

**SAN CARLOS PARK FIRE PROTECTION  
AND RESCUE SERVICE DISTRICT  
FORT MYERS, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2017**

**SAN CARLOS PARK FIRE PROTECTION AND RESCUE SERVICE DISTRICT**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
San Carlos Park Fire Protection and Rescue Service District  
Fort Myers, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the remaining fund information of San Carlos Park Fire Protection and Rescue Service District, Fort Myers, Florida (the "District") as of and for the fiscal year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the remaining fund information of the District as of September 30, 2017, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2018, 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 April 9, 2018, 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.

*B* *han & Associates*

April 9, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of San Carlos Park Fire Protection & Rescue Service District, Fort Myers, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2017. 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 plus deferred outflows of resources of the District exceeded its liabilities plus deferred inflows of resources at the close of the fiscal year ended September 30, 2017 resulting in a net position balance of \$5,766,672. Of this amount, \$1,981,392 is unrestricted net position, which may be used to meet the District's ongoing obligations.
- The District's total net position increased by \$984,056 in comparison to the prior year.
- At September 30, 2017, the District's governmental funds reported combined ending fund balances of \$7,522,993, an increase of \$1,151,742, in comparison with the prior year. Of the total fund balance, \$46,128 is nonspendable for prepaid expenditures; \$1,249,345 is restricted for Impact Fee expenditures, \$4,944,829 is assigned fund balance and the remainder is unassigned fund balance which is available for spending at the District's discretion.
- Total revenues in the government-wide statements increased (\$10,858,645 - \$9,945,326) \$913,319, in comparison to the prior year.
- Total expenses in the government-wide statements increased (\$9,874,589 - \$9,072,799) \$801,790, in comparison to the prior year.

### 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference 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 ad-valorem taxes. The District does not have any business-type activities. The governmental activities of the District include the public safety function.

## 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 two individual governmental funds. 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 and special revenue fund. The general and special revenue funds are considered major funds.

The District adopts an annual appropriated budget for each fund (general and special revenue). Budgetary comparison schedules have been provided for both funds to demonstrate compliance with the budget.

### 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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following is a condensed summary of net position for the primary government for the year ended September 30, 2017, compared to September 30, 2016:

	September 30,		
	2017	2016	Change
Assets:			
Current and other assets	\$ 7,967,648	\$ 6,963,929	\$ 1,003,719
Capital assets	3,820,322	3,761,961	58,361
Total assets	<u>11,787,970</u>	<u>10,725,890</u>	<u>1,062,080</u>
Deferred outflows of resources	<u>4,497,180</u>	<u>3,642,622</u>	<u>854,558</u>
Liabilities:			
Current liabilities	640,625	924,783	(284,158)
Non-current liabilities	<u>7,321,039</u>	<u>7,393,703</u>	<u>(72,664)</u>
Total liabilities	<u>7,961,664</u>	<u>8,318,486</u>	<u>(356,822)</u>
Deferred inflows of resources	<u>2,556,814</u>	<u>1,267,410</u>	<u>1,289,404</u>
Net position:			
Net investment in capital assets	2,535,935	2,106,985	428,950
Restricted	1,249,345	1,024,469	224,876
Unrestricted	<u>1,981,392</u>	<u>1,651,162</u>	<u>330,230</u>
Total net position	<u>\$ 5,766,672</u>	<u>\$ 4,782,616</u>	<u>\$ 984,056</u>

The net investment in capital assets represent 44 percent of net position and is comprised of land, fire and rescue equipment, buildings, fire and rescue vehicles and furniture, fixtures and equipment, net of accumulated depreciation and capital leases. These assets are used to provide services to residents; consequently, these assets are not available for future spending.

An additional portion of the District's net position, \$1,249,345, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$1,981,392 represents net resources available to meet the District's obligations.

The District's net position increased during the most recent fiscal year. The majority of the increase is a result of the property value increases.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following schedule reports the revenues, expenses, and changes in net position for the District for the fiscal year ended September 30, 2017 compared to September 30, 2016.

Revenues:	Fiscal Year Ended September 30,		
	2017	2016	Change
General revenues			
Property taxes	\$ 10,175,619	\$ 9,550,621	\$ 624,998
Impact fees	224,876	106,993	117,883
Investment earnings	41,706	12,280	29,426
Other	200,937	49,788	151,149
Program revenues			
Charges for services	93,974	76,872	17,102
Operating grants and contributions	121,533	148,772	(27,239)
Total revenues	<u>10,858,645</u>	<u>9,945,326</u>	<u>913,319</u>
Expenses:			
Public safety-fire protection	<u>9,874,589</u>	<u>9,072,799</u>	<u>801,790</u>
Increase (decrease) in net position	<u>984,056</u>	<u>872,527</u>	<u>111,529</u>
Net position - beginning	<u>4,782,616</u>	<u>3,910,089</u>	<u>872,527</u>
Net position - ending	<u>\$ 5,766,672</u>	<u>\$ 4,782,616</u>	<u>\$ 984,056</u>

Property tax receipts increased by \$624,998 during the fiscal year. Total assessed property value increased \$261,774,261 to \$3,427,178,504 resulting in higher ad valorem tax revenues.

Impact fee revenues increased by \$117,883 as a result of an increase in new construction within the District's boundaries.

## FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of unreserved resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As noted earlier, combined fund balances increased by \$1,151,742 in comparison with the prior year. The restricted portion of the District's fund balance represents resources that are subject to external restrictions on how they may be used. The non-spendable portion of fund balance represents resources that have been used to prepay costs for the next fiscal year. The assigned fund balance is assigned for future use. The remaining fund balance is unassigned which is available for spending at the District's discretion.

The general fund is the operating fund of the District and includes all activities related to providing management and operating services.



## 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 using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. The Board of Commissioners must approve any budget amendments that increase the aggregate budgeted appropriations.

Budget versus actual comparisons for the General fund and Special Revenue fund are reported as required supplementary information. The District did not amend the budgets during the year ended September 30, 2017 and; therefore, there is no difference between the original budget and the final budget. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2017.

The General Fund experienced certain variances between its final budget and actual results. Actual ad valorem revenues were higher than the budget by \$65,442 due to a collection of previous year's delinquent taxes. Actual personnel services were less than the budget by approximately \$388,748, which is primarily attributed to adequate staffing, which reduced overtime as well as several positions that were vacated and not filled. Operating expenditures were less than the budget by approximately \$237,935, which is primarily attributed to reduced maintenance costs, travel/training expenditures, and general operating expenditures. Actual capital outlay was less than the budget as a result of being fiscally responsible by postponing capital expenditures until the following fiscal year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2017, the District had \$9,598,623 invested in land and improvements, building, fire and rescue equipment, fire and rescue vehicles and furniture and fixtures. Depreciation of \$5,778,301 has been taken, which resulted in a net book value of \$3,820,322.

The following is a schedule of the District's capital assets net of depreciation as of September 30, 2017 and 2016:

	2017	2016
Land and improvements	\$ 388,715	\$ 388,715
Building	2,467,691	2,568,961
Furniture, Fixtures and Equipment	548,074	324,158
Vehicles	415,842	480,127
Total capital assets, net of depreciation	<u>\$ 3,820,322</u>	<u>\$ 3,761,961</u>

Additional information on the District's capital assets is found in the notes to the financial statements.

### Debt Administration

At September 30, 2017, the District had \$2,405,574 of outstanding long-term liabilities, which relates to capital leases and compensated absences. Compensated absences increased by \$63,716 to a balance of \$1,121,187. This liability represents the total amount due and payable to District employees at September 30, 2017. Additional information on the District's long-term liabilities is found in the notes to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

It is anticipated that the general operations of the District will remain the same as the current budget year. In fiscal year 2018 total assessed property value increased \$373,864,962 to \$3,801,043,466 and the millage rate was decreased .05 mils to 2.9000 mils.

## 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: Chief David Cambareri, San Carlos Park Fire Protection and Rescue Service District, 19591 Ben Hill Griffin Pkwy, Fort Myers, FL 33913, phone (239) 267-7525.

**SAN CARLOS PARK FIRE PROTECTION AND RESCUE SERVICE DISTRICT  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 6,569,936
Due from other governments	4,105
Prepays	46,128
Accounts receivable	98,134
Restricted assets:	
Cash and cash equivalents	1,224,844
Due from other governments	24,501
Capital assets:	
Nondepreciable	388,715
Depreciable assets, net	3,431,607
Total assets	<u>11,787,970</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	<u>4,497,180</u>
 <b>LIABILITIES</b>	
Accounts payable	70,279
Accrued expenses	224,376
Capital lease payable	195,970
Unearned revenue	150,000
Noncurrent liabilities	
Due in more than one year:	
Capital lease payable	1,088,417
Compensated absences	1,121,187
Net OPEB obligation	874,796
Net pension liability	4,236,639
Total liabilities	<u>7,961,664</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	<u>2,556,814</u>
 <b>NET POSITION</b>	
Net investment in capital assets	2,535,935
Restricted for interlocal agreements	1,249,345
Unrestricted	1,981,392
Total net position	<u>\$ 5,766,672</u>

See notes to the financial statements

**SAN CARLOS PARK FIRE PROTECTION AND RESCUE SERVICE DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		Charges for	Operating Grants and	Governmental
		Services	Contributions	Activities
Primary government:				
Governmental activities:				
Public safety	\$ 9,874,589	\$ 93,974	\$ 121,533	\$ (9,659,082)
Total governmental activities	<u>9,874,589</u>	<u>93,974</u>	<u>121,533</u>	<u>(9,659,082)</u>
General revenues:				
Property taxes				10,175,619
Impact fees				224,876
Unrestricted investment earnings				41,706
Miscellaneous				<u>200,937</u>
Total general revenues				<u>10,643,138</u>
Change in net position				984,056
Net position - beginning				<u>4,782,616</u>
Net position - ending				<u>\$ 5,766,672</u>

See notes to the financial statements

**SAN CARLOS PARK FIRE PROTECTION AND RESCUE SERVICE DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017**

	Major Funds		Total Governmental Funds
	General	Impact Fee	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,569,936	\$ 1,224,844	\$ 7,794,780
Due from other governments	4,105	24,501	28,606
Accounts receivable	98,134	-	98,134
Prepaid items	46,128	-	46,128
Total assets	<u>\$ 6,718,303</u>	<u>\$ 1,249,345</u>	<u>\$ 7,967,648</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 70,279	\$ -	\$ 70,279
Accrued expenses	224,376	-	224,376
Unearned revenue	150,000	-	150,000
Total liabilities	<u>444,655</u>	<u>-</u>	<u>444,655</u>
Fund balances:			
Nonspendable:			
Prepaid items	46,128	-	46,128
Restricted for:			
Capital projects	-	1,249,345	1,249,345
Assigned:			
Termination benefits	633,950	-	633,950
Capital projects	837,475	-	837,475
Facility	471,849	-	471,849
Disaster	381,849	-	381,849
Wireless communication enhancement	17,000	-	17,000
Operating Reserve Fund	2,602,706	-	2,602,706
Unassigned	1,282,691	-	1,282,691
Total fund balances	<u>6,273,648</u>	<u>1,249,345</u>	<u>7,522,993</u>
Total liabilities and fund balances	<u>\$ 6,718,303</u>	<u>\$ 1,249,345</u>	<u>\$ 7,967,648</u>

See notes to the financial statements

**SAN CARLOS PARK FIRE PROTECTION AND RESCUE SERVICE DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017**

Total Fund balance - governmental funds \$ 7,522,993

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	9,598,623	
Accumulated depreciation	<u>(5,778,301)</u>	3,820,322

Deferred outflows of resources related to pensions are recorded in the statement of net position.	4,497,180
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Deferred inflows of resources related to pensions are recorded in the statement of net position.	(2,556,814)
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Long term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:

Leases payable	(1,284,387)
Net OPEB obligation	(874,796)
Net pension liability	(4,236,639)
Compensated absences	<u>(1,121,187)</u>

Net position of governmental activities	<u>\$ 5,766,672</u>
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**SAN CARLOS PARK FIRE PROTECTION AND RESCUE SERVICE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Major Funds		Total Governmental Funds
	General	Impact Fee	
<b>REVENUES</b>			
Ad valorem taxes	\$ 10,175,619	\$ -	\$ 10,175,619
Intergovernmental	24,999	-	24,999
Inspection fees	68,975	-	68,975
Grants	160,017	-	160,017
Impact fees	-	219,004	219,004
Interest	41,706	5,872	47,578
Miscellaneous	200,937	-	200,937
Total revenues	10,672,253	224,876	10,897,129
<b>EXPENDITURES</b>			
Current:			
Public safety			
Personnel service	7,420,233	-	7,420,233
Operating expenditures	1,385,397	-	1,385,397
Capital outlay	524,322	-	524,322
Debt service:			
Principal retirement	370,589	-	370,589
Interest and fiscal charges	44,846	-	44,846
Total expenditures	9,745,387	-	9,745,387
Excess (deficiency) of revenues over (under) expenditures	926,866	224,876	1,151,742
Fund balances - beginning	5,346,782	1,024,469	6,371,251
Fund balances - ending	\$ 6,273,648	\$ 1,249,345	\$ 7,522,993

See notes to the financial statements

**SAN CARLOS PARK FIRE PROTECTION AND RESCUE SERVICE 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, 2017**

Net change in fund balances - total governmental funds \$ 1,151,742

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

Governmental funds report capital outlays as expenditures, however, in the statement activities, the cost of those assets is capitalized and depreciated over their estimated useful lives. 383,040

Certain revenues were unavailable for the governmental fund financial statements in the prior fiscal year. In the current fiscal year, these revenues were recorded in the governmental fund financial statements. (38,484)

Depreciation on capital assets is not recognized in the governmental fund financial statements but is reported as an expense in the statement of activities. (324,679)

Repayment of certain long-term liabilities are reported as expenditures in the governmental fund financial statements but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities. 370,589

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:

Change in other post employment benefit obligation (248,923)

Change in net pension liability and related deferred outflows and inflows of resources (245,513)

Change in compensated absences (63,716)

Change in net position of governmental activities \$ 984,056



**SAN CARLOS PARK FIRE PROTECTION AND RESCUE SERVICE DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
PENSION TRUST FUND  
SEPTEMBER 30, 2017**

	San Carlos Park Fire Protection and Rescue Service District Retirement Plan
<b>ASSETS</b>	
Cash	\$ 138,236
Investments	17,141,092
Total assets	17,279,328
<b>NET POSITION</b>	
Net position held in trust for pension benefits	\$ 17,279,328

See notes to the financial statements

**SAN CARLOS PARK FIRE PROTECTION AND RESCUE SERVICE DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PENSION TRUST FUND  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2017**

	<u>San Carlos Park Fire Protection and Rescue Service District Retirement Plan</u>
Additions	
Contributions:	
Employer and employee	\$ 815,189
State of Florida	198,246
Total contributions	<u>1,013,435</u>
Investment earnings:	
Net increase (decrease) in fair value	<u>2,179,283</u>
Net investment earnings	<u>2,179,283</u>
Total additions	<u>3,192,718</u>
Deductions:	
Benefits	96,371
Administrative expense	27,567
Total deductions	<u>123,938</u>
Net increase in plan net position	3,068,780
Net position held in trust for pension benefits:	
Beginning	<u>14,210,548</u>
Ending	<u>\$ 17,279,328</u>

See notes to the financial statements

## **SAN CARLOS PARK FIRE PROTECTION AND RESCUE SERVICE DISTRICT NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY**

The San Carlos Park Fire Protection and Rescue Service District (the “District”) is a local governmental unit created by the Florida State Legislature to provide fire and rescue services to a certain prescribed area in Lee County, Florida, and is an independent special district authorized and existing under the laws of the State of Florida and created by enabling Statute Chapter 98-464. An elected five-person Board of Commissioners operates the District.

The District is an instrumentality of the State of Florida and is exempt from federal income tax.

The District was established to provide fire control and protection services, fire safety inspections, and rescue services to the District’s incorporated land area. Pursuant to a long-term interlocal agreement, the District provides fire protection and rescue services to 52 square miles within unincorporated Lee County. In addition, the District provides contracted fire protection and rescue services to Florida Golf Coast University.

The District operates and maintains three (3) station houses, a training facility and their related equipment and employs approximately 53 full-time employees and has 5 elected officials who receive a stipend.

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 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. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

### **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 fees for maintenance 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 and fiduciary fund 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.

Property taxes are ad valorem and levied each November 1 on property as of the previous January 1. The fiscal year for which annual taxes 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.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of taxes receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

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

The special revenue fund consists of fees imposed and collected by Lee County based on new construction within the District. The fees are restricted and can only be used for certain capital expenditures associated with growth within the District.

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 cannot be used to support the government's own programs. The fiduciary fund of the District is a single employer pension trust fund and comprises the remaining fund information of the District.

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 for qualifying expenditures, then unrestricted resources as they are needed.

#### Restricted Assets

These assets represent cash and cash equivalents set aside pursuant to contractual restrictions.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Assets, Liabilities and Net Position or Equity

#### Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

The District's adopted investment policy is that funds of the District may be invested in the following:

- a) State Board of Administration Local Government Surplus Trust Funds;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Savings accounts in state-certified qualified public depositories;
- d) Certificates of Deposit in state-certified qualified public depositories;
- e) Direct obligations of the U.S. Treasury;
- f) Federal agencies and instrumentalities;
- g) Repurchase agreements.

Investments in derivative products are prohibited by this investment policy. A "derivative" is defined as a financial instrument the value of which depends on, or is derived from, the value of one or more underlying assets or index or asset values. The use of reverse repurchase agreements or other forms of leverage is also prohibited by this investment policy.

The District records all interest revenue related to investment activities in the respective funds. Investments are measured at amortized cost or reported at fair value as required by generally accepted accounting principles.

#### 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 governmental 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 \$2,500 and an estimated useful life in excess of 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	39
Furniture, Fixtures, and Equipment	7 -10
Fire and Rescue Vehicles	5

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 policies regarding vacation time permit employees to accumulate earned but unused vacation leave. Upon termination of employment, employees will receive compensation at regular rates of pay for all accumulated paid personal leave. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Amounts not expected to be liquidated with expendable available resources are reported in the Statement of Net Position. Payments are generally paid out of the general fund.

#### Impact Fees

Through an interlocal agreement with Lee County, the District levies an impact fee on new construction within the District via a City of Bonita Springs ordinance. The intent of the fee is for growth within the District to pay for capital improvements needed due to the growth. The fee is collected by Lee County and remitted to the District quarterly. The fee is refundable if not expended by the District within (6) years from the date of collection. The District, therefore, records this fee as restricted cash. When the funds are expended they are charged to capital outlay in the fund financial statements and capital assets in the government-wide financial statements.

#### Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

#### 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 Commissioners. Commitments may be changed or lifted only by the Board of Commissioners 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 established by the Commissioners that are intended to be used for specific purposes that are neither considered restricted nor committed. The Board can 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.

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.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Assets, Liabilities and Net Position or Equity (Continued)**

#### Fund Equity/Net Position (Continued)

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 the District's Bond covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

### **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.

#### **New Accounting Standards Adopted**

During fiscal year 2017, the District adopted the following new accounting standards:

##### *GASB 77 - Tax Abatement Disclosures*

The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess (a) whether current-year revenues were sufficient to pay for current-year services, (b) compliance with finance-related legal or contractual requirements, (c) where a government's financial resources come from and how it uses them, and (d) financial position and economic condition and how they have changed over time.

##### *GASB Statement No. 82 - Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

## **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 and special revenue funds. 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 ("FDIC") 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

The District's fiduciary fund investments were held as follows at September 30, 2017:

	<u>Fair Value</u>
Florida Municipal Pension Trust Fund - Pension Fund B	\$ 17,141,092
Total Investments	<u>\$ 17,141,092</u>

The Florida Municipal Pension Trust Fund ("FMPTF") investments managed through the Florida Municipal Investment Trust ("FMIvT"), are a Local Government Investment Pool.

*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 table below.

The following risk information relates to the FMIvT:

<u>Fixed Income Fund:</u>	<u>Fitch Rating</u>
Broad Market High Quality Bond Fund	AAf/S4
Core Plus Fixed Income Fund	Not Rated
<u>Equity Portfolios:</u>	
FMIvT High Quality Growth Equity Portfolio	Not Rated
FMIvT Diversified Small Cap Equity Portfolio	Not Rated
FMIvT Large Cap Diversified Value Portfolio	Not Rated
FMIvT Russel 1000 Enhanced Index Portfolio	Not Rated
FMIvT International Equity Portfolio	Not Rated

*Concentration risk* – The District places no limit on the amount the District may invest in any one issuer.

*Interest rate risk* – Interest rate risk exists when there is a possibility that changes in interest rate could adversely affect the fair value of the investments. The table below summarizes the District's interest rate risk for the FMIvT:

	<u>Modified Duration</u>	<u>Weighted Average Maturity</u>
<u>Fixed Income Fund:</u>		
Broad Market High Quality Bond Fund	4.74 years	5.90 years
Core Plus Fixed Income Fund	2.24 years	6.84 years



## NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

### Investments (Continued)

*Fair Value Measurement* – When applicable, the District measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- *Level 1:* Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the District has the ability to access;
- *Level 2:* Investments whose inputs - other than quoted market prices - are observable either directly or indirectly; and,
- *Level 3:* Investments whose inputs are unobservable.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. The table below summarizes the District's fair value measurement level of its investments in the fiduciary fund:

	Fair Value	Fair Value Measurement Level
<u>Fixed Income Fund:</u>		
Broad Market High Quality Bond Fund	\$ 1,918,005	Level 2
Core Plus Fixed Income Fund	2,989,324	Level 3
<u>Equity Portfolios:</u>		
FMIvT High Quality Growth Equity Portfolio	1,693,374	Level 2
FMIvT Diversified Value Portfolio	1,589,698	Level 2
FMIvT Small Cap Diversified Value Portfolio	2,263,592	Level 2
FMIvT Russel 1000 Enhanced Index Portfolio	4,872,770	Level 2
FMIvT International Equity Portfolio	1,814,329	Level 2
	<u>\$ 17,141,092</u>	

Broad Market High Quality Bond Fund - This fund invests mainly in US government and agency securities, asset-backed securities and corporate bonds and notes. The underlying securities have observable level 1 quoted pricing inputs or observable level 2 significant other observable pricing inputs. Most of the security prices were obtained from a pricing service, Interactive Data Corporation (IDC). While the underlying asset values are based on quoted prices or market-corroborated inputs, the net asset value of the portfolio is not publicly quoted.

Core Plus Income Fund - This fund invests in two underlying funds, the Franklin Templeton Global Multi-Sector Plus Fund, LP and the Pioneer Institutional Multi-Sector Fixed Income Portfolio, LLC. Shares of these funds are not publicly quoted. These underlying funds invest in a variety of financial instruments, including equity investments, asset-backed securities, debt securities, swaps, forward exchange contracts, credit-linked notes, escrow accounts, litigation trusts for both U.S. and foreign companies and governments.

FMIvT High Quality Growth Equity Portfolio - This portfolio invests mainly in domestic stocks. The majority of the underlying securities have observable level 1 quoted pricing inputs. Most of the security prices were obtained from a pricing service, Interactive Data Corporation (IDC). While the underlying asset values are based on quoted market prices, the net asset value of the portfolio is not publicly quoted.

FMIvT Diversified Small Cap Equity Portfolio - This portfolio invests mainly in domestic stocks. The majority of the underlying securities have observable level 1 quoted pricing inputs. Most of the security prices were obtained from a pricing service, Interactive Data Corporation (IDC). While the underlying asset values are based on quoted market prices, the net asset value of the portfolio is not publicly quoted.

FMIvT Large Cap Diversified Value Portfolio - This portfolio invests mainly in domestic stocks. The majority of the underlying securities have observable level 1 quoted pricing inputs. Most of the security prices were obtained from a pricing service, Interactive Data Corporation (IDC). While the underlying asset values are based on quoted market prices, the net asset value of the portfolio is not publicly quoted.

## NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

### Investments (Continued)

FMIvT Russell 1000 Enhanced Index Portfolio - This portfolio invests in a single underlying fund, the Intech U.S. Broad Enhanced Plus Fund, LLC (Intech Fund), shares of which are not publicly quoted. The Intech Fund invests mainly in domestic stocks, all of which have observable level 1 quoted pricing inputs. The value of the portfolio's shares of the Intech Fund investment are determined based on the net asset value provided by the Intech Fund, which was calculated in accordance with generally accepted accounting principles.

FMIvT International Equity Portfolio - This portfolio invests in a single underlying fund, the Investec International Dynamic Equity Fund, LLC (Investec Fund), shares of which are not publicly quoted. The Investec Fund invests in stocks sold on U.S. and international exchanges, all of which have observable level 1 quoted pricing inputs. The value of the portfolio's shares of the Intech Fund investment are determined based on the net asset value provided by the Investec Fund, which was calculated in accordance with generally accepted accounting principles.

## NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2017 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land and land improvements	\$ 388,715	\$ -	\$ -	\$ 388,715
Total capital assets, not being depreciated	388,715	-	-	388,715
Capital assets, being depreciated				
Building	3,949,542	-	-	3,949,542
Furniture, fixtures and equipment	1,785,730	310,154	(408,859)	1,687,025
Fire and rescue vehicles	3,574,417	72,886	(73,962)	3,573,341
Total capital assets, being depreciated	9,309,689	383,040	(482,821)	9,209,908
Less accumulated depreciation for:				
Building	1,380,581	101,270	-	1,481,851
Furniture, fixtures and equipment	1,461,572	86,238	(408,859)	1,138,951
Fire and rescue vehicles	3,094,290	137,171	(73,962)	3,157,499
Total accumulated depreciation	5,936,443	324,679	(482,821)	5,778,301
Total capital assets, being depreciated, net	3,373,246	58,361	-	3,431,607
Governmental activities capital assets, net	\$ 3,761,961	\$ 58,361	\$ -	\$ 3,820,322

Depreciation expense was charged to the Public Safety function/program.

## NOTE 6 – LONG-TERM LIABILITIES

Changes in long-term liability activity for the fiscal year ended September 30, 2017 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Leases payable:					
Capital Lease, Truck	\$ 174,619	\$ -	\$ 174,619	\$ -	\$ -
Capital Lease, Station	1,480,357	-	195,970	1,284,387	195,970
Compensated Absences	1,057,471	656,460	592,744	1,121,187	-
Total	\$ 2,712,447	\$ 656,460	\$ 963,333	\$ 2,405,574	\$ 195,970

## NOTE 6 – LONG-TERM LIABILITIES (Continued)

### Capital Leases

The District previously entered into lease agreements for financing the acquisition of a third fire station and two fire trucks. The lease agreements qualify as capital leases for accounting purposes. The assets acquired through the capital leases are as follows:

Asset:	
Building	\$ 3,330,240
Less accumulated depreciation	<u>(1,127,870)</u>
Net	<u>\$ 2,202,370</u>
Asset:	
Fire and rescue vehicles	\$ 1,501,273
Less accumulated depreciation	<u>(1,501,273)</u>
Net	<u>\$ -</u>

The future minimum lease payments as of September 30, 2017 are:

Year ending September 30:	Governmental Activities
2018	\$ 233,406
2019	233,406
2020	233,406
2021	233,406
2022	233,406
2023	<u>233,406</u>
Total minimum lease payments	1,400,436
Less: amount representing interest	<u>(116,049)</u>
Present value of minimum lease payments	<u>\$ 1,284,387</u>
Current portion	\$ 200,925
Long-term portion	<u>1,083,462</u>
Total	<u>\$ 1,284,387</u>

## NOTE 7 – FLORIDA RETIREMENT SYSTEM (“FRS”)

### General Information about the FRS

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

All regular employees of the District are eligible to enroll as members of the FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' website ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The District's pension expense related to FRS totaled \$390,490 for the fiscal year ended September 30, 2017.

**NOTE 7 – FLORIDA RETIREMENT SYSTEM (“FRS”) (Continued)**

**FRS Pension Plan**

*Plan Description* – The FRS Pension Plan (Plan) is a cost-sharing, multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The classes of membership within the District are as follows:

- Regular Class – Members of the FRS who do not qualify for membership in another class.
- Special Risk Class – Members of the FRS who are firefighters (including fire prevention and/or training positions), emergency medical technicians and paramedics.

*Plan Description* – Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of service. Members of the Plan may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

*Benefits Provided* – Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation (AFC). For members initially enrolled before July 1, 2011, the AFC is the average of the five highest fiscal years’ earnings; for members initially enrolled on or after July 1, 2011, the AFC is the average of the eight highest fiscal years’ earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors’ benefits.

The following chart shows the percentage value for each year of service credit earned:

<b>Class, Initial Enrollment, and Retirement Age/Years of Service</b>	<b>% Value</b>
<b>Regular Class members initially enrolled before July 1, 2011</b>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 years of service	1.68
<b>Regular Class members initially enrolled on or after July 1, 2011</b>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 years of service	1.68
<b>Special Risk Class</b>	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00

**NOTE 7 – FLORIDA RETIREMENT SYSTEM (“FRS”) (Continued)**

**FRS Pension Plan (Continued)**

Per Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

*Contributions* – The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2017 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u> <u>October 1, 2016 to June 30, 2017</u>		<u>Percent of Gross Salary</u> <u>July 1, 2017 to September 30, 2017</u>	
	<u>Employee</u>	<u>Employer (1)</u>	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.52	3.00	7.92
FRS, Special Risk	3.00	22.57	3.00	23.27
FRS, DROP	0.00	12.99	0.00	13.26

(1) Employer rates include a postemployment HIS contribution rate of 1.66%. Also, employer rates include .06% for administrative costs of the Investment plan except for the DROP.

The District’s contributions to the Plan totaled \$243,105 for the fiscal year ended September 30, 2017. This excludes the HIS defined benefit pension plan contributions.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* – At September 30, 2017, the District reported a liability of \$2,835,854 for its proportionate share of the Plan’s net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The District’s proportionate share of the net pension liability was based on the District’s contributions for the year ended June 30, 2017 relative to the contributions made during the year ended June 30, 2016 of all participating members. At June 30, 2017, the District’s proportionate share was .0096%, which represents a .0009% decrease from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017 the District recognized pension expense of \$346,099 related to the Pension Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 260,263	\$ (15,709)
Change of assumptions	953,047	-
Net difference between projected and actual earnings on FRS pension plan investments	-	(70,280)
Changes in proportion and differences between District FRS contributions and proportionate share of FRS contributions	19,622	(388,836)
District FRS contributions subsequent to the measurement date	60,385	-
Total	<u>\$ 1,293,317</u>	<u>\$ (474,825)</u>

## NOTE 7 – FLORIDA RETIREMENT SYSTEM (“FRS”) (Continued)

### FRS Pension Plan (Continued)

The deferred outflows of resources related to pensions, totaling \$60,385, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30:	Amount
2018	\$ 20,914
2019	264,869
2020	210,278
2021	32,271
2022	168,078
Thereafter	61,697
<b>Total</b>	<b>\$ 758,107</b>

Actuarial Assumptions – The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.10%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB, with adjustments for mortality improvements based on Scale AA.

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

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Arithmetic Return	(Geometric) Return	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.8%
Fixed income	18.0%	4.5%	4.4%	4.2%
Global equity	53.0%	7.8%	6.6%	17.0%
Real estate (property)	10.0%	6.6%	5.9%	12.8%
Private equity	6.0%	11.5%	7.8%	30.0%
Strategic investments	12.0%	6.1%	5.6%	9.7%
<b>Total</b>	<b>100.0%</b>			
Assumed inflation - mean			2.6%	1.9%

(1) As outlined in the Plan’s investment policy

Discount Rate – The discount rate used to measure the total pension liability was 7.10 percent. The Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

**NOTE 7 – FLORIDA RETIREMENT SYSTEM (“FRS”) (Continued)**

**FRS Pension Plan (Continued)**

Sensitivity of the District’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.10%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District’s proportionate share of net pension liability	\$ 5,132,724	\$ 2,835,854	\$ 928,925

Pension Plan Fiduciary Net Position – Detailed information about the Plan’s fiduciary net position is available in the FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

**HIS Pension Plan**

Plan Description – The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

Benefits Provided – For the fiscal year ended September 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2017, the contribution rate was 1.66% of payroll from October 1, 2016 through September 30, 2017 pursuant to section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District’s contributions to the HIS Plan totaled \$28,180 for the fiscal year ended September 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2017, the District reported a net pension liability of \$604,105 for its proportionate share of the HIS Plan’s net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The District’s proportionate share of the net pension liability was based on the year ended June 30, 2017 contributions relative to the year ended June 30, 2016 contributions of all participating members. At June 30, 2017, the District’s proportionate share was .0057%, which represents a .0003% increase compared to its proportionate share measured as of June 30, 2016.

**NOTE 7 – FLORIDA RETIREMENT SYSTEM (“FRS”) (Continued)**

**HIS Pension Plan (continued)**

For the fiscal year ended September 30, 2017, the District recognized pension expense of \$39,094 related to the HIS Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (1,258)
Change of assumptions	84,916	(52,238)
Net difference between projected and actual earnings on HIS pension plan investments	335	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	26,352	(39,509)
District HIS contributions subsequent to the measurement date	7,027	-
Total	<u>\$ 118,630</u>	<u>\$ (93,005)</u>

The deferred outflows of resources related to pensions, totaling \$7,027, resulting from District contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30:</u>	<u>Amount</u>
2018	\$ 3,045
2019	2,981
2020	2,951
2021	6,773
2022	5,928
Thereafter	(3,080)
<b>Total</b>	<u>\$ 18,598</u>

Actuarial Assumptions – The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	3.58%

Mortality rates were based on the Generational RP-2000 with Projected Scale BB. The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Discount Rate – The discount rate used to measure the total pension liability was 3.58%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.



**NOTE 7 – FLORIDA RETIREMENT SYSTEM (“FRS”) (Continued)**

**HIS Pension Plan (continued)**

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 3.58%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1-percentage-point higher (4.58%) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
District’s proportionate share of net pension liability	\$ 689,364	\$ 604,105	\$ 533,089

Pension Plan Fiduciary Net Position – Detailed information about the HIS Plan’s fiduciary net position is available in the FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

**FRS – Defined Contribution Pension Plan**

The District contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA’s annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member’s account upon retirement.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member’s accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected Local Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices.

Allocations to the investment member’s accounts during the 2017 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30%
FRS, Special Risk	14.00%

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of Investment Plan members.

**NOTE 7 – FLORIDA RETIREMENT SYSTEM (“FRS”) (Continued)**

**FRS – Defined Contribution Pension Plan (continued)**

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The District’s Investment Plan pension expense totaled \$5,297 for the fiscal year ended September 30, 2017.

**NOTE 8 – SINGLE-EMPLOYER PENSION PLAN**

All full time firefighters of the District hired after January 1, 1996 are covered by the San Carlos Park Fire Protection and Rescue Services District Retirement Plan ("Plan"). The Plan is administered by the Florida League of Cities and the Trustee is the Florida Municipal Pension Trust Fund Defined Benefit Plan and Trust ("FMPTF"). Members of the Plan hired prior to January 1, 2014 are required to make a contributions of ½% of their salary on an after tax basis. Members of the Plan hired after January 1, 2014 are required to make a contributions of 3% of their salary on an after tax basis. The District’s contribution to the Plan was \$785,389 for the fiscal year ended September 30, 2017.

Membership of the Plan consisted of the following at September 30, 2017:

	<u>Firefighters</u>
Retirees and beneficiaries	
currently receiving benefits	5
Terminated plan members entitled	
to but not yet receiving benefits	3
Inactive members due a refund	4
Active plan members	<u>39</u>
Total	<u>51</u>

Eligibility: Members are eligible to participate immediately when hired as a full-time firefighter.

Credited Service: Service is measured as the total number of years and fractional parts of years of service as a participant during which the participant made required contributions to the Plan (including contributions to the money purchase plan), when required, omitting intervening years or fractional parts of years when such participant is not employed by the employer.

Average Final Compensation: Shall mean one-twelfth (1/12) of the average annual compensation of the five (5) best years of the last ten (10) years of Credited Service prior to retirement, termination or death, or the career average, whichever is greater.

Normal Retirement Date: A participant's Normal Retirement Date shall be the first day of the month coincident with, or next following, the attainment of age 55 and 6 years of service or attainment of 25 years of service, regardless of age. For participants who join the Plan January 1, 2014 or later, the Normal Retirement Age will be the earlier of age 55 with at least 10 years of service or age 52 with at least 25 years of service.

Normal Retirement Benefit: The monthly retirement benefit shall be equal to the number of years of credited service multiplied by 3% and multiplied by average final compensation.

Early Retirement Date: A participant may retire on his Early Retirement Date which shall be the first day of any month coincident with or next following the completion of 6 years of credited service.

Early Retirement Benefit: The accrued benefit will be reduced by 3 % for each year before age fifty (50) and 3% for each year between age fifty (50) and normal retirement age. For participants who join the Plan January 1, 2014 or later, the Early Retirement Date will be age 50 with at least 10 years of service.

## **NOTE 8 – SINGLE-EMPLOYER PENSION PLAN (Continued)**

Disability Benefits In-the-Line-of-Duty: A member determined to be totally and permanently disabled from service connected injury or disease will receive the greater of a monthly pension equal to 65% of average monthly compensation or an amount equal to the accrued retirement benefit.

Disability Benefits Off-Duty: A member determined to be totally and permanently disabled from a non-service connected injury or disease must who has completed at least ten (10) year of service will receive the greater of a monthly pension equal to 25% of average monthly compensation or an amount equal to the accrued retirement benefit.

Death Prior to Vesting – In-Line-of-Duty: If a member dies prior to retirement in-the-line-of-duty, and he is not vested, his beneficiary shall receive a monthly benefit of 50% of the members monthly salary at death, payable for the beneficiary's lifetime.

Death After Vesting – In-Line-of-Duty: If a member dies prior to retirement in-the-line-of-duty, but he is vested, having completed the required years of credited service, his beneficiary shall receive the greater of the benefits otherwise payable at the early or normal retirement date or a monthly benefit of 50% of the member's monthly salary at death, payable for his lifetime.

Death Prior to Vesting – Off Duty: If a member dies prior to retirement other than in-the-line-of-duty, but he is not vested, his beneficiary shall receive a refund of one hundred percent (100%) of the members accumulated contributions.

Death After Vesting – Off Duty: If a member dies prior to retirement other than in-the-line-of-duty, but he is vested, having completed the required years of credited service, his beneficiary shall receive the benefits otherwise payable to the member at the members early or normal retirement date.

Termination of Employment and Vesting: If a member's employment is terminated either voluntarily or involuntarily the following benefits are payable:

1. If the member has less than six (6) years of credited service upon termination of employment, the member shall be entitled to a refund of his accumulated contributions or the member may leave the accumulated contributions deposited with the Plan.
2. If the member has six (6) or more years of credited service upon termination of employment, the member shall be entitled to their accrued monthly retirement benefit, starting at the member's otherwise normal or early retirement date, provided he does not elect to withdraw his contributions and provided he survives to his normal or early retirement date. Early and normal retirement dates are based on actual years of credited service.

For participants who join the Plan January 1, 2014 or later, the vesting requirement will be 10 years of service.

### Deferred Retirement Option Plan "DROP"

All active members are eligible to elect participation in the DROP provided they meet certain specific requirements according to the Plan documents. The maximum DROP period is 60 months or 5 years.

### Share Plan

The Plan includes a defined contribution component ("Share Plan"). There is no required funding of the Share Plan. The District did not make any contributions to the Share Plan for the fiscal year ended September 30, 2017.

## NOTE 8 – SINGLE-EMPLOYER PENSION PLAN (Continued)

### Expected Long-term Real Return

Determination of the long-term expected rate of return on Plan assets is as follows:

Investment Category	Target Allocation	Expected Long-Term Real Return
Core bonds	16%	0.58% per year
Multi-sector	24%	1.08% per year
US large cap equity	39%	6.08% per year
US small cap equity	11%	6.83% per year
Non-US equity	10%	6.83% per year
Total or weighted arithmetic average	100%	4.08% per year

The discount rate used to measure the total liability was 7%.

### Actuarial Assumptions

The significant assumption and other inputs used to measure the total pension liability are as follows:

Employer's reporting date	September 30, 2017
Measurement date	September 30, 2017
Actuarial valuation date	October 1, 2016
Actuarial assumptions:	
Discount rate:	7.00% per year (2.92% per year is attributable to long-term inflation); this rate was used to discount all future benefit payments.
Salary increases:	4.50% per year
Cost-of-living increases:	3.00% per year
Mortality basis:	Sex-distinct rates set forth in the RP-2000 Combined Mortality Table with full generational improvements in mortality using Scale BB.
Retirement:	For participants who have earned 10 years of service, 10% are assumed to retire at each of ages 50, 51, and 53 and 100% are assumed to retire at age 55; alternatively, 70% of participants who reach their normal retirement age are assumed to retire immediately, with 10% assumed to retire at each of ages one year and three years after normal retirement age and 100% assumed to retire five years after normal retirement age.
Other decrements:	Assumed employment termination is based on gender, age, and service; for participants with less than 10 years of service, termination rates range from 15.00% for males and 10.01% for females with less than two years of service to 4.30% for males and 4.75% for females with between eight and 10 years of service; for participants with at least 10 years of service, termination rates range from 4.28% for males and 5.41% for females at age 25 to 0.00% at age 55. Assumed disability is based on gender and age and ranges from 0.067% for males and 0.040% for females at age 25 to 1.00% for males and 0.84% for females at age 55.
Non-investment expenses:	Liabilities have been loaded by 0.50% to account for non-investment expenses.
Future contributions:	Contributions from the employer and employees are assumed to be made as legally required.
Changes:	No assumptions were changed since the prior measurement date.

## NOTE 8 – SINGLE-EMPLOYER PENSION PLAN (Continued)

### Net Pension Liability

The changes in the net pension liability for the fiscal year ended September 30, 2017 was as follows:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability (Asset)
Beginning balance - October 1, 2016	\$ 15,356,959	\$ (14,210,548)	\$ 1,146,411
Service cost	883,412	-	883,412
Expected interest growth	1,132,272	(1,025,344)	106,928
Unexpected investment income	-	(1,153,939)	(1,153,939)
Demographic experience	(421,243)	-	(421,243)
Employer contributions	-	(983,636)	(983,636)
Employee contributions	-	(29,799)	(29,799)
Benefit payments and refunds	(96,371)	96,371	-
Administrative expenses	-	27,567	27,567
Changes in benefit terms	-	-	-
Assumption changes	1,220,979	-	1,220,979
Ending balance - September 30, 2017	<u>\$ 18,076,008</u>	<u>\$ (17,279,328)</u>	<u>\$ 796,680</u>

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability calculated using a single discount rate of 7.0%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is one percentage point lower or one percentage point higher.

### Net Pension Liability (Asset)

Discount Rate Minus 1%	7.00% Discount Rate	Discount Rate Plus 1%
\$ 4,614,962	\$ 796,680	\$ (2,170,946)

The District's pension expense was \$1,279,405 for the fiscal year ended September 30, 2017.

### Deferred Outflows and Inflows

At September 30, 2017, the District reports deferred outflows and inflows of resources as follows:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance as of September 30, 2016	\$ 2,395,641	\$ (816,280)
Changes due to:		
Amortization payments	(531,387)	402,478
Investment gain/loss	-	(1,153,939)
Demographic gain/loss	-	(421,243)
Assumption changes	1,220,979	-
Balance as of September 30, 2017	<u>\$ 3,085,233</u>	<u>\$ (1,988,984)</u>

Deferred outflows and inflows of resources will be recognized in pension expense as follows:

Year Ending September 30:	Amount
2018	\$ 128,910
2019	137,022
2020	(26,381)
2021	16,099
2022	246,886
Thereafter	593,713
<b>Total</b>	<u>\$ 1,096,249</u>

### Other information

The San Carlos Park Fire Protection and Rescue Services District Retirement Plan does not issue stand-alone financial statements. Additional information related to the plan is presented in the Required Supplementary Information section of this report.

**NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (“OPEB”)**

**Plan Description**

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. These retirees pay 75% and 50% of the premium based on 15-20 years of service and 20 years of service respectively. They are also 100% responsible for any spousal coverage and higher insurance option. Because the blended rate paid by retirees is greater than a plan including active employees only and less than that of a plan including retirees only, the amount the District expends for active employees includes an implicit subsidy for participating retirees.

Based on GASB Statement 45, which sets forth the guidelines and a future implementation timetable for reporting and disclosure of OPEB” the District had an actuary calculate future funding requirements based on a valuation as of October 1, 2016. At this time the District has opted to pay as you go rather than fund a portion or the entire net OPEB obligation. Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing costs between the District and plan members to that point. Calculation of the net OPEB obligation as of September 30, 2017 is as follows:

Annual Required Contribution (ARC)	\$	358,602
Interest on Net OPEB obligation		25,035
Adjustment to ARC		<u>(37,125)</u>
Annual OPEB cost		346,512
Estimated Contributions made*		<u>(97,589)</u>
Increase in net OPEB obligation		248,923
Net OPEB obligation - beginning of year		<u>625,873</u>
Net OPEB obligation - end of year	\$	<u><u>874,796</u></u>

\*Assumed to be at least the benefits paid to retirees (both on an explicit and implicit basis) and administrative expenses.

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:

Year Ended September 30	Annual OPEB Cost	% of OPEB Contributed	Net OPEB Obligation
2017	\$ 346,512	28.2%	\$ 874,796
2016	260,386	37.5%	625,873
2015	252,866	32.5%	463,097

The net OPEB obligation is reported as a liability in the statement of net position of the District.

**NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (“OPEB”) (Continued)**

**Actuarial Methods and Assumptions**

Actuarial methods and significant assumptions used to determine the annual required contribution were as follows:

Actuarial valuation date	10/1/2016
Actuarial cost method	Entry Age Normal (level dollar)
Amortization method	Level Dollar (closed)
Remaining amortization period	30-years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	4.0% per annum
Healthcare cost trend rate(s):	Initial rate of 8.75% in fiscal 2017, then 8.50% in fiscal 2018, grading down to the ultimate trend rate of 4.00% in fiscal 2073.

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 required schedule of funding progress presented as required supplementary information is designed to provide multi-year trend information as to whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The District has not contributed assets to the plan at this time.

Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial calculations of the OPEB plan reflect a long-term perspective

Funding progress of the OPEB liability as of October 1, 2016 valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
October 1, 2016	\$ -	\$ 3,749,334	\$ 3,749,334	0%	\$ 4,286,578	87.5%

Participants of the plan consisted of the following at September 30, 2017:

Current retirees:	
Pre-Medicare	8
Covered Spouses:	
Pre-Medicare	1
Active employees:	52
Total number of participants	<u>61</u>

As authorized by GASB 45 for employers with fewer than one hundred plan members, the Alternative Measurement Method allows the employer to use simplifications of certain assumptions in measuring actuarial accrued liabilities and the ARC. The following simplifying assumptions were made:

*Retirement Eligibility for Active Employees* – All employees are eligible for retiree health care benefits regardless of length of service or age. The retirement rate is as follows: 100% at age 50 with 20 years of service.

## NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (“OPEB”) (Continued)

### Actuarial Methods and Assumptions (Continued)

*Spousal Coverage* – 20% of active employees who have elected benefit coverage are assumed to cover their spouse.

*Mortality* – Life expectancies were based on the RP 2000 Combined Healthy Mortality Table.

*Participation Rate* – 50% of active employees are assumed to maintain benefit coverage after retirement.

*Termination Rates* - Selected rates for various ages listed below:

<u>Age</u>	<u>% Remaining Employed Until Assumed Retirement Age</u>
20	29.60%
30	59.30%
40	84.10%
50	100%

## NOTE 10 – PROPERTY TAXES

Property taxes are levied after formal adoption of the District's budget and become due and payable upon receipt of the notice. Discounts are allowed for payment of property taxes before March 1 of the following year. On April 1, any unpaid taxes become delinquent. If the taxes are still unpaid in May, tax certificates are then offered for sale to the general public. The Lee County, Florida Tax Collector performs the billing and collection of all property taxes for the District. Taxes are recognized as revenue when levied to the extent that they result in current receivables.

Key dates in the property tax cycle are as follows:

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

The Board of Commissioners of the District levied ad valorem taxes at a millage rate of 2.950 mils per \$1,000 of the 2016 net taxable value of real property located within the District.

## NOTE 11 – 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 12 – PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED

### *GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

This Statement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.



## **NOTE 12 – PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED (Continued)**

### *GASB Statement No. 81 - Irrevocable Split-Interest Agreements*

The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for periods beginning after December 15, 2016. Earlier application is encouraged.

### *GASB Statement No. 83 - Certain Asset Retirement Obligations*

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

### *GASB Statement No. 84 - Fiduciary Activities*

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

### *GASB Statement No. 85 – Omnibus 2017*

The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of this Statement are effective for periods beginning after June 15, 2017. Earlier application is encouraged.

### *GASB Statement No. 86 – Certain Debt Extinguishment Issues*

The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

### *GASB Statement No. 87 – Leases*

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. For reporting periods beginning after December 15, 2019.

The District's management has not yet determined the effect these Statements will have on the District's financial statements.

**SAN CARLOS PARK FIRE PROTECTION AND RESCUE SERVICE DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017  
(UNAUDITED)**

**Other Post Employment Benefits**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
October 1, 2016	\$ -	\$ 3,749,334	\$ 3,749,334	0%	\$ 4,286,578	87.5%
October 1, 2013	-	2,638,820	2,638,820	0%	3,852,659	68.5%
October 1, 2011	-	1,360,336	1,360,336	0%	4,263,800	31.9%

**SAN CARLOS FIRE PROTECTION AND RESCUE SERVICE DISTRICT  
FLORIDA RETIREMENT SYSTEM PENSION LIABILITY AND CONTRIBUTION SCHEDULES  
SEPTEMBER 30, 2017  
(UNAUDITED)**

**Schedule of the District's Proportionate Share of the Net Pension Liability -  
Florida Retirement System Pension Plan  
Last 10 Years (1) (2)**

	2017	2016	2015
District's proportion of the FRS net pension liability	0.009587%	0.01052401%	0.01032139%
District's proportionate share of the FRS net pension liability	\$ 2,835,854	\$ 2,657,320	\$ 1,333,146
District's covered employee payroll	\$ 1,729,160	\$ 1,582,197	\$ 1,636,307
District's proportionate share of the FRS net pension liability as a percentage of its covered employee payroll	164.00%	167.95%	81.47%
FRS plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%

**Schedule of the District's Proportionate Share of the Net Pension Liability -  
Health Insurance Subsidy Pension Plan  
Last 10 Years (1) (2)**

	2017	2016	2015
District's proportion of the HIS net pension liability	0.005650%	0.005339019%	0.005393546%
District's proportionate share of the HIS net pension liability	\$ 604,105	\$ 622,241	\$ 550,057
District's covered employee payroll	\$ 1,729,160	\$ 1,582,197	\$ 1,636,307
District's proportionate share of the HIS net pension liability as a percentage of its covered employee payroll	34.94%	39.33%	33.62%
HIS plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%

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

(2) Information is only available for the years presented.

**SAN CARLOS FIRE PROTECTION AND RESCUE SERVICE DISTRICT  
FLORIDA RETIREMENT SYSTEM PENSION LIABILITY AND CONTRIBUTION SCHEDULES  
SEPTEMBER 30, 2017  
(UNAUDITED)**

**Schedule of the District Contributions -  
Florida Retirement System Pension Plan  
Last 10 Fiscal Years (1) (2)**

	2017	2016	2015
Contractually required FRS contribution	\$ 243,105	\$ 252,266	\$ 255,410
FRS contributions in relation to the contractually required contribution	(243,105)	(252,266)	(255,410)
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 1,697,644	\$ 1,602,995	\$ 1,647,559
FRS contributions as a percentage of covered employee payroll	14.32%	15.74%	15.50%

**Schedule of the District Contributions -  
Health Insurance Subsidy Pension Plan  
Last 10 Fiscal Years (1) (2)**

	2017	2016	2015
Contractually required HIS contribution	\$ 28,180	\$ 26,610	\$ 22,502
HIS contributions in relation to the contractually required contribution	(28,180)	(26,610)	(22,502)
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 1,697,644	\$ 1,602,995	\$ 1,647,559
HIS contributions as a percentage of covered employee payroll	1.66%	1.66%	1.37%

(1) The amounts presented for each fiscal year were determined as of September 30.

(2) Information is only available for the years presented.

**SAN CARLOS PARK FIRE PROTECTION AND RESCUE SERVICE DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS -  
LAST TEN FISCAL YEARS\*  
(UNAUDITED)**

**Single-Employer Defined Benefit Plan Schedule of Changes in Net Pension Liability**

<b>Fiscal year ended September 30,</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Total pension liability</b>			
Service cost	\$ 883,412	\$ 863,215	\$ 857,280
Expected Interest growth	1,132,272	1,031,900	779,849
Benefit changes	-	-	(3,936)
Demographic experience	(421,243)	(391,920)	(342,292)
Assumption changes	1,220,979	-	2,353,762
Benefit payments and refunds	(96,371)	(49,594)	(48,563)
<b>Net change in total pension liability</b>	<b>2,719,049</b>	<b>1,453,601</b>	<b>3,596,100</b>
<b>Total pension liability - beginning</b>	<b>15,356,959</b>	<b>13,903,358</b>	<b>10,307,258</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 18,076,008</b>	<b>\$ 15,356,959</b>	<b>\$ 13,903,358</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 983,636	\$ 926,326	\$ 1,236,467
Contributions - employee	29,799	19,813	18,025
Expected interest growth	1,025,344	886,789	814,824
Unexpected investment income	1,153,939	212,403	(817,025)
Benefits payments and refunds	(96,371)	(49,594)	(48,563)
Administrative expense	(27,567)	(25,393)	(21,845)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>3,068,780</b>	<b>1,970,344</b>	<b>1,181,883</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>14,210,548</b>	<b>12,240,204</b>	<b>11,058,321</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 17,279,328</b>	<b>\$ 14,210,548</b>	<b>\$ 12,240,204</b>
<b>Net Pension Liability - Ending (a) - (b)</b>	<b>\$ 796,680</b>	<b>\$ 1,146,411</b>	<b>\$ 1,663,154</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>95.59%</b>	<b>92.53%</b>	<b>88.04%</b>
<b>Covered Employee Payroll</b>	<b>\$ 2,658,831</b>	<b>\$ 2,561,975</b>	<b>\$ 2,458,550</b>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>29.96%</b>	<b>44.75%</b>	<b>67.65%</b>

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available will be presented.

**SAN CARLOS PARK FIRE PROTECTION AND RESCUE SERVICE DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF ACTUARIALLY DETERMINED CONTRIBUTIONS  
AND MONEY-WEIGHTED RATE OF RETURN  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017  
(UNAUDITED)**

**Single-Employer Defined Benefit Plan Schedule of Actuarially Determined Contributions**

Fiscal Year End	(1) Actuarially Determined Contribution (ADC)	(2) Contributions Recognized by the Plan	(3) Difference Between (1) and (2)	Covered Employee Payroll	Column (2) as a Percentage of Covered Payroll
September 30, 2017	\$ 1,065,105	\$ 983,636	\$ (81,469)	\$ 2,658,831	37.00%
September 30, 2016	921,117	926,326	5,209	2,561,975	36.16%
September 30, 2015	1,048,100	1,236,467	188,367	2,458,550	50.29%
September 30, 2014	1,277,041	1,162,542	(114,499)	2,450,602	47.44%
September 30, 2013	1,158,479	1,272,978	114,499	2,485,246	51.22%
September 30, 2012	1,109,236	1,109,236	-	2,521,943	43.98%
September 30, 2011	1,041,595	1,041,595	-	2,273,189	45.82%
September 30, 2010	1,023,230	900,315	(122,915)	2,102,508	42.82%
September 30, 2009	545,204	637,204	92,000	2,056,284	30.99%
September 30, 2008	516,781	493,632	(23,149)	1,558,893	31.67%

Actuarially determined contribution rates are calculated as of the October 1 two years prior to the end of the fiscal year in which contributions are reported. The methods and assumptions used to determine contribution rates for the fiscal year ended September 30, 2017 are as follows:

Valuation date	October 1, 2015
Actuarial cost method	Aggregate
Amortization method	Level percentage, open
Remaining amortization period	30 years
Asset valuation method	Market Value
Actuarial assumptions:	
Discount rate	7.00%
Salary Increase Rate	4.50%

**Single-Employer Defined Benefit Plan Money-Weighted Rate of Return**

Fiscal Year End*	Money Weighted Rate of Return
September 30, 2017	14.87%
September 30, 2016	8.67%
September 30, 2015	-0.02%
September 30, 2014	8.48%
September 30, 2013	11.60%
September 30, 2012	16.59%
September 30, 2011	-0.17%
September 30, 2010	9.46%
September 30, 2009	4.63%
September 30, 2008	-13.33%

**SAN CARLOS PARK FIRE PROTECTION AND RESCUE SERVICE DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017  
(UNAUDITED)**

	Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original & Final		
<b>REVENUES</b>			
Ad valorem taxes	\$ 10,110,177	\$ 10,175,619	\$ 65,442
Intergovernmental	25,080	24,999	(81)
Inspection fees	25,500	68,975	43,475
Grants	199,994	160,017	(39,977)
Interest	17,000	41,706	24,706
Miscellaneous	94,500	200,937	106,437
Total revenues	10,472,251	10,672,253	200,002
<b>EXPENDITURES</b>			
Current:			
Public safety:			
Personnel services	7,808,981	7,420,233	388,748
Operating expenditures	1,623,332	1,385,397	237,935
Capital outlay	707,671	524,322	183,349
Debt service:			
Principal retirement	370,589	370,589	-
Interest and fiscal charges	44,847	44,846	1
Total expenditures	10,555,420	9,745,387	810,033
Excess (deficiency) of revenues over (under) expenditures	(83,169)	926,866	1,010,035
<b>OTHER FINANCING SOURCES (USES)</b>			
Use of fund balance	83,169	-	(83,169)
Total other financing sources (uses)	83,169	-	(83,169)
Net change in fund balances	\$ -	926,866	\$ 926,866
Fund balances - beginning		5,346,782	
Fund balances - ending		\$ 6,273,648	

See notes to required supplementary information

**SAN CARLOS PARK FIRE PROTECTION AND RESCUE SERVICE DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE – BUDGET AND ACTUAL – SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017  
(UNAUDITED)**

	Budgeted Amounts Original & Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Impact fees	\$ 40,886	\$ 219,004	\$ 178,118
Interest	-	5,872	5,872
Total revenues	40,886	224,876	183,990
<b>EXPENDITURES</b>			
Total expenditures	-	-	-
Excess (deficiency) of revenues over (under) expenditures	40,886	224,876	183,990
Fund balances - beginning		1,024,469	
Fund balance - ending		\$ 1,249,345	

See notes to required supplementary information



**SAN CARLOS PARK FIRE PROTECTION AND RESCUE SERVICE 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. 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 District did not amend the budgets during the year ended September 30, 2017 and; therefore, there is no difference between the original budget and the final budget. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2017.

The General Fund experienced certain variances between its final budget and actual results. Actual ad valorem revenues were higher than the budget by \$65,442 due to a collection of previous year's delinquent taxes. Actual personnel services were less than the budget by approximately \$388,748, which is primarily attributed to adequate staffing, which reduced overtime as well as several positions that were vacated and not filled. Operating expenditures were less than the budget by approximately \$237,935, which is primarily attributed to reduced maintenance costs, travel/training expenditures, and general operating expenditures. Actual capital outlay was less than the budget as a result of being fiscally responsible by postponing capital expenditures until the following fiscal year.



**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  
San Carlos Park Fire Protection and Rescue Service District  
Fort Myers, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the remaining fund information of San Carlos Park Fire Protection and Rescue Service District, Fort Myers, Florida ("District") as of and for the fiscal year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 9, 2018.

**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*.

## **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.



April 9, 2018



**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  
San Carlos Park Fire Protection and Rescue Service District  
Fort Myers, Florida

We have examined San Carlos Park Fire Protection and Rescue Service District, Fort Myers, 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, 2017. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced in Section 218.415, Florida Statutes. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2017.

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 San Carlos Park Fire Protection and Rescue Service District, Fort Myers, Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Grau & Associates*

April 9, 2018



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

To the Board of Commissioners  
San Carlos Park Fire Protection and Rescue Service District  
Fort Myers, Florida

**Report on the Financial Statements**

We have audited the accompanying basic financial statements of San Carlos Park Fire Protection and Rescue Service District, Fort Myers, Florida ("District") as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated April 9, 2018.

**Auditor's Responsibility**

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

**Other Reporting Requirements**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated April 9, 2018, 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 San Carlos Park Fire Protection and Rescue Service District, Fort Myers, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank San Carlos Park Fire Protection and Rescue Service District, Fort Myers, Florida 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*

April 9, 2018

## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

### II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

2016-01 Qualified Public Depository (QPD) Report Filing:

Current Status: Recommendation has been implemented.

### 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, 2016, 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, 2017.

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, 2017.

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, 2017 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, 2017. 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.