

**EAST NAPLES FIRE CONTROL
AND RESCUE DISTRICT
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2014**

EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT

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EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
East Naples Fire Control and Rescue District
Naples, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the remaining fund information of East Naples Fire Control and Rescue District, Naples, Florida (the "District") as of and for the fiscal year ended September 30, 2014, 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 did not audit the financial statements of the District's Firefighters' Pension Plan, which represents 100% of the assets, net position, and additions of the fiduciary fund. Those financial statements were audited by other independent auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the District's Firefighters' Pension Plan, is based solely on the report of the other independent auditors. 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 of 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 opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the District as of September 30, 2014, and the respective changes in financial position, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the basic financial statements, On November 4, 2014, the voters of East Naples Fire Control and Rescue District and the Golden Gate Fire Control and Rescue District approved by referendum, House Bill 951, merging the East Naples and Golden Gate Fire Control and Rescue Districts to create a new independent special fire control district known as the Greater Naples Fire Rescue District. The effective date of the merger is November 4, 2014.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of funding progress and employer contributions 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 Information

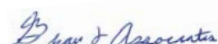
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2015, 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, 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.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated June 8, 2015, on our consideration of the District's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.



June 8, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of East Naples Fire Control and Rescue District, Naples, Florida (the "District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2014. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the fiscal year ended September 30, 2014 resulting in a net position balance of \$12,094,281.
- The change in the District's total net position in comparison with the prior fiscal year was \$888,686, an increase. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2014, the District's governmental funds reported combined ending fund balances of \$8,689,415, an increase of \$1,368,274 in comparison with the prior fiscal year. A portion of fund balance is non-spendable for prepaid expenses and the property held for sale; a portion is restricted for capital projects; a portion is assigned for hydrant repairs and maintenance expenditures and for subsequent year's expenditures and the remainder is unassigned fund balance which is available for spending at the District's discretion.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements include all governmental activities that are principally supported by property tax revenues. The District does not have any business-type activities. The governmental activities of the District include the public safety function.

Discretely Presented Component Unit

The District includes the Office of the Fire Code Official Collier County Fire Districts ("Fire Code Official") as disclosed in Note 1 and Note 11 of the Notes to the Financial Statements. Although legally separate, the Fire Code Official is important because the District is the "Administrative District" and has control over the Fire Code Official's assets. Further information can be obtained from the Fire Code Official's separately audited financial statements.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has two fund categories: governmental and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflow of unrestricted resources, as well as on balances of unrestricted resources available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three governmental funds for external reporting. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, impact fund and the hydrant maintenance fund. The general and impact fee funds are considered major funds and the hydrant maintenance fund is considered to be a non-major fund.

The District adopts an annual appropriated budget for each major fund (general and special revenue fund). A budgetary comparison schedule has been provided for the general fund and the impact fee fund to demonstrate compliance with the budgets.

Fiduciary Fund

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities at the close of the most recent fiscal year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Key components of the District's net position are reflected in the following table:

	September 30, 2014	September 30, 2013
Assets:		
Current and other assets	\$ 8,873,629	\$ 7,629,208
Capital assets	7,984,842	7,806,434
Total assets	<u>16,858,471</u>	<u>15,435,642</u>
Liabilities:		
Current liabilities	157,470	276,476
Non-current liabilities	4,606,720	3,953,571
Total liabilities	<u>4,764,190</u>	<u>4,230,047</u>
Net position:		
Investment in capital assets	7,984,842	7,698,870
Restricted	1,851,695	1,517,484
Unrestricted	2,257,744	1,989,241
Total net position	<u>\$ 12,094,281</u>	<u>\$ 11,205,595</u>

The District's net position reflects its investment in capital assets (e.g. land, land improvements, and infrastructure). These assets are used to provide services to residents; consequently, these assets are not available for future spending.

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used.

The District's net position increased during the most recent fiscal year. The majority of the increase represents the extent to which ongoing revenues exceeded the cost of operations, depreciation expense, and other post employment benefits (OPEB).

Key elements of the change in net position are reflected in the following table:

	FISCAL YEAR ENDED	
	September 30, 2014	September 30, 2013
Revenues:		
General Revenues		
Property taxes	\$ 10,724,348	\$ 10,003,225
Investment earnings	28,240	35,881
Gain on sale of capital assets	32,451	-
Program revenues		
Charges for services	1,917,069	1,621,485
Operating grants and contributions	659,567	792,354
Total Revenues	<u>13,361,675</u>	<u>12,452,945</u>
Expenses:		
Public safety-fire and rescue services	<u>12,131,153</u>	<u>12,059,146</u>
Special item:		
Impairment loss	(341,836)	-
Change in net position	888,686	393,799
Net position, beginning	11,205,595	10,811,796
Net position, ending	<u>\$ 12,094,281</u>	<u>\$ 11,205,595</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2014 was \$12,131,153. The costs of the District's activities were primarily funded by ad valorem taxes. The increase in ad valorem taxes from the prior year is primarily due to increased property values. The remainder of the 2014 fiscal year revenue relates primarily to operating grants such as the Staffing for Adequate Fire and Emergency Response (SAFER) grant and charges for services such as inspection and permitting fees. In total, expenses, including depreciation, increased insignificantly from the prior fiscal year.

GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted on a basis consistent with generally accepted accounting principles. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Commissioners. The general fund budget for the fiscal year ended September 30, 2014 was amended to increase revenues by \$114,434 and increase appropriations by \$440,943. The increase in revenues is primarily the result of higher than expected charges for services revenue. The increase in appropriations is primarily due to higher than expected salaries and benefits. Actual general fund revenues for the fiscal year ended September 30, 2014 were higher than budgeted due primarily to higher than expected Ad valorem taxes revenue. Actual general fund expenditures for the fiscal year ended September 30, 2014 were less than appropriations due primarily to anticipated costs which were not incurred in the current fiscal year.

An operating budget was also adopted for the Districts impact fee fund. The variance between budgeted and actual general fund revenues for the current fiscal year is the result of higher than anticipated impact fees due to an increase in new construction activity. Actual impact fee fund expenditures for the fiscal year ended September 30, 2014 did not exceed appropriations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2014, the District had \$13,143,757 invested in land, building and improvements, equipment and vehicles. In the government-wide financial statements depreciation of \$5,158,915 has been taken, which resulted in a net book value of \$7,984,842.

Capital Debt

During fiscal year 2014, the District extinguished all of its capital debt; therefore, at September 30, 2014, the District did not have any outstanding capital debt. More detailed information about the District's capital debt activity is presented in the notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

On November 4, 2014, the voters of East Naples Fire Control and Rescue District and the Golden Gate Fire Control and Rescue District approved by referendum, House Bill 951, merging the East Naples and Golden Gate Fire Control and Rescue Districts to create a new independent special fire control district known as the Greater Naples Fire Rescue District. The effective date of the merger is November 4, 2014.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. Questions regarding any information provided in this report should be directed to: Director Tara Bishop, Greater Naples Fire Rescue District, 14575 Collier Blvd, Naples, FL 34119. Tel (239) 348-7540.

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

	Governmental Activities	Component Unit
ASSETS		
Cash	\$ 7,231,755	\$ 452,708
Accounts receivable	405,950	5,100
Prepays	209,180	6,534
Land held for sale	1,000,000	-
Capital assets:		
Non-depreciable	1,508,138	1,203,857
Depreciable, net	6,476,704	1,679,836
Net pension asset	26,744	-
Total assets	<u>16,858,471</u>	<u>3,348,035</u>
LIABILITIES		
Accounts payable	55,789	1,655
Accrued expenses	101,681	-
Non-current liabilities:		
Due in more than one year:		
Compensated absences	976,720	-
Net OPEB obligation	3,630,000	-
Total liabilities	<u>4,764,190</u>	<u>1,655</u>
NET POSITION		
Investment in capital assets	7,984,842	2,883,693
Restricted for:		
Capital projects	1,851,695	-
Unrestricted	2,257,744	462,687
Total net position	<u>\$ 12,094,281</u>	<u>\$ 3,346,380</u>

See notes to the financial statements

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

Functions/Programs	Revenues			Governmental Activities	Component Unit
	Charges for Services	Operating Grants and Contributions	Government		
Primary government:					
Governmental activities:					
Public safety	\$ 12,131,153	\$ 1,917,069	\$ 659,567	\$ (9,554,517)	\$ -
Total governmental activities	12,131,153	1,917,069	659,567	(9,554,517)	-
Total component unit	1,139,032	923,685	-	-	(215,347)
General revenues:					
Property taxes				10,724,348	-
Unrestricted investment earnings				28,240	1,847
Miscellaneous				-	5,483
Gain on sale of capital assets				32,451	-
Total general revenues				10,785,039	7,330
Special item:					
Impairment loss on construction in progress				(341,836)	-
Change in net position				888,686	(208,017)
Net position - beginning				11,205,595	3,554,397
Net position - ending				\$ 12,094,281	\$ 3,346,380

See notes to the financial statements

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	Major Funds		Non-Major Fund	Total Governmental Funds
	General	Impact Fee	Hydrant Maintenance	
ASSETS				
Cash and cash equivalents	\$ 4,923,795	\$ 1,792,314	\$ 515,646	\$ 7,231,755
Accounts receivable	344,069	59,381	2,500	405,950
Prepays	209,180	-	-	209,180
Land held for sale	1,000,000	-	-	1,000,000
Total assets	<u>\$ 6,477,044</u>	<u>\$ 1,851,695</u>	<u>\$ 518,146</u>	<u>\$ 8,846,885</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 54,800	\$ -	\$ 989	\$ 55,789
Accrued expenses	101,681	-	-	101,681
Total liabilities	<u>156,481</u>	<u>-</u>	<u>989</u>	<u>157,470</u>
Fund balances:				
Nonspendable:				
Land held for sale	1,000,000	-	-	1,000,000
Prepaid expenses	209,180	-	-	209,180
Restricted to:				
Capital projects	-	1,851,695	-	1,851,695
Assigned to:				
Hydrant repair and maintenance	-	-	517,157	517,157
Subsequent year's expenditures	232,611	-	-	232,611
Unassigned	4,878,772	-	-	4,878,772
Total fund balances	<u>6,320,563</u>	<u>1,851,695</u>	<u>517,157</u>	<u>8,689,415</u>
Total liabilities and fund balances	<u>\$ 6,477,044</u>	<u>\$ 1,851,695</u>	<u>\$ 518,146</u>	<u>\$ 8,846,885</u>

See notes to the financial statements

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

Fund balance - governmental funds \$ 8,689,415

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, therefore, are not reported as assets in the governmental funds. The statement of net position includes those capital assets, net of any accumulated depreciation, in the net position of the government as a whole.

Cost of capital assets	13,143,757	
Accumulated depreciation	<u>(5,158,915)</u>	7,984,842

Liabilities not payable from current available resources are not reported as fund liabilities in governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.

Compensated absences	(976,720)
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Net other post employment benefit obligations resulting from underfunding are not reported in the funds as they are not payable from current available resources.

(3,630,000)

Net pension asset, not reported in government funds.

<u>26,744</u>

Net position of governmental activities	<u><u>\$ 12,094,281</u></u>
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See notes to the financial statements

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Major Funds		Non-Major Fund	Total Governmental Funds
	General	Impact Fee	Hydrant Maintenance	
REVENUES				
Ad valorem taxes	\$ 10,724,348	\$ -	\$ -	\$ 10,724,348
Impact fees	-	898,054	-	898,054
Interest	21,646	5,157	1,437	28,240
Grant revenue	659,567	-	-	659,567
Charges for services	949,015	-	70,000	1,019,015
Total revenues	12,354,576	903,211	71,437	13,329,224
EXPENDITURES				
Current:				
Public safety				
Personnel service	9,361,653	-	-	9,361,653
Operating expenditures	1,432,711	-	32,424	1,465,135
Capital outlay	570,327	569,000	-	1,139,327
Debt service:				
Principal payments	107,564	-	-	107,564
Interest expense	4,243	-	-	4,243
Total expenditures	11,476,498	569,000	32,424	12,077,922
Excess (deficiency) of revenues over (under) expenditures	878,078	334,211	39,013	1,251,302
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	116,972	-	-	116,972
Total other financing sources (uses)	116,972	-	-	116,972
Net change in fund balances	995,050	334,211	39,013	1,368,274
Fund balances - beginning	5,325,513	1,517,484	478,144	7,321,141
Fund balances - ending	\$ 6,320,563	\$ 1,851,695	\$ 517,157	\$ 8,689,415

See notes to the financial statements

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

Net change in fund balances - total governmental funds	\$ 1,368,274
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is capitalized and depreciated over their estimated useful lives.	1,139,327
Depreciation on capital assets is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.	(534,562)
Governmental funds report amount of the proceeds of the sale of capital assets; however, the sale of capital assets should only be reported on the statement of activities to the extent that there is a disparity between the amount of the sale proceeds and the carrying value of the asset sold.	(84,521)
Repayment of long-term liabilities are reported as expenditures in the governmental fund, but such repayments reduce liabilities in the statement of net position and are eliminated from the statement of activities.	107,564
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 governmental funds. The details of the differences are as follows:	
Impairment loss on construction in progress	(341,836)
Change in other post employment benefit (OPEB) obligation	(557,000)
Change in net pension asset	(4,847)
Change in long-term compensated absences	(203,713)
Change in net position of governmental activities	\$ 888,686

See notes to the financial statements

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2014**

ASSETS	
Cash and cash equivalents	\$ 1,181,488
Receivables:	
Contributions-State of Florida	256,418
Accrued investment income	1,897
Investments at fair value:	
Equity-type	10,519,399
Fixed income	<u>7,971,437</u>
Total assets	<u>19,930,639</u>
LIABILITIES AND NET POSITION	
Accounts payable	42,095
Deferred revenue (prepaid district contribution)	<u>201,909</u>
Total liabilities	<u>244,004</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	<u><u>\$ 19,686,635</u></u>

See notes to the financial statements

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

ADDITIONS

Contributions:	
District	\$ 506,016
Plan members	110,558
State of Florida	<u>720,074</u>
Total contributions	<u>1,336,648</u>
Net investment income*	1,575,197
Total additions to net position	<u>2,911,845</u>

DEDUCTIONS

Benefits paid to members	45,866
Refunds of contributions	3,227
Administrative expenses	<u>165,184</u>
Total deductions	<u>214,277</u>
Change in net position	2,697,568
Net position - beginning	<u>16,989,067</u>
Net position - ending	<u><u>\$ 19,686,635</u></u>

* Net investment income includes net appreciation (depreciation), net realized gains (losses), interest and other investment related income (loss).

See notes to the financial statements

EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

East Naples Fire Control and Rescue District (“the District”) is a local governmental unit created by the Florida Legislature to provide fire and rescue services to a certain prescribing area in Collier County, Florida, and is an Independent special district authorized and existing under the State of Florida enabling statute chapter 61-2034, repealed and amended by Chapter 2000-444.

The District is operated by a five-person Board of Commissioners. The Commissioners are elected by the owners of the property within the District. The Board of Commissioners of the District exercise all powers granted to the District pursuant to Chapter 191, Florida Statutes.

The Board has the responsibility for:

1. Assessing and levying property taxes
2. Approving budgets.
3. Exercising control over facilities and properties.
4. Controlling the use of funds generated by the District.
5. Approving the hiring and firing of key personnel.
6. Financing improvements.

The financial statements were prepared in accordance with Governmental Accounting Standards Board (“GASB”) Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Commissioners is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. The financial statements include the operations of Office of the Fire Code Official Collier County Fire Districts (“the Fire Code Official”) which is treated as a discretely presented component unit (see Note 11).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment (operating-type special assessments for maintenance and debt service are treated as charges for services); and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as *general revenues*.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The District's fiduciary fund is presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the District; this fund is not incorporated into the government-wide financial statements.

Property Taxes

Property taxes are ad valorem and levied each November 1 on property as of the previous January 1. The fiscal year for which annual assessments are levied begins on October 1 with a maximum discount available for payments through November 30 and become delinquent on April 1. The taxes are billed and collected by the County Tax Assessor/Collector on behalf of the District. The amounts remitted to the District are net of applicable discounts or fees. The District levied a total rate of 1.50000 per \$1,000 of assessed valuation for the fiscal year commencing October 1, 2013.

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.

The District reports the following major governmental funds:

General Fund

The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund:

Impact Fund

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

The District also reports the following non-major governmental fund:

Hydrant Maintenance Fund

The special revenue fund is used to account for Hydrant maintenance fees that are designated to expenditure for a particular purpose.

The District also reports the following fiduciary fund:

The Firefighters' Pension Trust Fund

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and, therefore, are not available to support District programs. The firefighters' pension trust fund accounts for the activities of firefighters' retirement contributions, which accumulates resources for pension benefit payments on behalf of the firefighters of the District employed after December 31, 1995.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

New Accounting Standards Adopted

During fiscal year 2014, the District adopted three new accounting standards as follows:

GASB Statement No. 66, *Technical Corrections – 2012- an amendment of GASB Statements No. 10 and No. 62*

This Statement resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*

GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*

This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

This Statement establishes accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions (i.e., nonexchange financial guarantees). The issuer of the guaranteed obligation can be a legally separate entity or individual, including a blended or discretely presented component unit. Guidance is provided for situations where a state or local government extends or receives a nonexchange financial guarantee.

Assets, Liabilities and Net Position or Equity

Restricted Assets

These assets represent cash and investments set aside pursuant to Bond covenants or other contractual restrictions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due.

The District records all interest revenue related to investment activities in the respective funds and reports investments at fair value.

Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	34.5
Building Improvements	34.5
Fire and Rescue Vehicles	5-15
Fire and Rescue Equipment	5-15
Furniture and Fixtures	12

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Compensated Absences

The District's employees accumulate paid personal leave based on years of continuous service and work day classification. Upon termination of employment, employees will receive compensation at regular rates of pay for all accumulated paid personal leave. 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. Amounts not expected to be liquidated with expendable available resources are reported in the Statement of Net Position.

Impact Fees

The District receives impact fees in accordance with an Interlocal agreement with Collier County, Florida. Impact fees are remitted on a monthly basis to the District. The District, may expend amounts collected on qualifying capital expenditures.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s). For example, the District would record deferred outflows of resources on the statement of net position related to debit amounts resulting from current and advance refundings resulting in the defeasance of debt (i.e. when there are differences between the reacquisition price and the net carrying amount of the old debt).

Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s). For example, when an asset is recorded in the governmental fund financial statements, but the revenue is unavailable, the District reports a deferred inflow of resources on the balance sheet until such times as the revenue becomes available.

Fund Equity/Net Position

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

The District can establish limitations on the use of fund balance as follows:

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance – Includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. The Board may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

The District first uses 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.

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Disclosures

Use of Estimates

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

NOTE 3 – BUDGETARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, except as discussed in the Notes to Required Supplementary Information. All annual appropriations lapse at fiscal year end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

- a) Each year the District Fire Chief submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles in the United States of America, except as discussed in the Notes to Required Supplementary Information.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

The District's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

Investments

Equity Type Investments

The Firefighters' Pension Trust Plan (the "Fiduciary Fund") invests in various equity investments. The Fiduciary Fund's investments are recorded at fair market value in accordance with the reporting requirements governing the fund. All such investments are subject to various market and economic risk factors as well as the national and global economies and may lose value and/or principal.

The Fiduciary Fund's investment policy allows investment in equity securities listed on one or more of the recognized national exchanges or on the National Market System of the NASDAQ or the OTC market. The total of equity-type investments of the Fiduciary Fund is not to exceed 70% of the Fund's total market value. In addition, the equity position in any one company's equities shall not exceed 5% of the Fund's total investment in equities. Foreign securities at market value shall not exceed 25% of the Fund's total investment. The policy further limits the equity position of each portfolio manager to investments of not more than 10% in the equity securities of any one company's total equity issues outstanding.

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Fixed Income Investments

The Fiduciary Fund's investment policy allows investment in fixed income securities. These fixed income securities are limited to 42% of the Plan's total market value.

Custodial credit risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The Plan utilizes the services of individual investment managers for its investments in an effort to mitigate market risk. The investments held by these investment managers are uninsured and unregistered, with securities held by the counterparty's agent in the Plan's name.

Credit risk – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

As of September 30, 2014 the fiduciary fund includes the following investments as well as the credit ratings of the fixed investments:

	<u>Market Value</u>	
<u>Equity investments</u>		
Common stocks	\$ 7,123,996	
International stocks	2,580,884	
American Core Realty	814,519	
<u>Fixed income securities</u>		<u>Rating within Fund</u>
High Yield Bond ETF	959,056	Ba1/BB+ or below
Convertible Securities ETF	1,559,904	Baa3/BBB- or higher
Aggregate Bond ETF	5,452,477	*
Total investments	<u>\$ 18,490,836</u>	

* Information not available for fund.

Concentration risk – The Fiduciary Fund's investment policy is that the equity position in any one company's equities shall not exceed 5% of the Plan's total assets at cost. Foreign securities at market value shall not exceed 25% of the Plan's assets at market value.

Interest rate risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to change in market interest rates. As a means of limiting its exposure to interest rate risk, the Fiduciary Fund diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer with various durations of maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>Over 10</u>
High Yield Bond ETF	\$ 959,056	\$ -	\$ -	\$ 959,056	\$ -
Convertible Securities ETF	1,559,904	-	-	-	1,559,904
Aggregate Bond ETF	5,452,477	-	-	5,452,477	-
	<u>\$ 7,971,437</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,411,533</u>	<u>\$ 1,559,904</u>

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Foreign currency risk – Foreign currency risk is the risk that fluctuations in the currency exchange rate may affect transactions conducted in currencies other than U.S. Dollars and the carrying value of foreign investments. The plan's exposure to foreign currency risk derives mainly from its investments in international equity funds. The Plan owns international equity funds and the Plan's exposure to foreign currency risk related to foreign equity funds as of September 30, 2014 are as follows:

Foreign Currency		Market Value
Foreign Equity		\$ 399,484
American Europacific		2,181,400
		<u>\$ 2,580,884</u>

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2014 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 1,508,138	\$ -	\$ -	\$ 1,508,138
Construction in progress	341,836	-	(341,836)	-
Total capital assets, not being depreciated	<u>1,849,974</u>	<u>-</u>	<u>(341,836)</u>	<u>1,508,138</u>
Capital assets, being depreciated				
Buildings and improvements	4,714,738	43,476	(115,791)	4,642,423
Furniture and equipment	2,827,913	31,096	(8,643)	2,850,366
Vehicles and trucks	3,097,170	1,064,755	(19,095)	4,142,830
Total capital assets, being depreciated	<u>10,639,821</u>	<u>1,139,327</u>	<u>(143,529)</u>	<u>11,635,619</u>
Less accumulated depreciation for:				
Buildings and improvements	1,185,120	138,251	(33,842)	1,289,529
Furniture and equipment	1,663,332	220,881	(6,071)	1,878,142
Vehicles and trucks	1,834,909	175,430	(19,095)	1,991,244
Total accumulated depreciation	<u>4,683,361</u>	<u>534,562</u>	<u>(59,008)</u>	<u>5,158,915</u>
Total capital assets, being depreciated, net	<u>5,956,460</u>	<u>604,765</u>	<u>(84,521)</u>	<u>6,476,704</u>
Governmental activities capital assets, net	<u>\$ 7,806,434</u>	<u>\$ 604,765</u>	<u>\$ (426,357)</u>	<u>\$ 7,984,842</u>

In fiscal year 2014, it was determined that the construction in progress which relates to land and feasibility studies for a new fire station project that was on hold would have to be redone if the project was to be restarted; therefore, the construction in progress has been expensed. Depreciation expense was all charged to public safety in the amount of \$534,562.

NOTE 5 – CAPITAL ASSETS (Continued)

Discretely Presented Component Unit

Activity for the Fire Code Official for the fiscal year ended September 30, 2014 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 1,203,857	\$ -	\$ -	\$ 1,203,857
Total capital assets, not being depreciated	1,203,857	-	-	1,203,857
Capital assets, being depreciated				
Vehicles and trucks	119,680	-	-	119,680
Equipment and furniture	167,249	11,690	-	178,939
Buildings and improvements	1,841,842	-	-	1,841,842
Total capital assets, being depreciated	2,128,771	11,690	-	2,140,461
Less accumulated depreciation for:				
Vehicles and trucks	116,736	1,984	-	118,720
Equipment and furniture	137,558	36,960	-	174,518
Buildings and improvements	122,789	44,598	-	167,387
Total accumulated depreciation	377,083	83,542	-	460,625
Total capital assets, being depreciated, net	1,751,688	(71,852)	-	1,679,836
Governmental activities capital assets, net	\$ 2,955,545	\$ (71,852)	\$ -	\$ 2,883,693

NOTE 6 – LONG-TERM LIABILITIES

Changes in long-term liability activity for the fiscal year ended September 30, 2014 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital equipment lease	\$ 107,564	\$ -	\$ 107,564	\$ -	\$ -
Compensated absences	773,007	1,026,957	823,244	976,720	-
Total	\$ 880,571	\$ 1,026,957	\$ 930,808	\$ 976,720	\$ -

NOTE 7 – RETIREMENT PLANS

Multi-Employer Plan

Plan Description

All full time District employees hired prior to January 1, 1996 are participants in the State of Florida Retirement System ("System"), a cost-sharing multiple-employer public employee independent retirement system. The primary System is a defined benefit plan for all state, county, district, community college and university employees.

Employees of the District participate in the System as members of the Special Risk and Regular Class. The Special Risk Class was created due to the physical and mental demands placed on fire fighters and emergency medical technicians, which prohibits them from performing their required duties until normal retirement age.

NOTE 7 – RETIREMENT PLANS (Continued)

Multi-Employer Plan (Continued)

Plan Description (Continued)

Employees, in the special risk class, may normally retire under several circumstances, including: at 25 years of special risk credited service, regardless of age; or at age 55 with 6 years of special risk credited service; or after 30 years of any creditable service, regardless of age. Regular class employees may normally retire at or after age 62 with 6 years of service or after 30 years of service, regardless of age. Early retirement may be taken after a member has vested and is within 20 years of the members normal retirement age. Since July 1, 2001, vesting occurs after 6 years of creditable service.

Benefits are payable monthly for life, based on the applicable percentage, times the number of years of credited service, times the average of the member's five highest years of earnings. The applicable benefit percentages for employees in the special risk class and regular employee class are 3% and 1.6%, respectively for employees who retire normally. For employees who retire under the early retirement provisions above, benefits are reduced by 5% for each year remaining from the employee's normal retirement age. The System also provides death and disability benefits. Benefits are established by Chapter 121, Florida Statutes and Chapter 22B, Florida Administrative Code.

The Deferred Retirement Option Program ("DROP") is a program that provides an alternative method for payment of retirement benefits for a specified and limited period for members of the System, effective July 1, 1998. Under this program, the employee may retire and have their benefits accumulate in the Florida Retirement System Trust Fund earning interest, while continuing to work for a system employer. The participation in the program does not change conditions of employment. When the DROP period ends, maximum of 60 months, employment must be terminated. At the time of termination of employment, the employee will receive payment of the accumulated DROP benefits, and begin receiving their monthly retirement benefit (in the same amount determined at retirement, plus annual cost-of-living increase).

Effective July 1, 2002, the Public Employee Optional Retirement Program (PEORP) was implemented as a defined contribution plan alternative available to all System members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices.

The System publishes an unaudited annual report that provides ten-year historical trend information about progress made in accumulating sufficient assets to pay benefits when due. The most recent available report is for the plan year ended June 30, 2014. That report may be obtained by writing to Research Education and Policy Section, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560 or by calling (850) 488-2872, or accessing their Internet site at www.frs.state.fl.us.

Funding Policy

Pension contribution rates for the District are as a percentage of covered payroll. The District's contribution rates to the FRS plan were amended July 1, 2014. At September 30, 2014, the required contribution rates were:

	Special Risk	Regular	DROP
Contribution Rate	19.82%	7.37%	12.28%

For the fiscal years ended September 30, 2014, 2013 and 2012 the District contributed 100% of the required contributions and those contributions totaled \$249,562, \$186,869, and \$189,664, respectively. Additionally, as of July 2011, employees are required to contribute 3.00% to the plan.

NOTE 7 – RETIREMENT PLANS (Continued)

Single Employer Plan

Description of plan

The following description of East Naples Fire Control and Rescue District Firefighters' Pension Plan (the "Plan") provides only general information. Participants should refer to the Summary Plan Description for a more complete description of the Plan's provisions.

The Plan is a single employer defined benefit pension plan covering all eligible employees (firefighters), as later defined, of East Naples Fire Control and Rescue District ("Employer and Plan Sponsor"). The Plan was originally adopted on July 29, 1996 by Resolution 96-03 and has been amended on several occasions. The Plan is intended to provide participants with future retirement benefits. The Plan was established in accordance with the provisions of Florida Statutes Chapters 112 and 175 and by the authority of Chapter 95-338 of the Laws of Florida.

Basis of Accounting

The Pension Plan is accounted for on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. District contributions are recognized when due and the District has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans.

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Net depreciation in fair value of investments includes realized and unrealized gains and losses. Realized gains and losses are determined on the basis of specific cost. Dividends and interest income are recognized as earned. Purchases and sales of investments are recorded on a trade-date basis.

Plan Administration

The administration of the Plan was the responsibility of the East Naples Fire Control and Rescue Firefighters' Pension Plan's Board of Trustees. The Trustees of the Plan are comprised of certain employees of the Employer and other individuals designated by the plan sponsor.

Effective January 1, 2013, the Trustees changed Plan custodians to Salem Trust Company. As part of this transition, the investment consultant was changed to Burgess, Chambers and Associates (BCA) and three new investment managers were hired to provide advice on active investments. In addition, BCA recommended and the Board approved various passive investments including American Core Realty.

The Plan contracted an accountant to maintain routine accounting records and to report to the Board of Trustees. The Plan also contracted a consultant to routinely coordinate Plan activities as well as to advise the Board of Trustees. The Plan further contracts for other professionals such as legal counsel, actuaries and auditors.

The Plan issues a stand-alone financial audited report. Copies of the report may be obtained from the District.

Contributions

East Naples Fire Control & Rescue District (Employer and/or District) is required to contribute an actuarially determined amount equal to or greater than the difference between the total contributions from all other sources for the year and the actuarially determined cost including any unfunded past service liability. For the years ended September 30, 2014, 2013 and 2012, the employer contributions were \$506,016, \$1,099,656, and \$809,935, respectively. The District's actuarially determined contribution was \$506,016 for the year ended September 30, 2014. The District, however, met its requirement with cash contributions of \$618,044, which increased the prepaid contribution (deferred revenue) by \$112,028 and leaving a balance of \$201,909 in prepaid contributions at September 30, 2014.

The Plan's participants are required to make regular contributions to the Plan. As a result of Resolution 2013-2, the contribution rate was changed from 1% to 3% of covered salary effective September 2, 2013.

NOTE 7 – RETIREMENT PLANS (Continued)

Single Employer Plan (Continued)

Contributions (Continued)

State of Florida contributions are received each year by the Plan pursuant to Chapter 175. These contributions consist of hazard insurance premium taxes imposed on the insured properties within the boundaries of the District. Any state premium tax revenues received in excess of the amount that was received for calendar year 1997 must first be used to fund the cost of compliance with minimum benefits. Any additional revenues must be used to provide extra benefits for the firefighters included in the plan.

Annual Pension Cost and Net Pension Obligation (Asset)

The Districts annual pension cost for the plan was as follows:

Annual pension cost	\$ 1,230,937
Contributions made	1,226,090
Increase in net pension (asset)	<u>\$ 4,847</u>
Net pension (asset), beginning of year	(31,591)
Net pension (asset), end of year	<u>\$ (26,744)</u>

The required contributions for the current year were determined by the plan's October 1, 2012 actuarial valuation using the Individual Entry Age Normal Actuarial Cost Method (Level Percent Compensation). The actuarial assumptions for the plan included (a) a 7.75% investment rate of return and (b) projected salary increases between 7.5% and 13% depending on years of service, which also includes inflation at 3.0%. Assets were valued at market value. The Amortization method for the most recent actuarial valuation date of October 1, 2012 for the plan was level dollar, closed.

Funded Status and Funding Progress

The funded status of the plan as of October 1, 2014 the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (A)-(B)	Funded Ratio (A)/(B)	Active Participant Covered Payroll (C)	Unfunded AAL as Percentage of Active Participant Covered Payroll ((A-B)/C)
10/1/2014	\$ 19,686,653	\$ 16,340,961	\$ 3,345,692	120.47%	\$ 3,685,271	90.79%

The schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

Trend information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Three-year information for the years ended September 30, is presented as follows:

	2014	2013	2012
Annual pension cost (APC)	\$ 1,230,937	\$ 1,719,456	\$ 1,513,958
Percentage of APC contributed	99.61%	99.67%	99.56%
Net pension obligation (asset)	\$ (26,744)	\$ (31,591)	\$ (37,249)

Contributions to the plan are made in accordance with actuarially determined requirements and the plan's financial statements are presented in separately issued stand-alone financial statements and are available from the District.

NOTE 7 – RETIREMENT PLANS (Continued)

Single Employer Plan (Continued)

Plan Eligibility

All full time firefighters hired by the District on or after January 1, 1996, shall be eligible for membership into the Plan on the date of their employment. Subsequent to September 30, 2014, the Plan was closed to new participants.

Credited Service

Credited service is equal to the qualified employees' total length of service with the Employer. Certain options exist to purchase credited service.

Plan Membership

Employee membership as of October 1, 2014, (the date of the most recent actuarial evaluation) was as follows:

Inactive employees:	
Retirees and beneficiaries currently receiving benefits	2
Deferred vested members	6 *
Active plan participants	51
Total	<u>59</u>

* non-vested Member awaiting a refund of contributions

Vesting

A member of the Plan vests after completing six (6) years of credited service

Pension Benefits

Any member who has attained the age of 55 with six years of credited service or 25 years of credited service, regardless of age, may retire with normal retirement benefits for life. Upon normal retirement a member will receive a benefit based on average monthly salary and credited service. Normal retirement date is the month in which the circumstances noted above occur.

Early Retirement:

A member who has attained age 50 and completed six years of credited service may retire at any time with reduced benefits. Upon early retirement a member will receive a benefit for life based on the accrued benefit reduced by 3% for each year prior to normal retirement.

Late Retirement:

A member may continue to work past the normal retirement date.

Dollar Limitation

Annual benefits cannot exceed \$160,000.

Disability Retirement:

If a member becomes totally and permanently disabled as provided by the Plan, the member may retire on a non-service incurred disability and be eligible for benefits only if the member has at least eight years of credited service. If disability is the result of a line of duty injury a member may retire and receive retirement benefits regardless of length of service.

Death Benefits

Upon the death of a vested member, a survivor benefit will be payable to the designated beneficiary. The accrued benefit is payable for ten years. Upon the death of a non-vested member designated beneficiary will receive a refund of the member's accumulated contributions.

NOTE 7 – RETIREMENT PLANS (Continued)

Single Employer Plan (Continued)

Vested Retirement Benefit

Normal retirement benefit is equal to 3% of members Average Final Compensation (AFC) which is one twelfth (1/12) of the AFC of the five (5) best years of credited service multiplied by number of years of credited service plus an additional benefit of \$5 per month multiplied by the number of years of credited service (see below). AMS is equal to the monthly average of the member's covered service during the highest five years of the last ten years of credited service. Compensation is defined as cash compensation paid for services rendered including up to 300 hours of overtime excluding lump sum payments for unused leave time, effective October 1, 2012. Any member who terminates employment for reasons other than retirement, disability or death may be entitled to a benefit. If a member has more than six years of credited service, this benefit will be equal to the members accrued benefit. If a member has less than six years of credited service, they will receive a refund of their own contributions.

The monthly benefit of each retiree and beneficiary receiving the above benefits under the Plan shall be increased by 3% at the beginning of each fiscal year.

Defined contribution plan

The District maintains a single-employer defined contribution pension plan through Nationwide Insurance for the benefit of its non-firefighter employees hired after January 1, 1996. The plan is for full-time employees and has certain eligibility provisions with required retirement funding percentages based on the salaries of those participating. Pension expense related to this plan was for the fiscal year ended September 30, 2014 was \$89,246.

NOTE 8 – DEFERRED COMPENSATION PLAN

For fiscal year 1999, the Council adopted the Statement of Government Accounting Standards Board No. 32 "Reporting for Section 457 Deferred Compensation Plans", which requires the removal of the related asset and liability of the deferred compensation plan since such funds are held in trust and are not the property of the District. The District makes no contribution to this Plan.

NOTE 9 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description

The District offers certain retirement benefits to eligible employees that are vested in a retirement system with the District. The District provides medical coverage for the employee and family, in increments of one month's retiree's insurance benefits for every two months of service with the District. Retired employees also receive life insurance in an amount up to \$50,000 at the time of his or her severance of employment but not less than \$10,000 if under the age of 70. If the retiree is over the age of 70 they receive half of that amount.

Pursuant to Section 112.081, Florida Statutes, the District is required to permit eligible retirees and their eligible dependents to participate in the District's health insurance program at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. The Plan has no assets and does not issue a separate financial report.

NOTE 9 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

Funding Policy

The District provides a 100% subsidy for all employees eligible to participate and is paid in increments of one month Retiree Insurance Benefit for every two months of service. When either the spouse or the participant become eligible for Medicare, the remaining member of the marital union will continue to receive health coverage as single coverage until such time they also become eligible for Medicare. Surviving spouses are allowed to continue to receive benefits for the remainder of the employees earned benefit period.

Plan Membership

As of September 30, 2014, employee membership data related to the Plan was as follows:

Current retirees	32
Active employees	87
Total number of participants:	<u>119</u>

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Three year information for the years ended September 30, is presented as follows:

	2014	2013	2012
Annual OPEB cost	\$ 1,017,000	\$ 1,144,000	\$ 1,144,000
Percentage of OPEB contributed	45.2%	32.3%	32.3%
Net OPEB obligation (asset)	\$ 3,630,000	\$ 3,073,000	\$ 2,299,000

Actuarial Methods and Assumptions

The actuarial valuation of the calculation of OPEB involves estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress is designed to provide multi-year trend information to show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, the District has not contributed assets to the plan at this time and has elected to fund the plan on a pay-as-you go method.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the District and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

NOTE 9 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

Actuarial Methods and Assumptions (Continued)

Significant methods and assumptions were as follows:

Actuarial valuation date	10/1/2013
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay
Remaining amortization period	26 year closed
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return	4% per annum *
Healthcare cost trend rate(s):	Based on the Society of Actuaries long term medical trend model. The initial rate is 8.00% decreasing gradually. The rate in 2050 is 5.00%.

* Includes inflation at 2.9% per annum

The annual OPEB Cost for the District for the current year and the related information is as follows:

Required contribution rates:	
Employer	Pay-as-you-go
Plan members	N/A
Normal cost	\$ 558,000
Interest on Net OPEB obligation	-
Amortization	459,000
Adjustment to the ARC	-
Annual OPEB cost	<u>1,017,000</u>
Contributions made *	<u>460,000</u>
Increase in net OPEB obligation	557,000
Net OPEB obligation - beginning of year	3,073,000
Net OPEB obligation - end of year	<u><u>\$ 3,630,000</u></u>

*The contributions made represent the sum of the estimated retiree medical payments plus scheduled trust contributions.

Funded Status and Funding Progress

The funded status of the plan as of October 1, 2013 was as follows:

Actuarial accrued liability	\$ 11,482,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 11,482,000
Funded ratio	0%
Covered payroll	\$ -
UAAL as a percentage of covered payroll	0.0%

NOTE 10 – 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; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

NOTE 11 – DISCRETELY PRESENTED COMPONENT UNIT

The Fire Code Official (as discussed in Note 1) is a legally separate entity that is not an operating department of the District. However the District was appointed the “Administrative District” as defined in an interlocal agreement between Collier County and the various fire districts that it serves. The Fire Code Official provides plan review and fire inspection process for new construction, construction projects and existing structures within the boundaries of the Fire Districts. As such, the Fire Code Official’s financial information is presented in the government-wide financial statements as a discretely presented component unit.

The District receives a 1% commission from the Fire Code Official for being the Administrator of the District. For the year ended September 30, 2014 the District received \$10,219 in such fees.

Further information regarding the Fire Code Official can be obtained from the Fire Code Official’s audited financial statements, which are available from the District.

NOTE 12 – JOINT VENTURES

The District is involved in 3 joint venture agreements with Collier County and North Naples Fire Control and Rescue District. All of the joint ventures relate to the construction of various fire stations.

The first joint venture occurred in 1991 between the District and Collier County. The property construction cost division was allocated between the District and the County at 64.67% and 39.16%, respectively. Any shared expenses for common areas are paid using the usage percentages which are 60.84% for the District and 39.16% for the County. The agreement can be terminated if agreed to by both parties in writing.

The second joint venture occurred in 2001 between the District, North Naples Fire Control and Rescue District (North Naples) and Collier County. Each entity paid for one-third of the construction costs and are each responsible for one third of the expenses. The agreement may be terminated if agreed to by all of the parties in writing.

The third joint venture occurred in 2004 between the District and Collier County. The property construction cost division was 63% to the District and 37% to the County. However, the property is owned by the District. Expenses are shared in the same proportion. The agreement can be terminated with 60 days written notice by either party.

Both North Naples and Collier County are independent governmental entities and issue independent audited financial statements. Copies of the reports may be obtained from Becky Bronsdon at North Naples Fire Control and Rescue District, 1885 Veterans Park Drive, Naples, FL 34109. Tel (239)-597-3222 and Walter Kopka at Collier County Government, 8075 Lely Cultural Parkway Naples FL 34113. Tel (239)-252-3740.

NOTE 13 – INTERLOCAL AGREEMENT

On April 23, 2013 the District entered into an interlocal agreement with the Golden Gate Fire Control District (“GGFD”) to consolidate certain services provided by each of the respective independent districts in anticipation of a proposed joint merger of the Districts. The agreement states that the Fire Chief of the District be appointed as the Fire Chief of the District and GGFD, and that the Fire Chief of GGFD be appointed as Assistant Fire Chief and second in command of the District and GGFD. Under the agreement, the Chief and Assistant Chief assembled a management team from existing personnel of the District and GGFD. The management team is responsible for providing certain consolidated administrative and operational services. The agreement also specifically keeps separate the governance, accounting and employees of both Districts. See Note 15 for more information about the joint merger subsequent to year end.

NOTE 14 – LITIGATION AND CLAIMS

On April 12, 2012 an unfair labor practice charge was filed by the local Union against the District with the Public Employees Relations Commission (PERC). The District has been experiencing a highly distressed financial condition and as a result declared a “Financial Urgency” pursuant to section 447.4095 Florida Statutes. On October 11, 2011, the District’s Board of Commissioners unilaterally implemented various specific modifications to the Collective Bargaining Agreement. The District believes that the Union is pursuing a non-meritorious charge and a hearing had been scheduled for July 17 and 18, 2012. The hearings were rescheduled and occurred on January 23 and 24, 2013. Post-Hearing Briefs were subsequently filed and the Hearing Officer issued his Recommended Order on April 9, 2013. Both parties filed Exceptions to the Recommended Order. On October 25, 2013, PERC issued its Final Order in favor of the District. The Union then appealed PERC’s Final Order to the Second District Court of Appeal, but moved the appellate court to stay the briefing schedule pending the Florida Supreme Court’s decision to accept or decline jurisdiction in Headley v. City of Miami. On February 5, 2014, the Court of Appeal granted the Union’s motion. The District case has been stayed since that time. The Supreme Court heard oral argument in Headley on April 7, 2015.

NOTE 15 – SUBSEQUENT EVENTS

On November 4, 2014, the voters of East Naples Fire Control and Rescue District and the Golden Gate Fire Control and Rescue District approved by referendum, House Bill 951, merging the East Naples and Golden Gate Fire Control and Rescue Districts to create a new independent special fire control district known as the Greater Naples Fire Rescue District. The effective date of the merger is November 4, 2014.

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 10,251,760	\$ 10,297,068	\$ 10,724,348	\$ 427,280
Interest	25,000	25,000	21,646	(3,354)
Grant revenue	863,271	724,752	659,567	(65,185)
Charges for services	652,319	859,964	949,015	89,051
Total revenues	11,792,350	11,906,784	12,354,576	447,792
EXPENDITURES				
Current:				
Public safety:				
Personal service:				
Salaries	5,557,469	6,000,274	5,886,487	113,787
Benefits	3,597,440	3,623,979	3,475,166	148,813
Operating expenditures				
Accounting and contractual services	683,161	633,261	521,933	111,328
Travel and training	1,200	1,200	3,265	(2,065)
Communications	62,300	65,200	68,391	(3,191)
Utilities	58,700	58,700	61,287	(2,587)
Rents and leases	1,500	1,500	1,792	(292)
Insurance	165,500	165,500	160,773	4,727
Repairs and maintenance	228,800	232,800	283,801	(51,001)
Printing	500	500	109	391
Books, dues	41,305	62,805	23,324	39,481
Fuel and operating supplies	180,250	180,250	194,313	(14,063)
Uniforms	59,500	61,250	67,020	(5,770)
Small equipment	30,700	28,950	28,253	697
Other	32,552	25,651	18,450	7,201
Debt service	271,247	271,247	111,807	159,440
Capital outlay	201,725	201,725	570,327	(368,602)
Total expenditures	11,173,849	11,614,792	11,476,498	138,294
Excess (deficiency) of revenues over (under) expenditures	618,501	291,992	878,078	586,086
OTHER FINANCING SOURCES (USES)				
Use of sources	(618,501)	(291,992)	-	291,992
Sale of capital assets	-	-	116,972	116,972
Total other financing sources (uses)	(618,501)	(291,992)	116,972	408,964
Net change in fund balances	\$ -	\$ -	995,050	\$ 995,050
Fund balances - beginning			5,325,513	
Fund balances - ending			\$ 6,320,563	

See notes to required supplementary information

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – IMPACT FEE FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts Original & Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Impact fees	\$ 839,000	\$ 898,054	\$ 59,054
Interest	5,200	5,157	(43)
Total revenues	844,200	903,211	59,011
EXPENDITURES			
Capital outlay	569,000	569,000	-
Total expenditures	569,000	569,000	-
Excess (deficiency) of revenues over (under) expenditures	\$ 275,200	334,211	\$ 59,011
Fund balances - beginning		1,517,484	
Fund balances - ending		\$ 1,851,695	

See notes to required supplementary information

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

The District is required to establish a budgetary system and an approved Annual Budget for the general and special revenue funds. The District's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Board of Commissioners. The budgets approximate a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Commissioners. The general fund budget for the fiscal year ended September 30, 2014 was amended to increase revenues by \$114,434 and increase appropriations by \$440,943. The increase in revenues is primarily the result of higher than expected charges for services revenue. The increase in appropriations is primarily due to higher than expected salaries and benefits. Actual general fund revenues for the fiscal year ended September 30, 2014 were higher than budgeted due primarily to higher than expected Ad valorem taxes revenue. Actual general fund expenditures for the fiscal year ended September 30, 2014 were less than appropriations due primarily to anticipated costs which were not incurred in the current fiscal year.

An operating budget was also adopted for the Districts impact fee fund. The variance between budgeted and actual general fund revenues for the current fiscal year is the result of higher than anticipated impact fees due to an increase in new construction activity. Actual impact fee fund expenditures for the fiscal year ended September 30, 2014 did not exceed appropriations.

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN
SCHEDULE OF FUNDING PROGRESS AND
EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2014
(Unaudited)**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (A)-(B)	Funded Ratio (A)/(B)	Active Participant Covered Payroll (C)	Unfunded AAL as Percentage of Active Participant Covered Payroll ((A-B)/C)
10/1/2014	\$ 19,686,653	\$ 16,340,961	\$ 3,345,692	120.47%	\$ 3,685,271	90.79%
10/1/2013	17,002,054	13,224,911	3,777,143	128.56%	3,333,117	113.32%
10/1/2012	14,186,654	11,877,576	2,309,078	119.44%	3,369,504	68.53%

Schedule of Employer Contributions

	Annual Required Contribution	Percentage Contributed
2014	\$ 1,226,090	100.00%
2013	1,713,798	100.00%
2012	1,507,286	100.00%

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS AND
EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2014
(Unaudited)**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Unfunded AAL (UAAL) (2)-(1)	Funded Ratio (1/2)	Covered Payroll (3)	UAAL as a Percentage of Covered Payroll ((2-1)/3)
October 1, 2013	\$ -	\$ 11,482,000	\$ 11,482,000	0%	-	0.0%
October 1, 2014	-	11,935,000	11,935,000	0%	-	0.0%
October 1, 2015	-	12,370,000	12,370,000	0%	-	0.0%

Schedule of Employer Contributions

Year Ended September 30	Employer Contributions	
	Actual Contribution *	% Contributed
2012	\$ 370,000	32.3%
2013	370,000	32.3%
2014	460,000	45.2%

* Sum of estimated retiree medical payments plus scheduled trust contributions.



**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**

To the Board of Commissioners
East Naples Fire Control and Rescue District
Naples, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities the discretely presented component unit, each major fund and the remaining fund information of East Naples Fire Control and Rescue District, Naples, Florida ("District") as of and for the fiscal year ended September 30, 2014, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 8, 2015, which includes an emphasis of matter paragraph. Other auditors audited the financial statements of the District's Firefighters' Pension Plan, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 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*.

We noted certain matters that we reported to management of the District in a separate letter dated June 8, 2015.

The District's responses to the findings identified in our audit are described in the accompanying Management Letter. We did not audit the District's responses and, accordingly, we express no opinion on them.

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.



June 8, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Commissioners
East Naples Fire Control and Rescue District
Naples, Florida

We have examined East Naples Fire Control and Rescue District, Naples, Florida ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2014. Management is responsible for District's compliance with those requirements. Our responsibility is to express an opinion on District's compliance based on our examination. Other auditors audited the financial statements of the District's Firefighters' Pension Plan, as described in our report on the District's financial statements. This report does not include other auditors' report on compliance with the requirements of Section 218.415, Florida Statutes, required by Rule 10.556(10) of the Auditor General of the State of Florida.

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 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 District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2014.

This report 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, management, and the Board of Commissioners of East Naples Fire Control and Rescue District, Naples, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Grau & Associates

June 8, 2015



**MANAGEMENT LETTER PURSUANT TO THE RULES OF
THE AUDITOR GENERAL FOR THE STATE OF FLORIDA**

To the Board of Commissioners
East Naples Fire Control and Rescue District
Naples, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of East Naples Fire Control and Rescue District ("District") as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated June 8, 2015, which includes an emphasis of matter paragraph. Other auditors audited the financial statements of the District's Firefighters' Pension Plan, as described in our report on the District's financial statements. This report does not include other auditors' management letter reported separately by those auditors.

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 Florida 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*; and Independent Auditor'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 the Auditor General. Disclosures in those reports, which are dated June 8, 2015, should be considered in conjunction with this management letter.

Purpose of this Letter

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

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, as applicable, management, and the Board of Commissioners of East Naples Fire Control and Rescue District and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank East Naples Fire Control and Rescue District and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

Grau & Associates

June 8, 2015

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2014-01 – Fixed assets

The District was unable to provide a detail listing of certain fixed assets including associated depreciation. As such, a reconciliation of amounts per accounting records to fixed assets details could not be performed.

Recommendation

We recommend that procedures be implemented to ensure that all assets are added to a fixed assets tracking system in a timely manner to ensure accurate and complete fixed assets and depreciation schedules.

Management response: In July of 2010 the District began a complete changeover of all assets in a previous inventory program to the MAS 90 fixed asset module. It began with separating inventoried items from Capital assets that had been tracked together for many years (40+). Completed fixed asset categories that have been separated, balanced, depreciated accordingly and supplied are Auto/vehicles, Land, Building and Improvements, Property Under Capital Lease and Construction Under Progress. The only remaining category to be reconciled is Furniture and Equipment. The District continues to work toward compliance but has been faced with several time sensitive challenges this year related to the recent merger which have limited our time to spend on finishing the fixed asset program. The District has been able to finally correct the FL Chart of Accounts through seriously time consuming revisions with our current software company.

Procedures were implemented in 2010 to ensure that all assets are added to the fixed assets tracking system in a timely manner to ensure accurate complete fixed asset and depreciation schedules. All purchases made since 2010 have been entered into the appropriate fixed asset module before the purchase/item is put into service.

II. PRIOR YEAR FINDINGS

2011-01, 2012-00, and 2013-01 – Uniformed chart of Accounts - matter has been resolved.

2012-01 and 2013-02 – Fixed Assets - matter has not been resolved and is repeated in the current year.

2013-03 – Impact Fund Budget - matter has been resolved.

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2013, except as noted above.

2. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2014, except as noted above.

REPORT TO MANAGEMENT (Continued)

3. 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.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2014, except as noted above.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.
5. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2014 financial audit report.
6. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
7. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2014. It is management's responsibility to monitor 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.



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Commissioners
East Naples Fire Control and Rescue District
Naples, Florida

Report on Compliance for Each Major Federal Program

We have audited East Naples Fire Control and Rescue District ("District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the fiscal year ended September 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes 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 audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended September 30, 2014.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



June 8, 2015

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT
 FOR THE FISCAL YEAR ENDED
 SEPTEMBER 30, 2014**

<u>Federal Grantor/Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<u>Department of Homeland Security</u>		
<u>Federal Emergency Management Agency</u>		
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	\$ 662,638
Total Federal Awards		\$ 662,638

See Notes to Schedule of Expenditures of Federal Awards

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the District.
2. No significant deficiency relating to the audit of the financial statements are reported in the 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*.
3. There were no instances of noncompliance material to the financial statements of the District that were disclosed during the audit.
4. No significant deficiency relating to the audit of the major federal programs are reported in the report on compliance with requirements applicable to each major federal program and on internal control over compliance in accordance with OMB Circular A-133.
5. The independent auditors' report on compliance for the major federal program for the District expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award program for the District.
7. Dollar threshold for Type A programs was \$300,000. The programs tested as major programs include:

<u>Federal Program</u>	<u>CFDA No.</u>
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083

8. The District was considered to be a low-risk auditee pursuant to OMB Circular A-133.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

See management letter for finding related to the financial statements audit.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS

None

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

See management letter for findings related to the financial statements audit.