Sections 10.554(1)(i)5.b. 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 the review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. We provide the following:

2019-01

During the fiscal year, the District entered into a lease/purchase agreement which included cash in an escrow account, construction work in progress and future lease payments that were not recorded/partially improperly recorded at year end. We believe proper oversight of company accounts may have disclosed the errors and recommend staff prepare monthly financial statements using the in house accounting program software for presentation, review and discussion to Board members.

2019-02

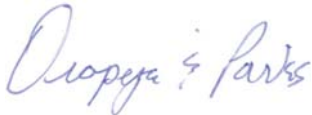
Our testing in the area of payroll, noted multiple items were missing from personnel files. The employee files contained a checklist, and we noted the missing items were not checked off. Following a second request, staff provided missing information. However, some noted dating issues left the question of timely proper completion. IRS required forms are required to be on file. It is essential for internal control purposes that each employee's file contain proper authorization for payroll deductions. We recommend personnel files be reviewed for all existing employees and that proper supporting documentation be obtained for all payroll deductions and a full completion of the employee file checklist, with a possible second person review of personnel files. For new employees, this process should be completed on the first day of employment.

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. None of those matters were disclosed during our audit of the District's financial statements for the year ended September 30, 2019.

Purpose of this Letter

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

A handwritten signature in blue ink, reading "Diopeta S. Parks".

March 24, 2020

**OROPEZA
& PARKS**
Certified Public Accountants815 Peacock Plaza
Key West, Florida 33040
305.294.1049 | 305.294.1040
Fax: 305.294.3951*John G. Parks, Jr., CPA - retired*Scott G. Oropeza, CPA, PA
James H. Hill, Jr., CPA, PLLC**REPORT OF INDEPENDENT ACCOUNTANT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT
POLICIES**The Board of Commissioners
Florida Keys Mosquito Control District
Key West, Florida**Report on Compliance**

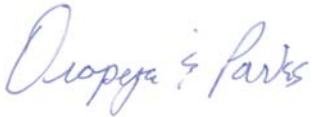
We have examined the Florida Keys Mosquito Control District (the District) compliance with the local government investment policy requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2019. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Scope

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 of the District's compliance with specified requirements.

Opinion

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.



March 24, 2020



FLORIDA KEYS

MOSQUITO CONTROL DISTRICT

Board of Commissioners

Phil Goodman, Chairman
Stanley Zuba, Vice Chairman
Brandon Pinder, Secretary/Treasure
Jill Cranney-Gage
Thomas McDonald

Executive Director


Andrea Leal

18 Aquamarine Drive
Key West, FL 33040

Telephone: (305) 292-7190
FAX: (305) 292-7199

www.keysmosquito.org

MEMORANDUM

DATE: March 23, 2020
TO: Board of Commissioners
FROM: Bruce Holden 
SUBJECT: Action Plan to Implement Recommendations of September 30, 2019 Audit

After reviewing the recommendations of the 2019 external audit, the staff of the District is committed to implementing those recommendations going forward. Our responses to the specific recommendation are detailed below.

2019-01

During the fiscal year, the District entered into a lease/purchase agreement which included cash in an escrow account, construction work in progress, and future lease payments that were not recorded/partially improperly recorded at year end. We believe proper oversight of company accounts may have disclosed the errors and recommend staff prepare monthly financial statements using the in house accounting program software for presentation, review, and discussion to Board members.

Response:

In March 2020, staff started following the auditor's recommendation by distributing financial statements to board members. Furthermore, staff included a summary of all transactions that occurred during the preceding month. Staff will continue to transmit these documents to board members on a monthly basis.

2019-02

Our testing in the area of payroll, noted multiple items were missing from personnel files. The employee files contained a checklist, and we noted the missing items were not checked off. Following a second request, staff provided missing information. However, some noted dating issues left the question of timely proper completion. IRS required forms are required to be on file. It is essential for internal control purposes that each employee's file contain proper authorization for payroll deductions. We recommend payroll files be reviewed for all existing employees and that proper supporting documentation be obtained for all payroll deductions and a full completion of the employee file checklist, with a possible second person review of personnel files. For new employees, this process should be completed on the first day of employment.

Response:

Staff will conduct a review of the existing employee files during the spring of 2020. During that review, staff will ensure that all supporting documentation necessary for completing the checklists will be included in the employee files. A secondary review of the files will be conducted once all of the files are completed.