

UPPER CAPTIVA FIRE PROTECTION
AND RESCUE SERVICE DISTRICT

September 30, 2016

FINANCIAL STATEMENTS,
TOGETHER WITH REPORTS OF INDEPENDENT AUDITORS

TABLE OF CONTENTS

	<u>Page</u>
Report of the Independent Auditors	1 - 2
Management's Discussion and Analysis	3 - 7
Basic Financial Statements	
Statement of Net Position	8
Statement of Activities	9
Balance Sheet	10
Reconciliation of the Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenses and Changes in Fund Balance	12
Reconciliation of the Statement of Revenues, Expenses and changes in Fund Balance to the Statement of Net Assets	13
Notes to Basic Financial Statements	14 - 21
Required Supplementary Information	
Statement of Revenues, Expenses and Changes in Fund Balance - Budget and Actual - General Fund	22
Statement of Revenues, Expenses and Changes in Fund Balance - Budget and Actual - Special Assessment Fund	23
Notes to Budgetary Comparison Schedule	24
Independent Auditors Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Basic Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	25 - 26
Management Letter	27 - 29
Independent Accountant's Examination Report	30
Response to Management Letter	31

Independent Auditor's Report

Honorable Board of Commissioners
Upper Captiva Fire Protection and Rescue Service District
North Captiva Island, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Upper Captiva Fire Protection and Rescue Service District, (the "District") as of and for the fiscal 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.

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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the District as of September 30, 2016, and the respective changes in financial position for the fiscal 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 budgetary comparison information on pages 3-7 and 22-23 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 assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Punta Gorda, Florida
June 2, 2017

Ashley, Brown & Co.

MANAGEMENT'S
DISCUSSION AND ANALYSIS

Upper Captiva Fire Protection and Rescue Service District

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

District Highlights

- At the close of fiscal year 2016, the District's assets exceeded its liabilities, resulting in net position of \$806,974.
- The District's total net position increased \$92,664, or 12.97 percent, in comparison to prior year.
- The District had \$136,091 of unassigned fund balance that can be used to meet the District's ongoing obligations.
- Total revenues decreased \$44,142, or 3.82 percent, in comparison to prior year.
- Total expenses decreased \$218,688, or 17.7 percent, in comparison to prior year.

Government-wide Financial Statements

Government-wide financial statements (statement of net position and statement of activities found on pages 8 and 9 are intended to allow a reader to assess a government's operational accountability. Operational accountability is defined as the extent to which the government has met its operating objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to meet its objectives for the foreseeable future. Government-wide financial statements concentrate on the District as a whole and do not emphasize fund types.

The *Statement of Net Position* (page 8) 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 9) presents revenue and expense information showing how the District's net position changed during the fiscal year. Both statements are measured and reported using the economic resource measurement focus (revenues and expenses) and the accrual basis of accounting (revenue recognized when earned and expense recognized when a liability is incurred).

Fund Financial Statements

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

The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The *Fund Financial Statements* can be found on pages 10 and 12.

Upper Captiva Fire Protection and Rescue Service District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Notes to the Financial Statements

The *notes* to the financial statements explain in detail some of the data contained in the preceding statements and begin on page 14. These notes are essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

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

The following is a condensed summary of net position for the primary government for fiscal years 2016 and 2015.

Upper Captiva Fire Protection and Rescue Service District
Summary of Net Position
September 30,

	2016	2015
Assets:		
Current and other assets	\$ 200,812	\$ 119,292
Capital assets	618,947	653,621
Total Assets	819,759	772,913
Liabilities:		
Current liabilities	12,785	58,603
Net Position:		
Net Investment in capital assets	618,947	653,621
Restricted for purchase of capital assets	8,082	6,648
Unrestricted	179,945	54,041
Total Net Position	\$ 806,974	\$ 714,310

Investment in capital assets totaled \$618,947, which represents 76.7 percent of total net position and is comprised of land, building and improvements, and fire and rescue equipment, net of accumulated depreciation.

Upper Captiva Fire Protection and Rescue Service District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The unrestricted net position balance of \$179,945 represents resources available to meet the District's ongoing obligations. The restricted net asset balance of \$8,082 is comprised of impact fee funds received and restricted for the purchase of capital assets.

The following schedule reports the revenues, expenses, and changes in net position for the District for the 2016 and 2015 fiscal years:

	<u>2016</u>	<u>2015</u>
Revenues:		
General revenues		
Ad valorem taxes	\$ 626,721	\$ 587,925
Grants and contributions	29,170	115,891
Fire Service Special Assessment	452,491	447,400
Impact fees	1,423	3,326
Miscellaneous		
Interest	72	64
Other	2,130	1,543
Total Revenues	<u>1,112,007</u>	<u>1,156,149</u>
Expenses:		
Public safety -fire and rescue services		
Personal services	756,702	818,523
Operating expenditures	207,701	359,751
Depreciation	54,405	59,425
Interest	535	332
Total Program Expenses	<u>1,019,343</u>	<u>1,238,031</u>
Increase (decrease) in net position	92,664	(81,882)
Net Position - Beginning	<u>714,310</u>	<u>796,192</u>
Net Position - Ending	<u>\$ 806,974</u>	<u>\$ 714,310</u>

Total revenues decreased \$44,142, or 3.82 percent, in comparison to prior year. Revenue decreased in comparison to prior year primarily due to the non-recurrence of a fundraising program spearheaded by island residents in the prior year which reduced contributions in the current year.

Total expenses decreased \$218,688, or 17.7 percent, in comparison to prior year primarily due to decreases in personal services and operating expenditures, related to the special assessment.

Upper Captiva Fire Protection and Rescue Service District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Budgetary Highlights

The District adopts an annual budget for the General Fund and the Special Assessment Fund as required by Florida Statute. The difference between the final budgeted expenditures and actual expenditures represents a positive variance of \$25,858 or 4.15% of budgeted expenditures for the General Fund. The difference between the final budgeted expenditures and actual expenditures represents a positive variance of \$26,635 or 6.20% of budgeted expenditures for the Special Assessment Fund.

Capital Assets

Non-depreciable capital assets include land, construction in progress, and assets not in service. Depreciable assets include fire and rescue equipment, building, fire and rescue vehicles, pagers and radios, furniture and fixtures, and equipment.

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

Upper Captiva Fire Protection and Rescue Service District
Capital Assets
As of September 30,

CAPITAL ASSETS	2016	2015
Land	\$ 66,096	\$ 66,096
Construction in progress	97,886	97,886
Total Capital Assets Not Being Depreciated	163,982	163,982
Buildings and improvements	487,994	487,994
Equipment and machinery	457,842	477,901
Total Capital Assets Being Depreciated	945,836	965,895
 ACCUMULATED DEPRECIATION		
Buildings and improvements	214,534	200,258
Equipment and machinery	276,337	275,998
Total Accumulated Depreciation	490,871	476,256
Total Capital Assets Being Depreciated, net	454,965	489,639
 CAPITAL ASSETS, NET	 \$ 618,947	 \$ 653,621

Upper Captiva Fire Protection and Rescue Service District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Economic Factors and Next Year's Budget Rates

The following factors were considered when the 2016-2017 budget was prepared:

- Property values on Upper Captiva Island have begun to increase along with the other housing markets in the Southwest Florida area. Property values increased 2.05% and \$1,598,658 in new construction was added to the tax rolls.
- The District's elected officials and management desire to keep millage rate and tax levies to the minimum necessary to provide safe and efficient fire protection and emergency rescue services.
- Pursuant to a referendum election held July 8, 2014, the District will continue levying a special assessment on island properties. The additional revenue is estimated to generate \$447,400 in fiscal year 2017 which will continue to provide funds to augment firefighter personnel by two positions per shift. By increasing shift personnel, the District anticipates maintaining its favorable ISO rating.
- The District approved a millage rate of 3.750 to be applied to an estimated tax roll of \$176,915,324 which is expected to generate \$643,529 in net Ad valorem tax revenue. Total District budget for FY 2017 is \$1,179,354.

Request for Information

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

Upper Captiva Fire Protection and Rescue Service District
Chief Robert Kinniry
P.O. Box 322, Pineland, Florida 33945-0327
Phone (239) 472-8899

BASIC
FINANCIAL STATEMENTS

Upper Captiva Fire Protection and Rescue Service District
STATEMENT OF NET POSITION
September 30, 2016

ASSETS

Current assets:

Cash	\$	179,942
Due from individuals		126
Due from other governments		5,705
Prepaid Expenses		800
Special assessment receivable		14,239
		14,239
Total current assets		200,812

Noncurrent assets:

Capital assets:

Land		66,096
Construction in process		97,886
Buildings and improvements		487,994
Furniture & fixtures		5,622
Fire and rescue equipment		452,220
Less: accumulated depreciation		(490,871)
		(490,871)
Total noncurrent assets (net)		618,947
Total assets		819,759

LIABILITIES

Current liabilities:

Accounts payable		6,017
Accrued liabilities		6,768
		6,768
Total Liabilities		12,785

NET POSITION

Invested in capital assets, net of related debt		618,947
Restricted for purchase of capital assets		8,082
Unrestricted		179,945
		179,945
Total Net Position	\$	806,974

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

Upper Captiva Fire Protection and Rescue Service District
 STATEMENT OF ACTIVITIES
 Year Ended September 30, 2016

Function	Expenses	Program Revenues		Net Expenses and Changes in Net Position
		Contributions for specific purposes	Fire service special assessment	
Public safety	\$ 1,017,888	\$ 27,715	\$ 452,491	\$ (537,682)
		General Revenues:		
				626,721
				1,423
				72
				2,130
				630,346
				92,664
				714,310
				\$ 806,974

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

Upper Captiva Fire Protection and Rescue Service District
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2016

	Major		Non-major	Total
	General	Special Assessment	Impact Fee	
ASSETS				
Cash	\$ 158,078	\$ 13,782	\$ 8,082	\$ 179,942
Due from other funds	-	21,094	-	21,094
Due from other governments	5,285	420	-	5,705
Due from individuals	126	-	-	126
Prepaid Expenses	800	-	-	800
Assessments receivable	-	14,239	-	14,239
Total Assets	\$ 164,289	\$ 49,535	\$ 8,082	\$ 221,906
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 4,098	\$ 1,919	\$ -	\$ 6,017
Accrued liabilities	3,006	3,762	-	6,768
Due to other funds	21,094	-	-	21,094
Total Liabilities	28,198	5,681	-	33,879
FUND BALANCE				
Spendable:				
Restricted	-	43,854	8,082	51,936
Unassigned	136,091	-	-	136,091
Total Fund Balance	136,091	43,854	8,082	188,027
Total Liabilities and Fund Balance	\$ 164,289	\$ 49,535	\$ 8,082	\$ 221,906

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

Upper Captiva Fire Protection and Rescue Service District
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2016

Fund Balance	\$ 188,027
--------------	------------

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 balance sheet.	<u>618,947</u>
---	----------------

Net Position	<u><u>\$ 806,974</u></u>
--------------	--------------------------

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

Upper Captiva Fire Protection and Rescue Service District
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS
Year Ended September 30, 2016

	<u>General</u>	<u>Major Special Assessment</u>	<u>Non-major Impact Fee</u>	<u>Total</u>
REVENUES				
Ad valorem taxes	\$ 626,721	\$ -	\$ -	\$ 626,721
Impact fees	-	-	1,423	1,423
Fire Service Special Assessment	-	452,491	-	452,491
Grant Revenue	1,455	-	-	1,455
Proceeds from sale of asset	10,100	-	-	10,100
Proceeds from insurance claim	4,500	-	-	4,500
Miscellaneous				
Contributions	27,715	-	-	27,715
Interest	61	-	11	72
Other miscellaneous	2,014	116	-	2,130
	<u>672,566</u>	<u>452,607</u>	<u>1,434</u>	<u>1,126,607</u>
Total Revenues	<u>672,566</u>	<u>452,607</u>	<u>1,434</u>	<u>1,126,607</u>
EXPENDITURES				
Current				
Public safety				
Personal service	418,767	337,935	-	756,702
Operating expenditures	143,533	54,902	-	198,435
Capital outlay	33,949	9,648	-	43,597
Interest	104	431	-	535
	<u>596,353</u>	<u>402,916</u>	<u>-</u>	<u>999,269</u>
Excess Revenues Over (Under) Expenditures	<u>76,213</u>	<u>49,691</u>	<u>1,434</u>	<u>127,338</u>
OTHER FINANCING SOURCES (USES)				
Line of credit proceeds - net of repayments	<u>-</u>	<u>(40,000)</u>	<u>-</u>	<u>(40,000)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(40,000)</u>	<u>-</u>	<u>(40,000)</u>
Net change in fund balances	76,213	9,691	1,434	87,338
FUND BALANCE, October 1, 2015	<u>59,878</u>	<u>34,163</u>	<u>6,648</u>	<u>100,689</u>
FUND BALANCE, September 30, 2016	<u>\$ 136,091</u>	<u>\$ 43,854</u>	<u>\$ 8,082</u>	<u>\$ 188,027</u>

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

Upper Captiva Fire Protection and Rescue Service District
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2016

Net changes in fund balance \$ 87,338

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In addition, gains and losses on the disposition of fixed assets are recorded on the statement of activities, however, they are not reported on the statement of revenues expenditures and changes in net position. These amounts are as follows:

Expenditures for capital assets	\$ 43,598	
Loss on disposition of capital assets	(23,867)	
Less current year depreciation	<u>(54,405)</u>	(34,674)

Long-term liabilities, including line of credit, are not due and payable in the current period and therefore are not reported in the funds. Total repayments in excess of proceeds. 40,000

Change in net position \$ 92,664

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

Upper Captiva Fire Protection and Rescue Service District

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Defining the Governmental Reporting Entity

The Upper Captiva Fire Protection and Rescue Service District (the "District") is an independent special taxing district located on Upper Captiva Island, which is a barrier island off the coast of Southwest Florida not accessible by automobile. The District was originally established in 1990 by a Special Act of the Legislature of the State of Florida (Laws of Florida, Chapter 90-397) and recreated and reenacted by the Legislature of the State of Florida in 2004 (Laws of Florida, Chapter 2004-470).

The business and affairs of the District are governed by an elected Board of Commissioners, which consists of five members and operates under state statutes. The Commissioners serve on a staggered four-year term basis.

The District provides fire control and protection services and rescue services within the District's legal boundaries. In providing these services, the District operates and maintains one (1) station house and their related equipment and employs one full-time professional firefighters as well as forty (40) part-time firefighters.

The Government Accounting Standards Board ("GASB") requires the financial statements of the District (the primary government) to include its component units, if any. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. Based on the criteria established by GASB, there are no component units required to be included in the District's financial statements.

Basic Financial Statements

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

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

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

Upper Captiva Fire Protection and Rescue Service District
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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.

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

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

Fund Accounting

The accounts of the District are organized and recorded in individual funds. The operations for each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The following fund types are used by the District.

General Fund (major)

The General fund is the general operating fund of the District. All financial resources, which are not required to be accounted for in another fund, are recorded in the General fund.

Special Assessments Fund (major)

This special revenues fund is used to account for special assessments that are legally restricted to expenditure for a particular purpose.

Impact Fees Fund (non-major)

This special revenues fund is used to account for impact fees that are legally restricted to expenditure for a particular purpose.

Major Funds

The District reports the general fund and the special assessments fund as major funds.

Upper Captiva Fire Protection and Rescue Service District
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2016

NOTE 1. 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 \$750 and an estimated useful life of more than one year. Such assets are recorded at historical cost if purchased or constructed. Donated assets are recorded at their estimated fair value at the date of the donation. The estimated fair value is based on the most recent appraisal documentation available.

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

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

<u>Asset</u>	<u>Years</u>
Building	40
Fire and Rescue Vehicles	7-10
Fire and Rescue Equipment	10-20
Furniture and Fixtures	5-7
Pagers and Radios	5

Budgets and Budgetary Accounting

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

1. During the summer of each year, the District Fire Chief submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing on the upcoming first day of October. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayers' comments.
3. The budget is adopted by approval of the Board of Commissioners.
4. Budget transfers can be made throughout the year between expenditure accounts within a fund by approval of the Board of Commissioners.
5. Budget amounts, as shown in these financial statements, are as originally adopted and as finally amended by the Board of Commissioners.

Upper Captiva Fire Protection and Rescue Service District
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (Continued)

6. The budget for the general fund is adopted on a basis consistent with accounting principles generally accepted in the United States. Budgeted appropriations lapse at year-end.
7. The legal level of control for appropriations is exercised at the fund level. There was one supplemental appropriations during the year ended September 30, 2016.
8. The District did not adopt a budget for the non-major fund, Impact Fees.

Compensated Absences

The District's full-time employees accumulate sick and annual leave based on years of continuous service. District policy does not allow for employees to carry over sick and annual leave to another fiscal year.

Impact Fees

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

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

Fund Balance

The District follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." Accordingly, in the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balance is reported in five components: nonspendable, restricted, committed, assigned, and unassigned.

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

Upper Captiva Fire Protection and Rescue Service District
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

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

Unrestricted Fund Balance - The total of the committed fund balance, assigned fund balance, and unassigned balance.

Committed Fund Balance - Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the District's Board of Commissioners, the District's highest level of decision making authority. Commitments may be changed or lifted only by the Board of Commissioners taking the same formal action (resolution) that imposed the constraint originally.

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

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

The District's policy is to apply expenditures against restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance in that order under circumstances where a particular expenditure can be made from more than one fund classification.

Minimum Fund Balance Policy

Compliance with the provisions of this policy shall be reviewed as a part of the annual budget adoption process and the amounts of the individual funds including any minimum balance shall be determined during this process.

Use of Estimates

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

Upper Captiva Fire Protection and Rescue Service District

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 2. CASH

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. In accordance with its policy, all District depositories are banks designated by the Florida

Chief Financial Officer as qualified public depositories. Chapter 280 of the Florida Statutes "Florida Security for Public Deposits Act", provides procedures for public depositories to ensure public monies in banks and saving and loans are collateralized with the Florida Chief Financial Officer as agent for the public entities. Chapter 280 defines deposits as demand deposit accounts, time deposit accounts, and non-negotiable certificates of deposit.

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

At September 30, 2016, the carrying amount of the District's deposits was \$179,942 and the bank balance was \$204,373.

NOTE 3. 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, Florida Tax Collector's Office bills and collects property taxes on behalf of the district. Property tax revenue is recognized in the fiscal year for which the taxes are levied.

Key dates in the property tax cycle (latest date, where appropriate) are as follows:

- July 1 - Assessment roll validated
- September 30 - Millage resolution approved and taxes levied following certification of assessment roll
- October 1 - Beginning of fiscal year for which tax is to be levied
- November 1 - Property taxes due and payable (levy date) with various discount provisions through March 1
- April 1 - Taxes become delinquent
- Prior to June 1 - Tax certificates sold by Lee County

The Board of Commissioners of the District levied ad valorem taxes at a millage rate of \$3.75 per \$1,000 (3.750 mills) of the January 1, 2016 tax assessed value of real property located within the District.

Upper Captiva Fire Protection and Rescue Service District
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 4. CAPITAL ASSETS

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

	Balance Oct. 1, 2015	Increases	Decreases	Balance Sept. 30, 2016
Capital assets not being depreciated:				
Land	\$ 66,096	\$ -	\$ -	\$ 66,096
Construction in process	97,886	-	-	97,886
Total capital assets not being depreciated	<u>163,982</u>	<u>-</u>	<u>-</u>	<u>163,982</u>
Capital assets being depreciated:				
Buildings and improvements	487,994	-	-	487,994
Furniture & fixtures	5,622	-	-	5,622
Fire and rescue equipment	472,279	43,598	(63,657)	452,220
Total capital assets being depreciated	<u>965,895</u>	<u>43,598</u>	<u>(63,657)</u>	<u>945,836</u>
Less accumulated depreciation for:				
Buildings and improvements	(200,258)	(14,276)	-	(214,534)
Furniture & fixtures	(4,855)	(192)	-	(5,047)
Fire and rescue equipment	(271,143)	(39,937)	39,790	(271,290)
Total accumulated depreciation	<u>(476,256)</u>	<u>(54,405)</u>	<u>39,790</u>	<u>(490,871)</u>
Total capital assets being depreciated, net	<u>489,639</u>	<u>(10,807)</u>	<u>(23,867)</u>	<u>454,965</u>
Total capital assets	<u>\$ 653,621</u>	<u>\$ (10,807)</u>	<u>\$ (23,867)</u>	<u>\$ 618,947</u>

Construction in Process

Construction in process relates to the design and architectural plans relating to expansion of the fire station. Expansion activities have been temporarily postponed pending the completion of the financing plan for such expansion.

Upper Captiva Fire Protection and Rescue Service District
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2016

NOTE 5. RETIREMENT PLAN

Plan Description

The District contributes to a SEP IRA plan for its full-time employee. The plan is a defined contribution plan and is administered by Waterstone Financial. Contribution requirements of the plan are 25% of full-time employee salaries. Contributions made to the plan for the year ended September 30, 2016 were \$13,100. The District has the right to establish and amend contribution requirements of the District and for the plan members.

NOTE 6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and the natural disasters for which the District carries commercial insurance. The financial impact of the District's risk management activities are reported in the accompanying financial statements. For 2016, the District paid \$40,752 in premiums for policies to insure for these risks. No accrual has been provided for claims and incidents not reported to insurers. All known claims have been reported to the insurers. Claims made have not exceeded the insurance coverage for any of the past three fiscal years.

NOTE 7. LINE OF CREDIT

The District has a \$500,000 revolving line of credit agreement with Stonegate Bank, which requires interest only payments at a variable rate of the qualified tax exempt rate per annum, which is equal to 65% of the index rate. The "Index" is the highest rate of interest designated by the Wall Street Journal, Money Rates Section, periodically as the "Prime Rate". The prime rate as of September 30, 2016 is 2.41%. There was no outstanding balance on this line of credit at September 30, 2016. The line of credit is unsecured and expires July 25, 2017.

Due to the District's reliance on the Line of Credit for operating cash-flow at year-end and into the subsequent fiscal year, it is stated as a long term liability.

Changes in the line of credit payable for the year ended September 30, 2016 were as follows:

Balance Oct. 1, 2015	Increases	Decreases	Balance Sept. 30, 2016
\$ 40,000	\$ 130,000	\$ (170,000)	\$ -

REQUIRED
SUPPLEMENTARY
INFORMATION

Upper Captiva Fire Protection and Rescue Service District
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Ad Valorem taxes	\$ 626,213	\$ 626,213	\$ 626,721	\$ 508
Proceeds from sale of asset	-	5,600	10,100	4,500
Proceeds from insurance claim	-	4,500	4,500	-
Grant Revenue	-	2,750	1,455	(1,295)
Miscellaneous				
Miscellaneous	-	28,665	29,729	1,064
Interest	-	15	61	46
Total Revenues	626,213	667,743	672,566	4,823
EXPENDITURES				
Public Safety Current				
Current				
Personal service				
Salaries	348,327	348,327	331,316	17,011
Benefits	95,281	87,981	87,451	530
Operating expenditures				
Legal and professional services	5,000	10,000	11,587	(1,587)
Accounting and auditing	17,000	17,000	16,034	966
Commissions	19,000	18,056	13,521	4,535
Travel	10,000	3,000	5,424	(2,424)
Communications	15,000	15,000	11,443	3,557
Utilities	8,000	8,000	6,925	1,075
Rental and leases - housing allowance	2,600	850	150	700
Insurance & bonds	15,000	15,000	23,745	(8,745)
Repairs and maintenance	12,500	25,000	24,338	662
Licenses and taxes	1,000	1,000	281	719
Legal advertising	1,500	1,500	1,935	(435)
Printing and binding	1,000	1,000	333	667
Bank charges	600	600	455	145
Education	500	1,367	1,366	1
Office / postage	4,000	4,000	3,238	762
Fuel / docking	9,000	9,000	1,592	7,408
Medical supplies	5,000	12,000	9,311	2,689
Uniforms	2,000	600	22	578
Tools and equipment	4,000	4,000	2,887	1,113
Books / subscriptions	300	997	996	1
Operating supplies	11,000	7,600	3,811	3,789
Miscellaneous	100	3,500	4,139	(639)
Debt service - interest	500	500	104	396
Capital outlay	18,000	27,000	33,949	(6,949)
Total Appropriations/Expenditures	606,208	622,878	596,353	26,525
Net Change in Fund Balance	20,005	44,865	76,213	31,348
FUND BALANCE, October 1, 2015	115,729	54,106	59,878	5,772
FUND BALANCE, September 30, 2016	\$ 135,734	\$ 98,971	\$ 136,091	\$ 37,120

Upper Captiva Fire Protection and Rescue Service District
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL ASSESSMENT
Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Permits, fees & special assessment	\$ 447,396	\$ 452,646	\$ 452,491	\$ (155)
Miscellaneous				
Contribution	-	120	116	(4)
Interest	-	-	-	-
 Total Revenues	 447,396	 452,766	 452,607	 (159)
EXPENDITURES				
Public Safety Current				
Current				
Personal service				
Salaries	310,439	310,439	303,930	6,509
Benefits	36,881	35,581	34,005	1,576
Operating expenditures				
Legal and professional services	4,000	4,000	130	3,870
Accounting and auditing	17,000	17,000	17,834	(834)
Commissions	4,000	1,725	1,351	374
Travel	5,000	1,000	2,478	(1,478)
Communications	1,500	500	105	395
Utilities	1,700	-	-	-
Rental and leases - housing allowance	25,000	25,000	19,587	5,413
Insurance & bonds	500	500	-	500
Repairs and maintenance	3,000	6,006	2,257	3,749
Legal advertising	500	500	-	500
Bank charges	200	200	300	(100)
Office / postage	600	600	-	600
Fuel / docking	9,000	9,000	9,706	(706)
Uniforms	2,000	1,000	428	572
Operating supplies	4,000	1,000	726	274
Capital outlay	15,000	15,000	9,648	5,352
Debt service - interest	500	500	431	69
 Total Appropriations/Expenditures	 440,820	 429,551	 402,916	 26,635
OTHER FINANCING SOURCES (USES)				
Line of credit proceeds - net of repayments	-	(40,000)	(40,000)	-
 Total Other Financing Sources (Uses)	 -	 (40,000)	 (40,000)	 -
 Net Change in Fund Balance	 6,576	 (16,785)	 9,691	 (26,794)
 FUND BALANCE, October 1, 2015	 1,900	 24,172	 34,163	 9,991
 FUND BALANCE, September 30, 2016	 \$ 8,476	 \$ 7,387	 \$ 43,854	 \$ (16,803)

Upper Captiva Fire Protection and Rescue Service District

NOTES TO BUDGETARY COMPARISON SCHEDULE

Fiscal Year Ended September 30, 2016

NOTE 1.

State of Florida Statutes require that, for each fiscal year, a special district make appropriations which will not exceed the amount to be received from taxation and other available sources. The District annually adopts an operating budget for all major funds, the general fund and the special assessment fund. The procedures for establishing budgetary data are as follows:

- In August of each year, the District Manager submits a proposed operating budget to the Board for the next fiscal year commencing the following October 1 for Non-ad valorem special assessment. The proposed budget includes expenditures and the means of financing them.
- In September of each year, the General and Special Assessment Fund budgets are legally adopted by the Board.

Budgets are adopted on the modified accrual basis of accounting, consistent with accounting principles generally accepted in the United States. All appropriations lapse at fiscal year end unless encumbered or specifically designated to be carried forward to the subsequent year. Changes or amendments to the total budgeted expenditures of the District must be approved by the Board. Accordingly, the legal level of control is at the fund level.

**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***

Honorable Board of Commissioners
Upper Captiva Fire Protection and Rescue Service District
North Captiva Island, 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 of Upper Captiva Fire Protection and Rescue Service District, (the "District") as of and for the fiscal year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 2, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Punta Gorda, Florida
June 2, 2017

Ashley, Brown & Co.

Management Letter

Honorable Board of Commissioners
Upper Captiva Fire Protection and Rescue Service District
North Captiva Island, Florida

Report on the Financial Statements

We have audited the financial statements of the Upper Captiva Fire Protection and Rescue Service District, (the "District") as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated June 2, 2017.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our 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*. Disclosures in that report, which are dated June 2, 2017, 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. 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. The District discloses this information in the notes to the financial statements.

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires that we report the results of our determination as to whether or not Upper Captiva Fire Protection and Rescue Service District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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 Upper Captiva Fire Protection and Rescue Service District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, 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 10554(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 there are no special district component units required to report to the District.

Other Matters

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

Other Matters (continued)

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

Purpose of this Letter

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

Punta Gorda, Florida
June 2, 2017

Ashley, Brown & Co.

Independent Accountant's Examination Report

Honorable Board of Commissioners
Upper Captiva Fire Protection and Rescue Service District
North Captiva Island, Florida

We have examined the Upper Captiva Fire Protection and Rescue Service District's (the "District") compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies* for 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 consider 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 Upper Captiva Fire Protection and Rescue Service District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

Punta Gorda, Florida
June 2, 2017

