

# Lee County Hyacinth Control District

## BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2016



**CRI** CARR  
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**Lee County Hyacinth Control District**  
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**September 30, 2016**

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**REPORT**

## **INDEPENDENT AUDITORS' REPORT**

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

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

We have audited the accompanying financial statements of the governmental activities and the major fund, of the Lee County Hyacinth Control District (the "District"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Lee County Hyacinth Control District as of September 30, 2016, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

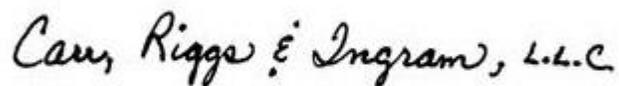
## Other Matters

### *Required Supplementary Information*

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

## Other Reporting Required by Government Auditing Standards

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



CARR, RIGGS & INGRAM, LLC

Clearwater, Florida  
June 23, 2017

## **Lee County Hyacinth Control District Management's Discussion and Analysis**

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

### **District Highlights:**

- The Lee County Hyacinth Control District is an independent special district, which was created under Chapter 67-1629, Florida Statutes, and recreated under 98-462. It is governed by a seven member Board of Commissioners. The commissioners are elected for a four-year term.
- The District employs eight full-time employees.
- The primary location for operations is at the District headquarters in Lehigh Acres at the old Buckingham Army Airfield. The District and its operations are located in Lee County, which is located on the southwest coast of Florida, near the City of Fort Myers.
- Hyacinth control services were provided to residents and the public at large within the District's boundary in Lee County during the fiscal year ended September 30, 2016.

### **Financial Highlights:**

- The District's assets exceed its liabilities at the close of the fiscal year by \$1,739,742 (net position). Of this amount, \$336,761 (unrestricted net position) may be used to meet the District's ongoing obligations.
- Total net position decreased by \$203,187 between fiscal years. This decrease is discussed further in the government-wide financial analysis.
- Total liabilities decreased by \$154,552 during the fiscal year.
- At the close of the current fiscal year, the ending fund balance was \$2,617,314, a decrease of \$338,410, or 11.45%, from the 2015 ending fund balance of \$2,955,724.
- Of this balance, \$109,021 is non-spendable, consisting of inventories, \$773,091 is assigned for the fiscal year end September 30, 2017, budgeted decrease in fund balance and \$1,735,202 is available for spending at the District's discretion (unassigned fund balance).

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

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Most revenue is collected via ad valorem taxes, and the basic financial statements are comprised of the following components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, which include governmental funds that will be described later in this analysis, and 3) Notes to Financial Statements.

**Government-Wide Financial Statements:**

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

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

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

**Fund Financial Statements:**

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

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

**Notes to Financial Statements:**

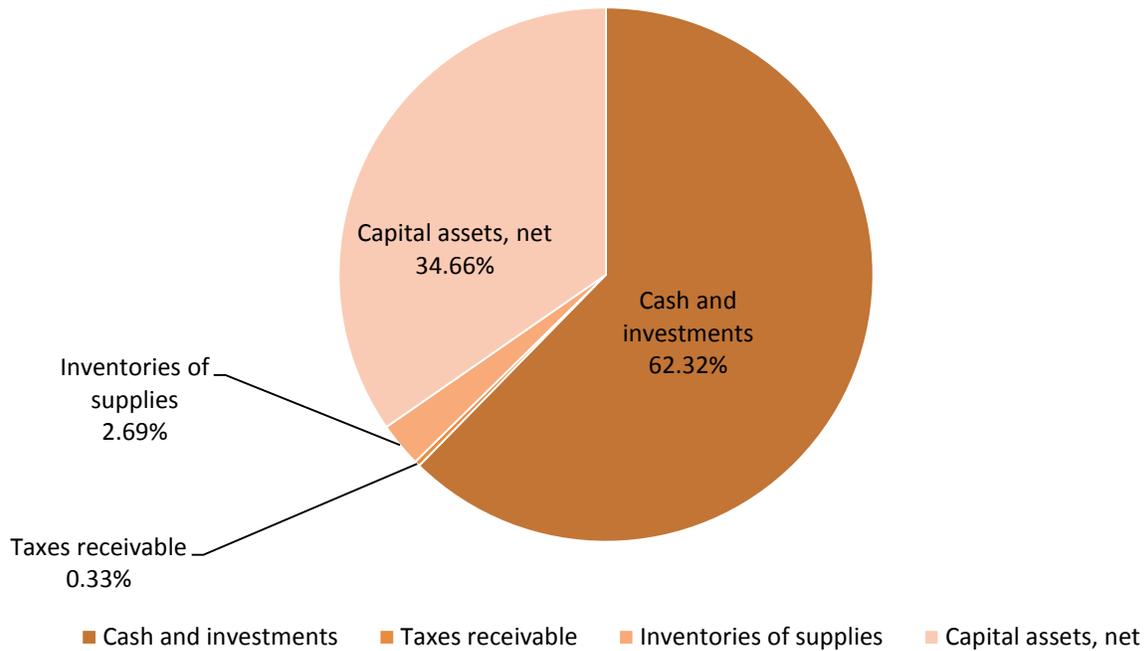
The *notes* to the financial statements explain in detail some of the data contained in the preceding statements and begin on page 18. These notes are essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government-wide Financial Analysis:**

Net position may serve as a useful indicator of an agency’s financial position. The District’s net position as of September 30, 2016 was \$1,739,742. Its revenues, which include property taxes, investments, and miscellaneous income, totaled \$1,760,586 (general revenue plus program revenue). Total program expenses were \$1,963,773.

Thirty-seven percent of the District’s assets represent its investment in capital assets and herbicide chemicals inventory. The District utilizes and consumes these assets in order to safely provide effective hyacinth control to the citizens within the District’s boundaries. All cash and investments are invested pursuant to F.S. 218.415 (17) in Certificate of Deposits (CD) and deposit accounts with banks designated by the Florida Chief Financial Officer as qualified public depositories.

**Lee County Hyacinth Control District - Assets**



**Summary of Net Position**

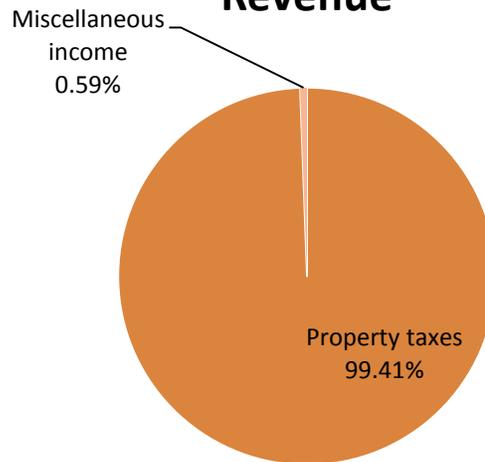
	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>Difference</u>
Current and Other Assets	\$ 2,644,916	\$ 2,981,847	\$ (336,931)
Capital Assets, net	<u>1,402,981</u>	<u>1,410,131</u>	<u>(7,150)</u>
Total Assets	<u>\$ 4,047,897</u>	<u>\$ 4,391,978</u>	<u>\$ (344,081)</u>
Deferred Outflows	\$ 263,597	\$ 222,867	\$ 40,730
Current and Other Liabilities	\$ 35,836	\$ 55,662	\$ (19,826)
Long-Term Liabilities	<u>2,184,936</u>	<u>2,319,662</u>	<u>(134,726)</u>
Total Liabilities	<u>\$ 2,220,772</u>	<u>\$ 2,375,324</u>	<u>\$ (154,552)</u>
Deferred Inflows	\$ 350,980	\$ 296,592	\$ 54,388
Net Position			
Invested in Capital Assets	\$ 1,402,981	\$ 1,410,131	\$ (7,150)
Unrestricted	<u>336,761</u>	<u>532,798</u>	<u>(196,037)</u>
Total Net Position	<u>\$ 1,739,742</u>	<u>\$ 1,942,929</u>	<u>\$ (203,187)</u>

During the past year, total assets decreased by \$344,081 and total liabilities decreased by \$154,552. Deferred inflows and deferred outflows increased by \$40,730 and \$54,388, respectively. Net position decreased by \$203,187 primarily due to a payment of \$250,000 to the Retiree Health Insurance Trust Fund created to pay the other post-employment health insurance benefits for Hyacinth retirees.

In fiscal year 2016, total fund revenue increased by \$13,018. The Board adopted the rolled-back ad valorem tax rate of .0263 mils and there was only a small increase in ad valorem from growth in the District's boundaries. Property taxes represent 99.4% of the District's revenues. Miscellaneous revenue decreased during the year. Although interest earnings increased there were fewer proceeds from surplus equipment sales and refunds from District vendors.

Total program expenditures increased by \$22,011 from 2015. An additional position added in 2016 caused an increase in personnel expenditures. The balance in cash and investments decreased by \$275,465 in accordance with the District Board's adopted budget plan for 2016. The value of the capital assets decreased in book value due to depreciation expense.

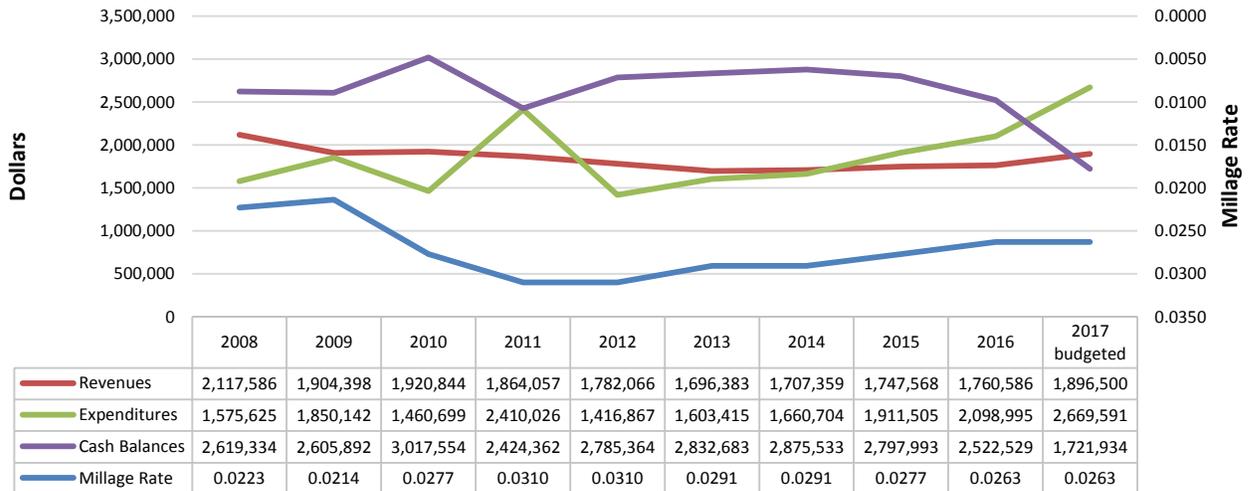
## Lee County Hyacinth Control District - Revenue



### Summary Changes in Net Position

	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>Difference</u>
Revenues			
General revenues:			
Property taxes	\$ 1,750,275	\$ 1,724,895	\$ 25,380
Miscellaneous	10,311	22,673	(12,362)
Total revenues	<u>\$ 1,760,586</u>	<u>\$ 1,747,568</u>	<u>\$ 13,018</u>
Expenses			
Personnel services	\$ 1,531,840	\$ 1,512,515	\$ 19,325
Operating	353,087	357,198	(4,111)
Depreciation	78,846	72,049	6,797
Total program expenses	<u>\$ 1,963,773</u>	<u>\$ 1,941,762</u>	<u>\$ 22,011</u>
Decrease in Net Position	\$ (203,187)	\$ (194,194)	\$ (6,307)
Net position - beginning of fiscal year	<u>\$ 1,942,929</u>	<u>\$ 2,137,123</u>	<u>\$ (194,194)</u>
Net position - end of fiscal year	<u><u>\$ 1,739,742</u></u>	<u><u>\$ 1,942,929</u></u>	<u><u>\$ (200,501)</u></u>

### LCHCD Millage Rates, Revenues and Expenditures



The chart above reflects revenues, expenditures, and millage rates for the past nine years and projections for the upcoming fiscal year (FY 2016-2017).

#### **Budgetary Highlights:**

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

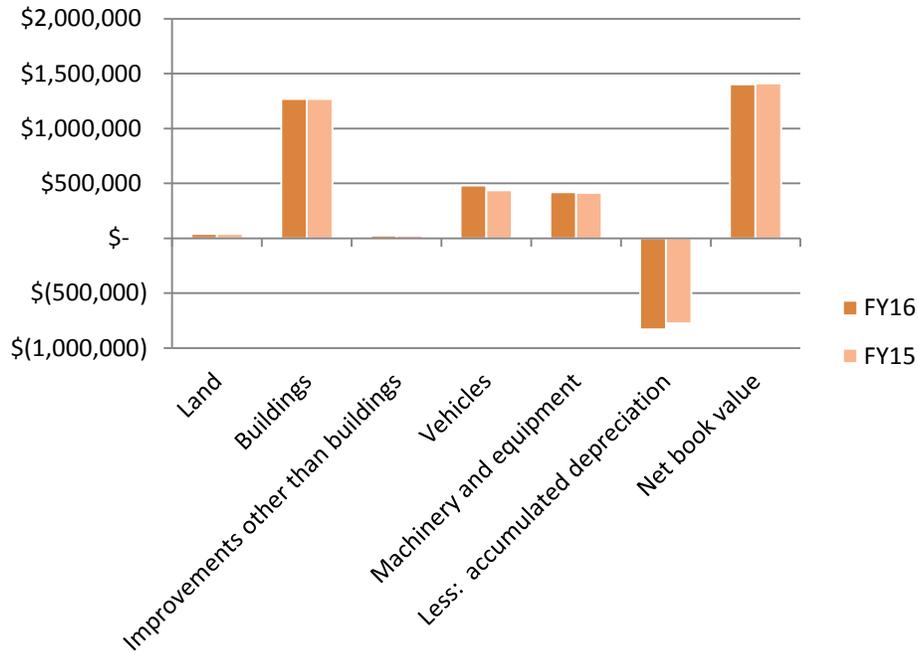
The budget also authorizes the District to obtain funds from identified sources to finance these current period activities. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund is provided on page 17 and denotes changes in the budget from the original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

Revenue variances from the original budget as compared to the final budget are depicted on page 17. The difference between the final amended budgeted expenditures and actual expenditures represents a positive variance of \$1,504. The variance is due primarily to changes related to the following budgeted items: increase in personnel services, and a reduction in charges for insurance, repairs and maintenance, tools, and transfers to Lee County Mosquito Control District.

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

The District's investment in capital assets at year-end is \$1,402,981 (net of accumulated depreciation) which includes property, plant, and equipment with a threshold of \$1,000 and an estimated useful life of more than one year. Assets are recorded at the lesser of cost when purchased or constructed and at fair value at the date of donation and are depreciated utilizing the straight-line method.

## Lee County Hyacinth Control District - Capital Assets



	9/30/2016	9/30/2015
Land	\$ 38,912	\$ 38,912
Buildings	1,267,682	1,267,682
Improvements other than buildings	26,420	26,420
Vehicles	480,803	438,000
Machinery and equipment	418,524	414,000
<b>Total assets</b>	<b>2,232,341</b>	<b>2,185,014</b>
Less: accumulated depreciation	(829,360)	(774,883)
<b>Net book value</b>	<b>\$ 1,402,981</b>	<b>\$ 1,410,131</b>

At September 30, 2016, the District had no long-term debt; its other long-term liabilities were comprised of accrued compensated absences and net OPEB obligation payables. For more information on accrued compensated absences or postemployment benefits other than pensions, please see Note 1 on page 18 and Note 8 on page 31, respectively, of the Notes to Financial Statements. For more information on capital assets, please see Note 4 on page 25, of the Notes to Financial Statements.

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

In September of 2016, the Board of Commissioners approved budgeted revenues of \$2,669,591 for fiscal year 2017. The Board opted to adopt the millage rate of .0263 mills again instead of adopting the rolled-back rate. The rate of .0263 per thousand produced Ad Valorem taxes in the amount of \$1,885,000, an increase of \$139,400 over the prior year. Property taxes are the largest source of revenue for the Lee County Hyacinth Control District.

Budgeted expenditures increased again for fiscal year 2017 in keeping with the Board's plan of reducing fund balance while maintaining current service levels. Also included in the budgeted expenditure total for 2017 is an additional payment to the Retiree Health Insurance Trust Fund for \$750,000 for post-employment health insurance benefits for Hyacinth retirees.

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

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



**GOVERNMENT-WIDE FINANCIAL  
STATEMENTS**

**Lee County Hyacinth Control District**  
**Statement of Net Position**  
**September 30, 2016**

<b>Assets</b>	
Cash and investments	\$ 2,522,528
Taxes receivable	13,367
Inventories of supplies	109,021
Total current assets	2,644,916
Capital assets:	
Land	38,912
Buildings	1,267,682
Improvements other than buildings	26,420
Machinery and equipment	899,327
Less accumulated depreciation	(829,360)
Total capital assets	1,402,981
Total assets	4,047,897
<b>Deferred Outflow of Resources</b>	
Deferred outflows for pension	263,597
<b>Liabilities</b>	
Accounts payable	3,769
Accrued wages payable	19,678
Due to other governments	4,155
Current portion of accrued compensated absences	8,234
Total current liabilities	35,836
Noncurrent liabilities:	
Other post-employment benefits	1,581,223
Accrued compensated absences	93,077
Net pension liability	510,636
Total noncurrent liabilities	2,184,936
Total liabilities	2,220,772
<b>Deferred Inflow of Resources</b>	
Deferred Inflows for pension	350,980
<b>Net Position</b>	
Invested in capital assets	1,402,981
Unrestricted	336,761
Total net position	\$ 1,739,742

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

**Lee County Hyacinth Control District  
Statement of Activities  
Year Ended September 30, 2016**

<b>Program expenses</b>	
Physical environment - Hyacinth control	
Personnel services	\$ 1,531,840
Operating	353,087
Depreciation	78,846
Total program expenses	1,963,773
 <b>General revenues</b>	
Property taxes	1,750,275
Miscellaneous income	10,311
Total general revenues	1,760,586
Change in net position	(203,187)
<b>Net position beginning of year</b>	1,942,929
<b>Net position end of year</b>	\$ 1,739,742

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



**FUND FINANCIAL STATEMENTS**

**Lee County Hyacinth Control District  
Balance Sheet – General Fund  
September 30, 2016**

**ASSETS**

Cash and investments	\$ 2,522,528
Taxes receivable	13,367
Inventories of supplies	109,021
Total assets	\$ 2,644,916

**LIABILITIES AND FUND BALANCES**

**LIABILITIES**

Accounts payable	\$ 3,769
Accrued wages payable	19,678
Due to other governments	4,155
Total liabilities	27,602

**FUND BALANCES**

Nonspendable:	
Prepaid and inventories	109,021
Assigned	773,091
Unassigned	1,735,202
Total fund balance	2,617,314
Total liabilities and fund balance	\$ 2,644,916

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

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

Fund balance	\$ 2,617,314
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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.	1,402,981
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the	
Compensated absences (see Note 5)	(101,311)
Net OPEB obligation payable (see Note 9)	(1,581,223)

Deferred outflows and inflows associated with pensions are not reported in the governmental funds (See Note 7)	
Deferred outflows	263,597
Deferred inflows	(350,980)

Long Term Liabilities are not reported in the governmental funds	
Net pension liability (See Note 7)	(510,636)

Net position	<u>\$ 1,739,742</u>
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*The accompanying notes are an integral part of these financial statements.*

**Lee County Hyacinth Control District  
Statement of Revenues, Expenditures, and Changes  
In Fund Balance – General Fund  
Year Ended September 30, 2016**

<b>Revenues</b>		
Property taxes	\$	1,750,275
Interest income		9,829
Miscellaneous income		482
Total revenues		1,760,586
<b>Expenditures</b>		
Current		
Physical environment - hyacinth control		
Personnel services	\$	1,644,674
Operating expenditures		382,443
Capital outlay		71,879
Total expenditures		2,098,996
Excess of expenditures over revenues		(338,410)
Fund balance, beginning of year		2,955,724
Fund balance, end of year	\$	2,617,314

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

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

Net change in fund balance \$ (338,410)

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

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

Expenditures for capital assets	71,879	
Less current year depreciation	(78,846)	
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) which decrease net position.	(183)	(7,150)

Change in due to Lee County Mosquito Control District 29,539

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

Change in compensated absences (see Note 5)	2,162	
Change in net OPEB obligation payable (see Note 5)	89,405	
Change in net pension liability (See Note 7)	34,925	
Change in deferred outflows related to pensions	28,623	
Change in deferred inflows related to pensions	(54,388)	
Change in deferred outflows subsequent to the measurement date	12,107	112,834

Change in net position \$ (203,187)

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
<b>Revenues</b>				
Property taxes	\$ 1,745,600	\$ 1,745,600	\$ 1,750,275	\$ (4,675)
Interest income	6,000	6,000	9,829	(3,829)
Miscellaneous income	5,000	5,000	482	4,518
Total revenues	<u>\$ 1,756,600</u>	<u>\$ 1,756,600</u>	<u>\$ 1,760,586</u>	<u>\$ (3,986)</u>
<b>Expenditures</b>				
Current				
Physical environment - Hyacinth Control				
Personnel services				
Salaries and wages	\$ 928,000	\$ 928,000	\$ 924,117	\$ 3,883
Payroll taxes and benefits	719,600	719,600	750,098	(30,498)
Operating expenditures				
Operating	100,000	81,043	80,688	355
Travel and per diem	5,000	5,743	5,743	-
Communication services	6,000	8,588	8,555	33
Freight services	1,000	1,000	241	759
Utility services	28,200	29,391	29,390	1
Rentals and leases	4,500	4,500	3,451	1,049
Insurance	50,000	45,919	40,281	5,638
Repairs and maintenance	30,000	30,000	27,892	2,108
Promotional activities	-	26	26	-
Other charges	25,200	28,896	14,723	14,173
Office supplies	4,000	5,451	5,451	-
Gasoline, oil and lube	20,000	8,130	8,130	-
Chemicals	66,000	82,584	82,584	-
Protective clothing	2,000	7,009	7,009	-
Miscellaneous supplies	31,000	20,825	20,812	13
Tools and implements	4,000	4,000	10	3,990
Publications and dues	3,000	9,809	9,809	-
Training	4,500	8,107	8,107	-
Capital outlay	68,500	71,879	71,879	-
Total expenditures	<u>2,100,500</u>	<u>2,100,500</u>	<u>2,098,996</u>	<u>1,504</u>
Excess of revenues over expenditures	(343,900)	(343,900)	(338,410)	(5,490)
FUND BALANCE, beginning of year	2,800,000	2,792,930	2,955,724	(162,794)
FUND BALANCE, end of year	<u>\$ 2,456,100</u>	<u>\$ 2,449,030</u>	<u>2,617,314</u>	<u>\$ (168,284)</u>

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

**Lee County Hyacinth Control District**  
**Notes to Financial Statements**  
**September 30, 2016**

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

***Nature of Organization***

The Lee County Hyacinth Control District (the "District") is an independent special district created to perform aquatic plant control and elimination in Lee County, Florida, in accordance with Chapter 388, Florida Statutes. The District was created by the Laws of Florida, Chapter 67-1629 and recreated by Chapter 98-462.

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

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

***Basic Financial Statements***

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

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

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

**Lee County Hyacinth Control District**  
**Notes to Financial Statements**  
**September 30, 2016**

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

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

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

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

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

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

***Future Accounting Pronouncements***

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

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

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

**Lee County Hyacinth Control District  
Notes to Financial Statements  
September 30, 2016**

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

***Fund Accounting***

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

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

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

***Budgets and Budgetary Accounting***

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

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

**Lee County Hyacinth Control District  
Notes to Financial Statements  
September 30, 2016**

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

***Capital Assets***

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

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

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

***Inventories***

Inventories, consisting primarily of chemicals, fuels and parts to be used in operations, are stated at the lower of cost (first-in, first-out, method) or market. The District utilizes the purchase method of accounting, which provides that expenditures are recognized when the inventory items are purchased. Reported inventories are equally offset as nonspendable fund balance in the fund financial statement, which indicate that they do not constitute "available spendable resources."

***Prepaid Items***

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

***Compensated Absences***

The District's employees accumulate sick and annual leave based on years of continuous service. Upon termination of employment, employees can receive payment for accumulated sick and annual leave, if they meet certain criteria. Accumulated sick and annual leave payable at September 30, 2016 was \$101,311, of which \$-0- is estimated to be currently payable.

**Lee County Hyacinth Control District**  
**Notes to Financial Statements**  
**September 30, 2016**

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

***Compensated Absences (Continued)***

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

***Fund Balance***

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

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

**Lee County Hyacinth Control District**  
**Notes to Financial Statements**  
**September 30, 2016**

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

***Fund Balance (Continued)***

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

***Minimum Fund Balance Policy***

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

**NOTE 2: CASH AND INVESTMENTS**

***Cash***

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

***Investments***

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

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

**Lee County Hyacinth Control District  
Notes to Financial Statements  
September 30, 2016**

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

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

	Value	Average Maturity
Certificates of deposit	\$408,375	12-36 months

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

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

**NOTE 3: INVENTORIES**

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

	Carrying Amount
Chemicals	\$ 109,021
<b>Total</b>	<b>\$ 109,021</b>

**Lee County Hyacinth Control District  
Notes to Financial Statements  
September 30, 2016**

**NOTE 4: CAPITAL ASSETS**

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

	Balance October 1, 2015	Increases	Decreases	Balance September 30, 2016
<i>Non-depreciated assets:</i>				
Land	\$ 38,912	\$ -	\$ -	\$ 38,912
<i>Depreciated assets:</i>				
Buildings	1,267,682	-	-	1,267,682
Improvements other than buildings	26,420	-	-	26,420
Machinery and equipment	852,000	71,879	(24,552)	899,327
Total capital assets at historical cost	2,185,014	71,879	(24,552)	2,232,341
<i>Less accumulated depreciation for:</i>				
Buildings	130,144	31,692	-	161,836
Improvements other than buildings	26,420	-	-	26,420
Machinery and equipment	618,319	47,154	(24,369)	641,104
Total accumulated depreciation	774,883	78,846	(24,369)	829,360
Capital assets, net	\$ 1,410,131	\$ (6,967)	\$ (183)	\$ 1,402,981

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

	Balance October 1, 2015	Additions	Reductions	Balance September 30, 2016	Due Within One Year
Compensated absence	\$ 103,473	\$ 6,072	\$ (8,234)	\$ 101,311	\$ 8,234
Net OPEB obligation	1,670,628	196,639	(286,044)	1,581,223	-
Net pension liability	545,560	28,457	(63,381)	510,636	-
	\$ 2,319,661	\$ 231,168	\$ (357,659)	\$ 2,193,170	\$ 8,234

**NOTE 6: PROPERTY TAXES**

Property taxes are levied on November 1 of each year, and are due and payable upon receipt of the notice of levy. The Lee County Tax Collector's office bills and collects property taxes on behalf of the District. The tax rate levied upon all of the taxable property in the Lee County Hyacinth Control District for the fiscal year ended September 30, 2016, was \$0.0263 per \$1,000 of assessed taxable property value. Property tax revenue is recognized in the fiscal year for which the taxes are levied.

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

**Lee County Hyacinth Control District**  
**Notes to Financial Statements**  
**September 30, 2016**

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

***Defined Benefit Plans***

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

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

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

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

**Lee County Hyacinth Control District  
Notes to Financial Statements  
September 30, 2016**

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

***Benefits Provided***

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

***Contributions***

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

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

The District's contributions for the year ended September 30, 2015, were \$32,222 to the FRS and \$8,765 to the HIS.

***Pension Liabilities and Pension Expense***

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

**Lee County Hyacinth Control District**  
**Notes to Financial Statements**  
**September 30, 2016**

**NOTE 7 – STATE OF FLORIDA PENSION PLANS (Continued)**

***Pension Liabilities and Pension Expense (Continued)***

	FRS	HIS
Net pension liability	\$ 318,417	\$ 192,219
Proportion at:		
Current measurement date	0.001261100%	0.001649300%
Prior measurement date	0.002244900%	0.002506300%
Pension expense (benefit)	\$ 20,895	\$ (1,178)

***Deferred Outflows/Inflows of Resources Related to Pensions***

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

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,380	\$ (2,965)	\$ -	\$ (438)
Changes of assumptions	19,263	-	30,164	-
Net difference between projected and actual earnings on pension plan investments	146,483	(64,177)	97	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	27,636	(178,754)	3,467	(104,646)
Employer contributions subsequent to the measurement date	9,588	-	2,519	-
<b>Total</b>	<b>\$ 227,350</b>	<b>\$ (245,896)</b>	<b>\$ 36,247</b>	<b>\$ (105,084)</b>

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2016. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

**Lee County Hyacinth Control District  
Notes to Financial Statements  
September 30, 2016**

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

***Deferred Outflows/Inflows of Resources Related to Pensions (Continued)***

Year ending September 30,	FRS	HIS
2017	\$ (10,439)	\$ (11,781)
2018	(10,439)	(11,781)
2019	21,537	(11,781)
2020	(313)	(11,781)
2021	(21,048)	(13,337)
Thereafter	(7,432)	(10,895)
<b>Total</b>	<b>\$ (28,134)</b>	<b>\$ (71,356)</b>

***Actuarial Assumptions***

The total pension liability for each of the defined benefit plans, measured as of June 30, 2015, was determined by an actuarial valuation dated July 1, 2016, using the individual entry age normal actuarial cost method and the following significant actuarial assumptions:

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

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

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

The following changes in key actuarial assumptions occurred in 2016:

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

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

**Lee County Hyacinth Control District**  
**Notes to Financial Statements**  
**September 30, 2016**

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

***Actuarial Assumptions (Continued)***

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

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

***Discount Rate***

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

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

**Lee County Hyacinth Control District  
Notes to Financial Statements  
September 30, 2016**

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

***Sensitivity Analysis***

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

	FRS			HIS		
	Current Discount			Current Discount		
	1% Decrease (6.60%)	Rate (7.60%)	1% Increase (8.60%)	1% Decrease (1.85%)	Rate (2.85%)	1% Increase (3.85%)
Employer's proportionate share of the net pension liability	\$ 586,227	\$ 318,417	\$ 95,500	\$ 220,519	\$ 192,219	\$ 168,732

***Pension Plans’ Fiduciary Net Position***

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

***Defined Contribution Plan***

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan (“FRS Investment Plan”), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class. Required employer contributions made to the plan during the year ended September 30, 2016, totaled \$1,046.

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

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

**Lee County Hyacinth Control District**  
**Notes to Financial Statements**  
**September 30, 2016**

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

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

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

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

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

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

At October 1, 2012, the date of the most recent plan valuation, the Trust covered 18 members (12 active plan members and 6 retirees and/or qualifying family members receiving benefits). When the retiree reaches eligibility age for Medicare, Medicare must become the primary provider; the District would then provide the supplemental coverage for the remainder of the benefit period.

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

**Lee County Hyacinth Control District  
Notes to Financial Statements  
September 30, 2016**

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

For the 2016 fiscal year, the District contributed \$287,078 to the plan, including \$37,078 for current premiums (76 percent of total premiums) and an additional \$250,000 to prefund benefits. Plan members receiving benefits contributed \$11,698, or 24 percent of the total premiums through their required contributions.

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

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

Valuation Date	10/1/2015
Annual required contribution	\$ 232,898
Interest on NET OPEB Obligation	66,825
Adjustment to ARC	(103,084)
<hr/>	
Annual OPEB Cost	196,639
Estimated net contributions made	(286,044)
<hr/>	
Increase in Net OPEB obligation	(89,405)
Net OPEB obligation - beginning of year	1,670,628
Net OPEB obligation - end of year	\$ 1,581,223
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Calculations are based upon the types of benefits provided under the terms of the OPEB plan at the time of the valuation and on the pattern of sharing costs between the employer and plan members to that point. The District's annual OPEB cost and related contribution information was as follows:

**Lee County Hyacinth Control District  
Notes to Financial Statements  
September 30, 2016**

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

Fiscal Year Ended	Annual OPEB Cost	Employer contributions toward OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2016	\$ 196,639	\$ 286,044	145.5%	\$1,581,223
9/30/2015	293,057	281,240	96.0%	1,670,628
9/30/2014	417,521	51,355	12.3%	1,658,811

*Funded Status and Funding Progress.* As of the most recent actuarial valuation date, October 1, 2015, the funded status of the plan was as follows:

Actuarial Valuation Date	10/1/2015
Plan Assets at Fair Value	\$ 250,000
Actuarial Accrued Liability	2,638,672
Unfunded AAL (UAAL)	2,388,672
Funded Ratio	9.5%
Covered Payroll	NA
UAAL as a Percentage of Covered Payroll	NA

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

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

**Lee County Hyacinth Control District  
Notes to Financial Statements  
September 30, 2016**

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

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

*Mortality Rate.* RP-2000 Combined Healthy Mortality Table.

*Interest Rate.* 5% per year, compounded annually, net of investment related expenses.

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

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

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

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

*Termination and Disability Rates.* See table below.

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

**Lee County Hyacinth Control District  
Notes to Financial Statements  
September 30, 2016**

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

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

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

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

*Dental Care Inflation.* 4.50% per year.

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

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

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

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

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

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

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

**Statement of Plan Net Position**

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

**Lee County Hyacinth Control District  
Notes to Financial Statements  
September 30, 2016**

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

**Statement of Changes In Plan Net Position**

<b>Additions</b>	
Contributions:	
Employer	
Lee County Mosquito Control District	\$ 750,000
Lee County Hyacinth Control District	250,000
Total contributions	1,000,000
Interest and dividends	77,051
Change in net position	1,077,051
Total net position - beginning	1,000,000
Total net position - ending	\$ 2,077,051

**NOTE 9: RISK MANAGEMENT**

The District maintains employee health insurance coverage from a commercial company for employees, retired employees and their eligible dependents. For the fiscal year ended September 30, 2016, the District reported incurred health insurance expense of \$172,553. There have been no claims in excess of insurance coverage as of September 30, 2016.

**NOTE 10: RELATED PARTIES**

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



**REQUIRED SUPPLEMENTARY  
INFORMATION**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2015	\$ 250,000	\$ 2,638,672	\$ 2,388,672	9.47%	NA	NA
10/1/2012	-	2,260,085	2,260,085	0.0%	NA	NA
10/1/2011	-	2,412,322	2,412,322	0.0%	NA	NA

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

<b>Florida Retirement System</b>	2016	2015
Employer's proportion of the net pension liability (asset)	0.001261100%	0.002244918%
Employer's proportionate share of the net pension liability (asset)	\$ 318,417	\$ 289,961
Employer's covered-employee payroll (2)	\$ 525,864	\$ 640,327
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	60.55%	45.28%
Plan fiduciary net position as a percentage of the total pension liability	81.70%	85.08%
<b>Health Insurance Subsidy Program</b>	2016	2015
Employer's proportion of the net pension liability (asset)	0.001649299%	0.017779645%
Employer's proportionate share of the net pension liability (asset)	\$ 192,219	\$ 255,600
Employer's covered-employee payroll (2)	\$ 525,864	\$ 640,327
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.55%	39.92%
Plan fiduciary net position as a percentage of the total pension liability	88.95%	86.84%

**Notes to schedules:**

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

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

<b>Florida Retirement System</b>	2016	2015
Contractually required contribution	\$ 32,222	\$ 43,007
Contributions in relation to the contractually required contribution	32,222	43,007
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>	<b>\$ -</b>
Employer's covered-employee payroll (1)	\$ 525,864	\$ 640,327
Contributions as a percentage of covered-employee payroll	6.13%	6.72%
<b>Health Insurance Subsidy Program</b>	2016	2015
Contractually required contribution	\$ 8,765	\$ 8,553
Contributions in relation to the contractually required contribution	8,765	8,553
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>	<b>\$ -</b>
Employer's covered-employee payroll (1)	\$ 525,864	\$ 640,327
Contributions as a percentage of covered-employee payroll	1.67%	1.34%

**Notes to schedules:**

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

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



**COMPLIANCE**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Lee County Hyacinth Control District (the "District"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated June 23, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiency, 2016-001.

## **Compliance and Other Matters**

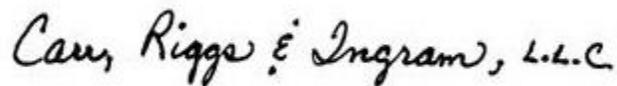
As part of obtaining reasonable assurance about whether District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*.

## **Lee County Hyacinth Control District's Response to Findings**

Lee County Hyacinth Control District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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



CARR, RIGGS & INGRAM, LLC

Clearwater, Florida  
June 23, 2017

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

**Significant Deficiency  
2016-001: IT General Controls**

**Criteria**

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

**Condition**

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

**Cause**

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

**Effect**

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

**Recommendation**

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

**Response and Corrective Action Plan**

See attached Corrective Action Plan.

## **MANAGEMENT LETTER**

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

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

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

### **Auditors' Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, Rules of the Auditor General.

### **Other Reports and Schedule**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, a Schedule of Findings an Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of Auditor General. Disclosures in those reports and schedule, which are dated June 30, 2016, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

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

## **Financial Condition**

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

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

## **Annual Financial Report**

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

## **Special District Component Units**

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

## **Other Matters**

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

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

**Purpose of this Letter**

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

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

CARR, RIGGS & INGRAM, LLC

Clearwater, Florida  
June 23, 2017

## Lee County Hyacinth Control District Corrective Action Plan

### BOARD OF COMMISSIONERS

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GEORGE T. MANN, JR.  
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### CONTACT INFORMATION

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

June 23, 2017

### RESPONSE TO MANAGEMENT LETTER AND CORRECTIVE ACTION PLAN

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

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

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

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

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

Yours truly,

T. Wayne Gale, Executive Director

Russell T. Baker, CFO

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

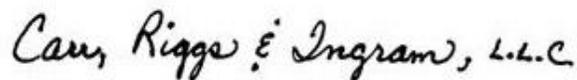
Board of Commissioners  
Lee County Hyacinth Control District  
Fort Myers, Florida

We have examined Lee County Hyacinth Control District’s, (the “District”), compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2016. Management is responsible for the District’s compliance with those requirements. Our responsibility is to express an opinion on the District’s compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District’s compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

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

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

CARR, RIGGS & INGRAM, LLC

Clearwater, Florida  
June 23, 2017