

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
BASIC FINANCIAL STATEMENTS
TOGETHER WITH ADDITIONAL REPORTS
YEAR ENDED
SEPTEMBER 30, 2018**

TABLE OF CONTENTS

	<u>Page(s)</u>	
INDEPENDENT AUDITOR'S REPORT	1-4	
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)	i-vii	
<u>BASIC FINANCIAL STATEMENTS</u>		
GOVERNMENT-WIDE FINANCIAL STATEMENTS:		
Statement of Net Position.....	5	
Statement of Activities.....	6	
FUND FINANCIAL STATEMENTS:		
Governmental Funds:		
Balance Sheet.....	7	
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	8	
Statement of Revenues, Expenditures and Changes in Fund Balance.....	9	
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds to the Statement of Activities.....	10	
NOTES TO THE FINANCIAL STATEMENTS.....	11-50	
<u>REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A</u>		
BUDGET TO ACTUAL COMPARISON - MAJOR FUNDS (General and Special Revenue Funds)		
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund - Summary Statement.....	51	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund - Detailed Statement.....	52-55	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Impact Fee Fund.....	56	
OTHER REQUIRED SUPPLEMENTARY INFORMATION		
Schedule of District's Proportionate Share of the Net Pension Liability - Florida Retirement System Pension Plan (FRS).....	57	
Schedule of District Contributions - Florida Retirement System Pension Plan (FRS).....	57	
Schedule of District's Proportionate Share of the Net Pension Liability - Health Insurance Subsidy Pension Plan (HIS).....	58	
Schedule of District Contributions - Health Insurance Subsidy Pension Plan (HIS).....	58	
Notes to the Required Supplementary Information.....	59-60	
Schedule of Changes in the Net OPEB Liability and Related Ratios GASB 75 and Related Notes to the Schedule.....	61	
<u>ADDITIONAL REPORTS</u>		
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		62-63
Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes.....	64	
Independent Auditor's Report to Management.....	65-67	
Management's Response to Independent Auditor's Report to Management.....	Exhibit	



TUSCAN
& Company, PA

Certified Public Accountants & Consultants

Affiliations

Florida Institute of Certified Public Accountants

American Institute of Certified Public Accountants

Private Companies Practice Section

Tax Division

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
North Fort Myers Fire Control and Rescue Service District
P.O. Box 3507
North Fort Myers, Florida 33918

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of North Fort Myers Fire Control and Rescue Service District (the "District") as of and for the year ended September 30, 2018, 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 an opinion on these financial statements based on our audit. We did not audit the financial statements of Florida Retirement Systems Pension Plan (FRS) or Health Insurance Subsidy Pension Plan (HIS) as of and for the year ended June 30, 2018. The District is required to record its proportionate share of the FRS and HIS liability in the District's government-wide financial statements as of September 30, 2018, and for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for North Fort Myers Fire Control and Rescue Service District's government-wide financial statements, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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 overall presentation of the financial statements.

INTEGRITY SERVICE EXPERIENCE

12621 World Plaza Lane, Building 55 • Fort Myers, FL 33907 • Phone: (239) 333-2090 • Fax: (239) 333-2097

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

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of North Fort Myers Fire Control and Rescue Service District as of September 30, 2018, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

During the year ended September 30, 2018, the District's unrestricted net asset balance remained a deficit, due substantially to recording the current year actuarially determined OPEB increase in the liability of \$29,000 and the District's increase in its proportionate share of its pension liability. The total OPEB and net pension liability at September 30, 2018 was \$3,835,782 and \$8,633,206, respectively. This is a non-cash actuarially determined liability related to the future cost of allowing retirees to remain on the District's health care policy and for paying a portion of retiree coverage. The pension liability is a non cash actuarially determined liability for the District's participation in the State's FRS defined benefit retirement system. The District's fund balance remains approximately equal to six (6) months budgeted expenditures. Our opinion was not modified for this matter.

As described in Note N, the District adopted the provisions on Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting of Postemployment Benefits Other than Pensions*. As a result of the implementation of GASB No. 75, the District reported a restatement for the change in accounting principle. The auditor's opinion was not modified with respect to this restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i - vii, Schedule of the District's Proportionate Share of the Net Pension Liability - Florida Retirement System Pension Plan (FRS), Schedule of District Contributions - Florida Retirement System Pension Plan (FRS), Schedule of the District's Proportionate Share of the Net Pension Liability - Health Insurance Subsidy Pension Plan (HIS), Schedule of District Contributions - Health Insurance Subsidy Pension Plan (HIS), Notes to Required Supplementary Information and Schedule of Changes in the Net OPEB Liability and Related Ratios GASB 75 and Notes to the Schedule, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which 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 - management's discussion and analysis (MD&A), Schedule of the District's Proportionate Share of the Net Pension Liability - Florida Retirement System Pension Plan (FRS), Schedule of District Contributions - Florida Retirement System Pension Plan (FRS), Schedule of the District's Proportionate Share of the Net Pension Liability - Health Insurance Subsidy Pension Plan (HIS), Schedule of District Contributions - Health Insurance Subsidy Pension Plan (HIS), Notes to Required Supplementary Information and Schedule of Changes in the Net OPEB Liability and Related Ratios GASB 75 and Notes to the Schedule, as listed in the table of contents, 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 required supplementary information - management's discussion and analysis (MD&A), Schedule of the District's Proportionate Share of the Net Pension Liability - Florida Retirement System Pension Plan (FRS), Schedule of District Contributions - Florida Retirement System Pension Plan (FRS), Schedule of the District's Proportionate Share of the Net Pension Liability - Health Insurance Subsidy Pension Plan (HIS), Schedule of District Contributions - Health Insurance Subsidy Pension Plan (HIS), Notes to Required Supplementary Information and Schedule of Changes in the Net OPEB Liability and Related Ratios GASB 75 and Notes to the Schedule, as listed in the table of contents, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Required Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise North Fort Myers Fire Control and Rescue Service District's basic financial statements. The required supplementary information other than MD&A - budgetary comparison information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The required supplementary information other than MD&A - budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the required supplementary information other than MD&A - budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

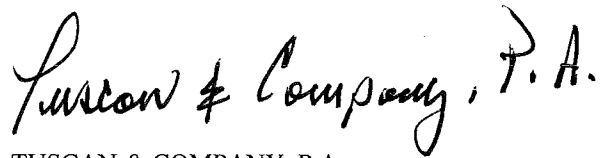
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Exhibit - Management's Response to Independent Auditor's Report to Management is not a required part of the basic financial statements but is required by Government Auditing Standards. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Section 218.415, Florida Statutes

In accordance with Section 218.415, Florida Statutes, we have also issued a report dated February 4, 2019, on our consideration of North Fort Myers Fire Control and Rescue Service District's compliance with provisions of Section 218.415, Florida Statutes. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and to provide an opinion on compliance with the aforementioned Statute. That report is an integral part of an audit performed in accordance with Sections 218.39 and 218.415, Florida Statutes in considering North Fort Myers Fire Control and Rescue Service District's compliance with Section 218.415, Florida Statutes.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 4, 2019, 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, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering North Fort Myers Fire Control and Rescue Service District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Tuscan & Company, P.A." in a cursive script.

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
February 4, 2019

**MANAGEMENT'S DISCUSSION
AND ANALYSIS
(MD&A)**

Management's Discussion and Analysis

This discussion and analysis of the North Fort Myers Fire Control and Rescue Service District (the "District") financial statements is designed to introduce the basic financial statements and provide an analytical overview of the District's financial activities for the fiscal year ended September 30, 2018. The basic financial statements are comprised of the government-wide financial statements, governmental fund financial statements and footnotes. We hope this will assist readers in identifying significant financial issues and changes in the District's financial position.

District Highlights

- At the close of fiscal year 2018, the District's net position was a deficit of \$(3,101,985) due to recording the District's OPEB liability and net pension liability.
- The District's total net position increased \$2,169,925, or 41%, in comparison to the prior fiscal year, after GASB No. 75 restatement.
- The District had a deficit of \$(4,661,281) of unrestricted net assets.
- Total revenues increased \$3,178,019 or 51%, in comparison to the prior fiscal year due substantially to implementation of a voter approved millage increase from 2.5 mills to 3.5 mills.
- Total expenses increased \$923,878, or 5%, in comparison to the prior fiscal year substantially due to GASB No. 68 and the implementation of GASB No. 75.

Effective September 30, 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 75 "*Accounting and Financial Reporting of Post Employment Benefits Other Than Pensions (OPEB)*" (Statement No. 75). This accounting standard requires the District to report its actuarially determined total OPEB liability of \$3,835,782 in the government-wide financial statements of the District as of September 30, 2018 and to restate its beginning net position balance.

Government-wide Financial Statements

Government-wide financial statements (statement of net position and statement of activities found on pages 5 & 6) are intended to allow a reader to assess a government's operational accountability. Operational accountability is defined as the extent to which the government has met its operating objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to meet its objectives for the foreseeable future. Government-wide financial statements concentrate on the District as a whole and do not emphasize fund types.

The Statement of Net Position (page 5) presents information on all of the District's assets, deferred outflows/inflows and liabilities, with the difference between the two reported as net position. The District's capital assets (land, construction in progress, buildings and improvements, vehicles and equipment) are included in this statement and reported net of their accumulated depreciation.

The Statement of Activities (page 6) presents revenue and expense information showing how the District's net position changed during the fiscal year. Both statements are measured and reported using the economic resource measurement focus (revenues and expenses) and the accrual basis of accounting (revenue recognized when earned and expense recognized when a liability is incurred, regardless of the timing of related cash flows).

Governmental Fund Financial Statements

The accounts of the District are organized on the basis of governmental funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Governmental fund financial statements (found on pages 7 and 9) are prepared on the modified accrual basis using the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized when the related fund liability is incurred.

Notes to the Financial Statements

The notes to the financial statements explain in detail some of the data contained in the preceding basic financial statements and begin on page 11. These notes are essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

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

The following is a summary statement of net position for the District at September 30, 2017 and 2018:

Assets:	<u>2017</u>	<u>2018</u>
Current assets	\$ 3,590,320	\$ 5,635,846
Capital assets, net	<u>1,190,918</u>	<u>1,914,739</u>
Total Assets	<u>4,781,238</u>	<u>7,550,585</u>
Deferred outflows of resources - Pensions	<u>3,310,461</u>	<u>3,824,651</u>
Liabilities:		
Current liabilities	424,445	414,777
Non-current liabilities	<u>11,212,539</u>	<u>12,968,642</u>
Total Liabilities	<u>11,636,984</u>	<u>13,383,419</u>
Deferred inflows of resources - Pensions	<u>659,058</u>	<u>1,093,802</u>
Net Position:		
Net Investment in capital assets	983,951	1,559,296
Unrestricted (deficit)	<u>(5,188,294)</u>	<u>(4,661,281)</u>
Total Net Position (deficit)	<u>\$ (4,204,343)</u>	<u>\$ (3,101,985)</u>

Current assets represent 75% of total assets at September 30, 2018. Current assets are comprised of unrestricted cash balances of \$5,105,963, unrestricted investments of \$370,429, restricted investments of \$60,698, due from other governments of \$97,694 and other receivables of \$1,062. The balances of unrestricted cash and investments represent amounts that are available for spending at the District's discretion. Restricted investments balances are comprised of impact fees funds restricted for certain capital asset acquisition.

The net investment in capital assets represents a component of net position and is comprised of land, construction in progress, buildings and improvements, equipment, furniture and vehicles, net of accumulated depreciation, and the outstanding related debt used to acquire the assets. The balance of net investment in capital assets at September 30, 2018 was \$1,559,296.

The unrestricted fund balance of \$536,804 represents resources available for spending.

The following schedule reports the revenues, expenses, and changes in net assets for the District for the years ended September 30, 2017 and 2018:

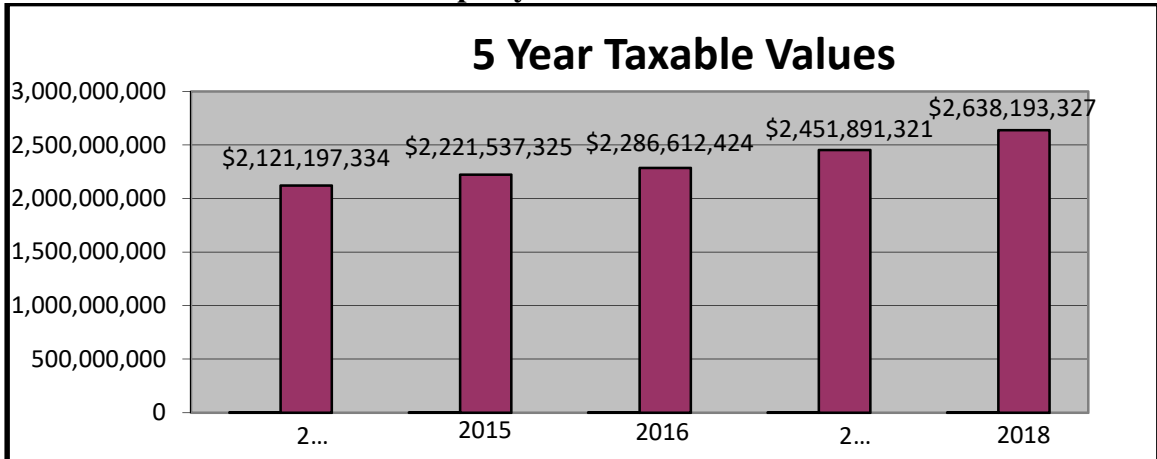
**Summary of Revenues, Expenses and Changes in Net Position
For the years ended September 30**

Revenues:	2017	2018
General/Program Revenues		
Property Taxes	\$ 6,075,877	\$ 8,995,893
Charges for Services	25,125	25,856
Operating & Capital Grants	16,700	11,169
Capital Grants & Contributions	-	104,628
Miscellaneous		
Impact Fees	38,631	142,334
Investment Earnings	4,180	10,288
Gain (Loss) on Disposition of Capital Assets	(1,286)	(12,701)
Rent	3,750	6,050
Other	76,875	134,354
Total Revenues	6,239,852	9,417,871
Expenses:		
Public Safety-		
Fire & Rescue Services	6,324,068	7,247,946
Increase (Decrease) in Net Position	(84,216)	2,169,925
Net Position (Deficit) - Beginning, as Originally Stated	(4,120,127)	(4,204,343)
Prior Period Adjustment - GASB No. 75	-	(1,067,567)
Net Position (Deficit) - Beginning, as Restated	(4,120,127)	(5,271,910)
Net Position (Deficit) - Ending	\$ (4,204,343)	\$ (3,101,985)

Total revenues increased \$3,178,019, or 51%, in comparison to the prior fiscal year.
Total expenses increased \$923,878, or 15%, in comparison to the prior fiscal year.

The assessed property value increased 8%. This is the fifth year in the past five years, we have seen a slight increase in property taxes. The District implemented a voter approved increase in the millage rate to 3.5 mills, while providing a small amount of funds for the cost of growth and reserve requirements. The following schedule compares the change in property value and millage rates for the past five years. The millage rate had remained at 2.5 mills over the past four years, the millage rate has been increased to 3.5 mills for the year ended September 30, 2018.

Property Values Assessed



Budgetary Highlights

Budget versus actual comparisons are reported in the required supplementary information other than management discussion and analysis on pages 51 through 56. The Board of Commissioners approved several budget amendments in the General Fund during the fiscal year ended September 30, 2018. The budget amendments transferred budgeted amounts between line items and changed the total budgeted revenue over (under) expenditures. The budget amendments did increase total budgeted revenues and expenditures by \$540,069 as a result of the increase in the fund balance carryforward.

Capital Assets

Non-depreciable capital assets include land and construction in progress. Depreciable capital assets include: building and improvements, equipment and vehicles.

The following is a schedule of the District's capital assets at September 30, 2017 and 2018:

Capital Assets September 30

CAPITAL ASSETS	2017	2018
Land	\$ 96,868	\$ 96,868
Construction in progress	-	-
Total Capital Assets not depreciated	<u>96,868</u>	<u>96,868</u>
Buildings and Improvements	1,161,907	1,238,249
Vehicles	1,605,895	2,045,348
Equipment	<u>1,034,123</u>	<u>972,933</u>
Total Capital Assets being depreciated	<u>3,801,925</u>	<u>4,256,530</u>
ACCUMULATED DEPRECIATION		
Buildings and Improvements	(746,457)	(785,464)
Vehicles	(1,313,547)	(1,417,454)
Equipment	<u>(647,871)</u>	<u>(235,741)</u>
Total Accumulated Depreciation	<u>(2,707,875)</u>	<u>(2,438,659)</u>
CAPITAL ASSETS, NET	<u>\$ 1,190,918</u>	<u>\$ 1,914,739</u>

Noteworthy capital asset purchases/projects that took place in fiscal year 2018 were as follows:

- Purchased a New 2018 Sutphen Pumper Fire Engine
- Purchased a New Vehicle for Battalion Chief with a Command Center
- Purchased a new Service Utility/Reserve Rescue Vehicle
- Began building a New Brush Truck
- Purchased new Firefighting/Rescue Equipment (Extrication Tools and Thermal Imagers) and Computer/Communication Equipment for all vehicles
- Purchased 15 new sets of Bunker Gear
- Replaced Generators and transformers at all 3 stations
- Installed Hurricane resistant windows at Station 2 and 3

Debt Administration

At September 30, 2018, the District had \$13,067,174 of outstanding long term obligations. Long term liabilities are not due and payable in the current period. The following is a schedule of the District's outstanding debt at September 30, 2017 and 2018:

Outstanding Debt September 30

	2017	2018
Compensated Absences - Vacation Time	\$ 158,038	\$ 177,523
Compensated Absences - Comp Time	65,348	65,220
Capital Leases Payable	206,967	355,443
Net OPEB Obligation	2,959,000	3,835,782
Net Pension Liability	7,873,392	8,633,206
Total Outstanding Debt	<u>\$ 11,262,745</u>	<u>\$ 13,067,174</u>

Economic Factors and Next Year's Budget Rates

The following were factors considered when next year's budget (2018-2019) was prepared:

- Property values did increase by \$148,946,138, or 5%, to \$2,787,139,465 in tax year 2018 (FY19); however, this was offset by an increase in the amount of allowable tangible tax exemptions. The District expects property values to level off, and not continue the increase that we have been seeing; but, we are not sure about the long-term future of assessed values.
- The District maintained the millage rate of 3.5 mills implemented in 2018 for the fiscal year ending September 30, 2019.
- The District has been able to increase the reserve accounts.
- The District is looking at ways to utilize Impact Fees to help with the demands of the District.
- The District will purchase 3 new Staff Vehicles, but is still in need of replacing 1 more Engine, as well as looking at replacements for 3 Rescue trucks.
- The District is upgrading the radio communication equipment.
- The District is building a new Brush truck.
- The District has reinstated the Public Education Officer position.

Request for Information

This financial report is designed to provide the reader an overview of the District. Questions regarding any information provided in this report should be directed to:

David Rice, Fire Chief
North Fort Myers Fire Control and Rescue Service District
P.O. Box 3507, North Fort Myers, FL 33918-3507
(239) 997-8654 * www.northfortmyersfire.com

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
STATEMENT OF NET POSITION
September 30, 2018**

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents - unrestricted	\$ 5,105,963
Cash and cash equivalents - restricted	-
Investments - unrestricted	370,429
Investments - restricted	60,698
Due from other governments	97,694
Other receivables	1,062
Prepaid expenses	-
Total current assets	<u>5,635,846</u>
Noncurrent assets:	
Capital assets:	
Land	96,868
Construction in progress	-
Depreciable buildings, vehicles and equipment (net of \$2,438,659 accumulated depreciation)	<u>1,817,871</u>
Total noncurrent assets	<u>1,914,739</u>
TOTAL ASSETS	<u><u>7,550,585</u></u>
DEFERRED OUTFLOWS OF RESOURCES	<u>3,824,651</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	237,942
Unearned revenue - impact fees	78,303
Current portion of long-term obligations	<u>98,532</u>
Total current liabilities	414,777
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	<u>12,968,642</u>
TOTAL LIABILITIES	<u>13,383,419</u>
DEFERRED INFLOWS ON RESOURCES	<u>1,093,802</u>
NET POSITION	
Net investment in capital assets	1,559,296
Unrestricted (deficit)	<u>(4,661,281)</u>
TOTAL NET POSITION (DEFICIT)	<u><u>\$ (3,101,985)</u></u>

The accompanying notes are an integral part of this statement.

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
STATEMENT OF ACTIVITIES
Year Ended September 30, 2018**

	<u>Governmental Activities</u>
EXPENSES	
Governmental activities	
Public safety - fire protection	
Personnel services	\$ 6,260,870
Operating expenses	769,339
Interest and fiscal charges	5,896
Depreciation	<u>211,841</u>
TOTAL EXPENSES - GOVERNMENTAL ACTIVITIES	7,247,946
 PROGRAM REVENUES	
Charges for services - inspection fees	25,856
Operating grants and contributions	11,169
Capital grants and contributions	<u>104,628</u>
NET PROGRAM EXPENSES	<u>7,106,293</u>
 GENERAL REVENUES	
Ad valorem taxes	8,995,893
Impact fees	142,334
Interest	10,288
Gain (loss) on disposition of capital assets	(12,701)
Rent	6,050
Other	<u>134,354</u>
TOTAL GENERAL REVENUES	<u>9,276,218</u>
 INCREASE (DECREASE) IN NET POSITION	 2,169,925
 NET POSITION (DEFICIT)- Beginning of the year, as restated	 <u>(5,271,910)</u>
NET POSITION (DEFICIT)- End of the year	<u><u>\$ (3,101,985)</u></u>

The accompanying notes are an integral part of this statement.

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2018**

	General Fund	Impact Fee Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 5,105,963	\$ -	\$ 5,105,963
Investments	370,429	60,698	431,127
Due from other governments	80,089	17,605	97,694
Due from other funds	-	-	-
Other receivables	1,062	-	1,062
Prepaid expenses	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 5,557,543</u>	<u>\$ 78,303</u>	<u>\$ 5,635,846</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable and accrued expenses	\$ 237,942	\$ -	\$ 237,942
Due to other funds	-	-	-
Unearned revenue	<u>-</u>	<u>78,303</u>	<u>78,303</u>
TOTAL LIABILITIES	<u>237,942</u>	<u>78,303</u>	<u>316,245</u>
FUND BALANCE			
Nonspendable	-	-	-
Restricted	-	-	-
Assigned	4,782,797	-	4,782,797
Unassigned	<u>536,804</u>	<u>-</u>	<u>536,804</u>
TOTAL FUND BALANCE	<u>5,319,601</u>	<u>-</u>	<u>5,319,601</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 5,557,543</u>	<u>\$ 78,303</u>	<u>\$ 5,635,846</u>

The accompanying notes are an integral part of this statement.

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
September 30, 2018**

	<u>Amount</u>
Total fund balance for governmental funds	\$ 5,319,601
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 in the governmental funds.	
Capital assets not being depreciated:	
Land	96,868
Construction in progress	<u>-</u>
	96,868
Governmental capital assets being depreciated:	
Buildings, equipment and vehicles	4,256,530
Less accumulated depreciation	<u>(2,438,659)</u>
	1,817,871
Deferred outflows and deferred inflows related to pensions are applied to future periods and, therefore, are not reported in the governmental funds.	
Deferred outflows related to pensions	3,824,651
Deferred inflows related to pensions	(945,247)
Deferred outflows related to OPEB	-
Deferred inflows related to OPEB	<u>(148,555)</u>
	2,730,849
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences-vacation time	(177,523)
Compensated absences-comp. time	(65,220)
Capital lease payable - Engine #2	(157,005)
Capital lease payable - Engine #3	(198,438)
Net OPEB liability	(3,835,782)
Net pension liability - FRS	(7,408,571)
Net pension liability - HIS	<u>(1,224,635)</u>
	(13,067,174)
Elimination of interfund amounts	
Due to other funds	-
Due from other funds	<u>-</u>
	<u>-</u>
Total net position (deficit) of governmental activities	<u><u>\$ (3,101,985)</u></u>

The accompanying notes are an integral part of this statement.

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
Year Ended September 30, 2018**

	General Fund	Impact Fee Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Ad valorem taxes	\$ 8,995,893	\$ -	\$ 8,995,893
Intergovernmental revenue:			
Federal grants	-	-	-
Lee County EMS - rent	6,050	-	6,050
State grant proceeds	104,628	-	104,628
State supplemental education	11,169	-	11,169
Fees:			
Impact fees	-	142,334	142,334
Inspection fees	25,856	-	25,856
Miscellaneous:			
Interest	10,288	-	10,288
Other	134,354	-	134,354
TOTAL REVENUES	<u>9,288,238</u>	<u>142,334</u>	<u>9,430,572</u>
EXPENDITURES			
Current			
Public safety			
Personnel services	5,751,930	-	5,751,930
Operating expenditures	769,339	-	769,339
Capital outlay	812,529	142,334	954,863
Debt Service			
Principal retirement	311,274	-	311,274
Interest	5,896	-	5,896
TOTAL EXPENDITURES	<u>7,650,968</u>	<u>142,334</u>	<u>7,793,302</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,637,270	-	1,637,270
OTHER FINANCING SOURCES (USES)			
Proceeds from disposition of capital assets	6,500	-	6,500
Proceeds from issuance of debt-capital lease	459,750	-	459,750
NET CHANGE IN FUND BALANCE	2,103,520	-	2,103,520
FUND BALANCE - Beginning of the year	<u>3,216,081</u>	<u>-</u>	<u>3,216,081</u>
FUND BALANCE - End of the year	<u>\$ 5,319,601</u>	<u>\$ -</u>	<u>\$ 5,319,601</u>

The accompanying notes are an integral part of this statement.

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES
Year Ended September 30, 2018**

	<u>Amount</u>
Net change (revenues and other financing sources in excess of expenditures) in fund balance - total governmental funds	\$ 2,103,520
The increase (decrease) in net position reported for governmental activities in the Statement of Activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Plus: expenditures for capital assets	954,863
Less: proceeds from issuance of debt - capital lease - Engine #3	(459,750)
Less: current year depreciation	(211,841)
Less: proceeds from disposition of capital assets	(6,500)
Less: loss on disposition of capital assets	<u>(12,701)</u>
	264,071
The issuance of debt is reported as a financing source in governmental funds and thus contributes to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position.	
Repayments (principal retirement):	
Pumper Capital - Engine #2	49,962
Pumper Capital - Engine #3	<u>261,312</u>
	311,274
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Net (increase) decrease in compensated absences - vacation	(19,485)
Net (increase) decrease in compensated absences - comp. time	128
(Increase) decrease in net OPEB obligation	190,785
(Increase) decrease in net pension liability - FRS	(691,191)
(Increase) decrease in net pension liability - HIS	(68,623)
Increase (decrease) in deferred outflows - pensions	514,190
(Increase) decrease in deferred inflows - pensions	(286,189)
(Increase) decrease in deferred inflows - OPEB	<u>(148,555)</u>
	<u>(508,940)</u>
Increase in net position of governmental activities	<u><u>\$ 2,169,925</u></u>

The accompanying notes are an integral part of this statement.

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES**

Organization

The North Fort Myers Fire Control and Rescue Service District (the "District") is an independent special taxing district located in northern unincorporated Lee County, Florida. The District was established on June 15, 1953 by Laws of Florida, Chapter 29240. The District has the general and special powers prescribed by Florida Statutes Chapters 189, 191, 200, 218 and 633.15, as well as Laws of Florida, Chapter 97-340. The District's governing legislation was recreated, reenacted and codified by Laws of Florida, Chapter 2000-385 on July 3, 2000. The District is governed by a five-member (5) at-large elected Board of Commissioners. Commissioners serve on a staggered four-year (4) term basis.

The District provides fire control and protection services, fire safety inspections, and crash and fire rescue services as well as EMS medical response. In providing these services, the District operates and maintains three (3) station houses and the related equipment and employs approximately 58 full-time professional firefighters, support staff and commissioners.

Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used in the preparation of these basic financial statements.

The basic financial statements of the District are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements
- Required supplementary information other than MD&A

New Accounting Pronouncements

For the year ended September 30, 2018, the financial statements include the impact of adoption of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The primary objective to this Statement is to improve on accounting and financial reporting by state and local governments for postemployment benefits other than pensions. This statement

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

Page 12 of 67

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

New Accounting Pronouncements, continued

replaces the requirements of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." For further information, see subsequent Notes.

Reporting Entity

The District adheres to Governmental Accounting Standards Board (GASB) Statement Number 14, "Financial Reporting Entity," as amended by GASB Statement Number 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement Number 61, "The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34". These statements require the basic financial statements of the District (the primary government) to include its component units, if any. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. Based on the criteria established in GASB Statement No. 14, as amended, there are no component units required to be included or included in the District's basic financial statements.

Government-wide 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 activities of the District and do not emphasize fund types. These governmental activities comprise the primary government. General governmental and intergovernmental revenues support the governmental activities. The purpose of the government-wide financial statements is to allow the user to be able to determine if the District is in a better or worse financial position than the prior year. The effect of all interfund activity between governmental funds has been removed from the government-wide financial statements.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Government-wide Financial Statements, continued

nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33, "Accounting and Financial Reporting for Nonexchange Transactions."

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability in the government-wide financial statements, rather than as expenditures.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are 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 or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital improvements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. Program revenues are considered to be revenues generated by services performed and/or by fees charged such as inspection fees.

Fund Financial Statements

The District adheres to GASB Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Fund Financial Statements, continued

Fund financial statements for the District's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually and non-major funds, in aggregate, for governmental funds.

Governmental Funds

The District's major funds are presented in separate columns on the governmental fund financial statements. The definition of a major fund is one that meets certain criteria set forth in GASB Statement Number 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." The funds that do not meet the criteria of a major fund are considered non-major funds and are combined into a single column on the governmental fund financial statements.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns on the fund financial statements.

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

Page 15 of 67

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Measurement Focus and Basis of Accounting, continued

period and soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers tax revenues to be available if they are collected within sixty days of the end of the current fiscal period.

Revenues susceptible to accrual are property taxes, interest on investments, and intergovernmental revenues. Property taxes are recorded as revenues in the fiscal year in which they are levied, provided they are collected in the current period or within sixty days thereafter. Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific purposes or projects are recognized when all eligibility requirements are met.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) principal and interest on long-term debt, if any, which is recognized when due; and (2) expenditures are generally not divided between years by the recording of prepaid expenditures.

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

Separate financial statements are provided for governmental funds.

Non-current Government Assets/Liabilities

GASB 34 requires non-current governmental assets, such as land and buildings, and non-current governmental liabilities, such as notes payable and capital leases, to be reported in the governmental activities column in the government-wide Statement of Net Position.

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Major Funds

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in the Impact Fee fund.

The Impact Fee Fund consists of fees 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.

Budgetary Information

The District has elected to report budgetary comparison of major funds as required supplementary information (RSI).

Investments

The District adheres to the requirements of Governmental Accounting Standards Board (GASB) Statement Number 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," in which all investments are reported at amortized cost which approximates fair value.

Investments, including restricted investments, consist of funds held in The Local Government Surplus Trust Fund (SBA) administered by the State Board of Administration.

Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, equipment and vehicles are reported in the government-wide Statement of Net Position.

The District follows a capitalization policy which calls for capitalization of all capital assets that have a cost or donated value of \$1,000 or more and have a useful life in excess of one (1) year.

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Capital Assets, continued

All capital assets are valued at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Public domain (infrastructure) capital assets consisting of certain improvements other than buildings, including curbs, gutters and drainage systems, are not capitalized, as the District generally does not acquire such assets. No debt-related interest expense is capitalized as part of capital assets in accordance with GASB 34.

Maintenance, repairs and minor renovations are not capitalized. The acquisition of land and construction projects utilizing resources received from Federal and State agencies are capitalized when the related expenditure is incurred.

Expenditures that materially increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement, the cost is eliminated from the respective accounts.

Expenditures for capital assets are recorded in the fund statements as current expenditures. However, such expenditures are not reflected as expenditures in the government-wide statements, but rather are capitalized and depreciated.

Depreciable capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and Improvements	5-30
Equipment	5-15
Vehicles	5-15

Subsequent Events

Subsequent events have been evaluated through February 4, 2019, which is the date the basic financial statements were available to be issued.

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Budgets and Budgetary Accounting

The District has adopted an annual budget for the General Fund, which included budgeted expenditures over revenues to be funded through the use of unreserved, undesignated fund balance. The District also adopted a budget for the Special Revenue Fund - Impact Fee.

The District follows these procedures in establishing budgetary data for the General Fund and the Special Revenue Fund:

1. During the summer of each year, the District Fire Chief submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing on the upcoming October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is adopted by approval of the Board of Commissioners.
4. Budget amounts, as shown in the required supplementary information other than MD&A, are as originally adopted or as amended by the Board of Commissioners.
5. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.
6. The level of control for appropriations is exercised at the fund level.
7. Appropriations lapse at year-end.

The Board of Commissioners approved several budget amendments in the General Fund during the year ended September 30, 2018. The budget amendments increased budgeted expenditures by \$540,069. There were no budget amendments in the Special Revenue Fund.

Impact Fees/Unearned Revenue

The District levies an impact fee on new construction within the District. 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. The fee is refundable if not expended by the District within twenty (20) years from the date of collection. The District, therefore, records this fee as restricted cash and as unearned revenue until the date of expenditure, at which time it is recognized as revenue and charged to capital outlay in the Special Revenue Fund.

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

Page 19 of 67

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Due To/From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by funds affected in the period in which transactions are executed.

Due From Other Governments

No allowance for losses on uncollectible accounts has been recorded since the District considers all amounts to be fully collectible.

Compensated Absences

The District's employees accumulate annual leave, based on the number of years of continuous service. Upon termination of employment, employees can receive payment of accumulated annual leave if certain criteria are met. The costs of vacation and personal leave (comp time) benefits (compensated absences) are expended in the respective operating funds when payments are made to employees. However, the liability for all accrued vacation and personal leave benefits is recorded in the government-wide Statement of Net Position.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District because, at present, it is not necessary in order to assure effective budgetary control or to facilitate effective cash planning and control.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities 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.

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Fund Balances

The governmental fund financial statements the District maintains include nonspendable, assigned and unassigned fund balances. Nonspendable fund balances are those that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Criteria include items that are not expected to be converted into cash, for example prepaid expenses.

The District's assigned fund balances are a result of the District's Board approval. The District's intent is to maintain a minimum assigned fund balance level of three (3) months of prior year total expenditures. The assigned fund balance will serve as the District's operational reserve to carry the District's operations from October 1 through December 31 of the subsequent fiscal year. The Board's intent is also to hold an assigned capital asset reserve for future capital asset needs as well as assigned fund balance amounts for disaster events (30 days all-out response) and a portion of the sick leave liability. At September 30, 2018, fund balance is also assigned for a variety of specific items by District Board action. Any use or change of the assigned fund balance requires the District's Board approval.

Interfund Transactions

The District considers interfund receivables (due from other funds) and interfund liabilities (due to other funds) to be loan transactions to and from other funds to cover temporary (three months or less) cash needs. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing funds and as reduction of expenditures/expenses in the fund that is reimbursed.

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Pensions

In the government-wide Statement of Net Position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments, (including refunds of employees contributions) are recognized when due and payable in accordance with the benefit terms.

The District's retirement plans and related amounts are described in a subsequent note.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred amount on pensions is reported in the government-wide Statement of Net Position. The deferred outflows of resources related to pensions and OPEB are discussed in subsequent notes.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The deferred amount on pensions and OPEB is reported only in the government-wide Statement of Net Position. A deferred amount on pensions and OPEB results from the difference in the expected and actual amounts of experience, earnings, and contributions. This amount is deferred and amortized over the service life of all employees that are provided with benefits through the plans except earnings which are amortized over five to seven years.

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

NOTE B - CASH

At September 30, 2018, cash was \$5,105,963, in General Fund which included cash on hand of \$100.

Deposits

The District's deposit policy allows deposits to be held in demand deposit and money market accounts. All District depositories are institutions designated as qualified depositories by the State Treasurer at September 30, 2018.

At September 30, 2018, the District's deposits consisted of cash held in depository accounts. At September 30, 2018, the carrying amount of these deposits was \$5,105,863 and the bank balance was \$5,182,376.

These deposits were entirely covered by federal depository insurance or by collateral pursuant to the Public Depository Security Act (Florida Statute Chapter 280) of the State of Florida. Bank balances approximate market value. Depository accounts were either fully insured or collateralized in accordance with Florida Statute Chapter 280.

NOTE C - INVESTMENTS

Florida Statutes and the District's investment policy authorize investments in the Local Government Surplus Funds Trust Fund (SBA) administered by the State Board of Administration. Specifically, the District's investment policy is consistent with Florida Statutes, Chapter 218.415(17). At September 30, 2018, the District's investments in the Local Government Surplus Funds Trust Fund consist of the following:

	<u>Cost Basis</u>	<u>Fair Value (NAV)/ Carrying Amount</u>
<u>General Fund</u>		
Local Government Surplus Trust Fund (SBA)		
PRIME (Fund "A") (LGIP)		
Total investments - General Fund	\$ 370,429	\$ 370,429
<u>Impact Fee Fund</u>		
Local Government Surplus Trust Fund (SBA)		
PRIME (Fund "A") (LGIP)		
Total investments - Impact Fee Fund	60,698	60,698
Total investments	<u>\$ 431,127</u>	<u>\$ 431,127</u>

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

NOTE C - INVESTMENTS, CONTINUED

The Local Government Surplus Funds Trust Fund (Florida PRIME) is an external 2a7-like investment pool, administered by the Florida State Board of Administration ("SBA"). The Local Government Surplus Funds Investment Pool Trust Fund is not categorized as it is not evidenced by securities that exist in physical or book entry form. The Local Government Surplus Trust Funds Investment Pool's shares are stated at amortized cost (NAV), which approximates fair value. These investments are subject to the risk that the market value of an investment, collateral protecting a deposit or securities underlying a repurchase agreements, will decline.

The District's investment in the Fund represented less than 1% of the Fund's total investments. Investments held in the Fund include, but are not limited to, short-term federal agency obligations, treasury bills, repurchase agreements and commercial paper. These short-term investments are stated at cost, which approximates market value. Investment income is recognized as earned and is allocated to participants of the Fund based on their equity participation.

The District adheres to GASB Statement No. 79 which requires the following disclosures related to its Florida PRIME investment:

Redemption Gates: Chapter 218.409(8)(a), Florida Statutes, states that "The principal, and any part thereof, of each account constituting the trust fund is subject to a payment at any time from the moneys in the trust fund. However, the Executive Director of the fund may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Executive Director has instituted such measures to review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on the contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

NOTE C - INVESTMENTS, CONTINUED

measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days.”

Liquidity Fees: Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosures in the enrollment materials of the amount and purpose of such fees. At September 30, 2018, no such disclosure has been made.

Redemption Fees: As of September 30, 2018, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value.

Fair Value: The carrying value of the cash, cash equivalents, and investments held by the District approximate fair value. However, it is the opinion of the management of PRIME it is exempt from GASB 72 financial hierarchy disclosures.

Foreign Currency Risk: Florida PRIME is not exposed to foreign currency risk.

Securities Lending: Florida PRIME did not participate in securities lending program during the period October 1, 2017 through September 30, 2018.

Florida PRIME provides separate audited financial statements for the year ended June 30, 2018.

At September 30, 2018, the District reported SBA investments of \$431,127 fair value/cost for amounts held in Florida PRIME. The Florida PRIME carried a credit rating of AAAM by Standard and Poors and had a dollar weighted average days to maturity (WAM) of 33 days at September 30, 2018. The Weighted Average Life (WAL) of PRIME at September 30, 2018 is 72 days. Rule 2a7 allows funds to use amortized cost to maintain a constant NAV of \$1.00 per share. Accordingly, the District’s investment in Florida PRIME is reported at the account balance (pooled shares) using amortized cost, which is considered fair value.

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

Page 25 of 67

NOTE C - INVESTMENTS, CONTINUED

Restricted Investments

The District has one restricted investment account: Impact Fees. The Impact Fees account is used to account for the deposit of impact fees received and is restricted for certain capital asset acquisition. Impact fees are collected by Lee County for the District pursuant to County ordinance and District resolution.

NOTE D - DUE FROM OTHER GOVERNMENTS

Due from other governments at September 30, 2018 totaled \$97,694 including \$17,605 in fourth quarter Impact Fees (Impact Fee Fund) and \$80,089 in Ad Valorem taxes, excess fees and supplemental education reimbursement (General Fund).

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

NOTE E - CAPITAL ASSETS ACTIVITY

The following is a summary of changes in capital assets activity for the year ended September 30, 2018:

	Balance October 1 2017	Increases/ Additions	Decreases/ Deletions	Adjustments/ Reclassifications	Balance September 30 2018
Capital Assets Not Being Depreciated:					
Land	\$ 96,868	\$ -	\$ -	\$ -	\$ 96,868
Construction in progress	-	-	-	-	-
Total Capital Assets Not Being Depreciated	96,868	-	-	-	96,868
Capital Assets Being Depreciated:					
Buildings and improvements	1,161,907	118,877	(42,535)	-	1,238,249
Vehicles	1,605,895	664,983	(225,530)	-	2,045,348
Equipment	1,034,123	171,003	(232,193)	-	972,933
Total Capital Assets Being Depreciated	3,801,925	954,863	(500,258)	-	4,256,530
Less Accumulated Depreciation:					
Buildings and improvements	(746,457)	(39,007)	-	-	(785,464)
Vehicles	(1,313,547)	(103,907)	-	-	(1,417,454)
Equipment	(647,871)	(68,927)	481,057	-	(235,741)
Total Accumulated Depreciation	(2,707,875)	(211,841)	481,057	-	(2,438,659)
Total Capital Assets Being Depreciated, Net	1,094,050	743,022	(19,201)	-	1,817,871
Capital Assets, Net	\$ 1,190,918	\$ 743,022	\$ (19,201)	\$ -	1,914,739
				Related debt	(355,443)
				Net investment in capital assets	\$ 1,559,296

Depreciation expense was charged to the following functions during the year ended September 30, 2018:

	Amount
General Government	\$ 211,841
Total Depreciation Expense	\$ 211,841

The District has capital assets held under capital leases with a total cost of \$909,641 at September 30, 2018. The capital assets held under capital lease had accumulated depreciation of \$60,588 and depreciation expense of \$58,089 as of and for the year ended September 30, 2018.

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

NOTE F - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2018:

	Balance October 1 2017	Additions	Retirements / Adjustments	Balance September 30 2018	Amounts Due Within One Year
Comp. Absences - Vacation	\$ 158,038	\$ 19,485	\$ -	\$ 177,523	\$ -
Comp. Absences - Comp. Time	65,348	-	(128)	65,220	-
Capital Lease - Engine #2	206,967	-	(49,962)	157,005	51,023
Capital Lease - Engine #3	-	459,750	(261,312)	198,438	47,509
Net OPEB Liability	4,026,567	-	(190,785)	3,835,782	-
Net Pension Liability - FRS	6,717,380	691,191	-	7,408,571	-
Net Pension Liability - HIS	<u>1,156,012</u>	<u>68,623</u>	<u>-</u>	<u>1,224,635</u>	<u>-</u>
	<u>\$ 12,330,312</u>	<u>\$ 1,239,049</u>	<u>\$ (502,187)</u>	<u>\$ 13,067,174</u>	<u>\$ 98,532</u>

The following is a summary of long-term obligations at September 30, 2018:

	Amount
Non-current portion of compensated absences - vacation time. Employees of the District are entitled to annual personal leave time, based on length of service and job classification.	\$ 177,523
Non-current portion of compensated absences - comp. time. Employees of the District are entitled to annual comp. time at their separation from the District based on hours accrued during their employment.	65,220
\$449,891 capital lease payable to a financial institution for the purchase of Engine #2 was entered into on October 21, 2016. The first payment of \$189,498 was due October 21, 2016. The lease is collateralized by the respective pumper. The lease requires payments of \$55,026 including interest are due annually over five (5) years and has a fixed interest rate of 2.55%. Final payment due January 29, 2021.	157,005
\$459,750 capital lease payable to a financial institution for the purchase of Engine #3 was entered into on November 17, 2017. The first payment of \$209,886 was due on November 17, 2017. The lease is collateralized by the respective pumper. The lease requires payments of \$53,409 including interest are due annually over five (5) years and has a fixed interest rate of 2.97%. Final payment due February 16, 2022.	198,438
Net OPEB liability - GASB 75 - actuarially determined.	3,835,782
Net pension obligation - FRS pension plan. This amount is actuarially determined through calculation based upon the audited financial statements of the Florida FRS Plan.	7,408,571
Net pension obligation - HIS plan. This amount is actuarially determined through calculation based upon the audited financial statements of the Florida FRS Plan.	<u>1,224,635</u>
Total Long-Term Liabilities	13,067,174
Current Portion	<u>98,532</u>
Noncurrent Portion	<u>\$ 12,968,642</u>

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

NOTE F - LONG-TERM LIABILITIES, CONTINUED

The annual debt service requirements at September 30, 2018, were as follows:

<u>Years Ending September 30</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total</u>
2019	\$ 98,532	\$ 8,851	\$ 107,383
2020	101,244	6,382	107,626
2021	104,031	3,849	107,880
2022	<u>51,636</u>	<u>1,256</u>	<u>52,892</u>
Total capital leases	355,443	20,338	375,781
Accrued compensated absences - vacation	177,523	-	177,523
Accrued compensated absences - compensation	65,220	-	65,220
Net OPEB obligation	3,835,782	-	3,835,782
Net pension liability - FRS	7,408,571	-	7,408,571
Net pension liability - HIS	<u>1,224,635</u>	<u>-</u>	<u>1,224,635</u>
Total long-term debt	<u>\$ 13,067,174</u>	<u>\$ 20,338</u>	<u>\$ 13,087,512</u>

Interest expense related to the capital lease payable was \$5,896 for the year ended September 30, 2018.

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

Page 29 of 67

NOTE G - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN

General Information about the Florida Retirement System

The Florida Retirement System ("FRS") was created in Chapter 121, Florida Statutes. The FRS was created to provide a defined benefit pension plan ("Pension Plan") for participating public employees. All District employees are participants in the Statewide Florida Retirement System (FRS) under authority of Article X, Section 14 of the State Constitution and Florida Statutes, Chapters 112 and 121. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide an integrated 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 separate 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.

Essentially all regular employees of the District are eligible to enroll as members of the State-administered 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 Florida Retirement System 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 two cost-sharing, multiple-employer defined benefit plans (Pension and HIS 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 dated June 30, 2018, is available from the Florida Department of Management Services' Website (www.dms.myflorida.com).

The District's total pension expense, \$1,372,404 for the year ended September 30, 2018, is recorded in the government-wide financial statements. Total District actual retirement contribution expenditures were \$840,591, \$707,606 and \$661,134 for the years ended September 30, 2018, 2017 and 2016, respectively. The District contributed 100% of the required contributions.

NOTE G - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, 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 general classes of membership are as follows:

Regular Class - Members of the FRS who do not qualify for membership in the other classes.

Senior Management Service Class (SMSC) - Members in senior management level positions.

Special Risk Class - Members who are employed as certified firefighters and meet the criteria to qualify for this class.

Elected Officials - Members who are elected by the voters within the District boundaries.

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, except for those members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 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 creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of both Plans (Pension and HIS) may include up to 4 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

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

NOTE G - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED

FRS Pension Plan, continued

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 credit service. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for the members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on retirement plan and/or the 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 of each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>%Value</u>
Regular Class and elected members initially enrolled before July 1, 2011	
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 or more years of service	1.68
Regular Class and elected members initially enrolled on or after July 1, 2011	
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 or more years of service	1.68
Special Risk Regular	
Service from December 1, 1970 through September 30, 1974	2.00
Service on or after October 1, 1974	3.00
Senior Management Service Class	2.00
Elected Officer's Class	3.00

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

NOTE G - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED

FRS Pension Plan, continued

As provided in 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 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. 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 year ended September 30, 2018 were as follows:

Class	Percent of Gross Salary*		
	Employee	Employer (1)	Employer (3)
Florida Retirement System, Regular	3.00	7.92	8.26
Florida Retirement System, Senior Management Service	3.00	22.71	24.06
Florida Retirement System, Special Risk	3.00	23.27	24.50
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	13.26	14.03
Florida Retirement System, Reemployed Retiree	(2)	N/A	N/A
Florida Retirement System, Elected Official	3.00	45.50	48.70

Notes:

- (1) Employer rates include 1.66 percent for the post employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .06 percent for administrative costs for the Investment Plan. Rates for 7/1/17 - 6/30/18.
- (2) Contribution rates are dependent upon retirement class in which reemployed.
- (3) Employer rates include 1.66 percent for the post employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .06 percent for administrative costs for the Investment Plan. Rates for 7/1/18 - 6/30/19.

* As defined by the Plan.

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

NOTE G - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED

FRS Pension Plan, continued

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pension Plan. At September 30, 2018, the District reported an FRS pension liability of \$7,408,571 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The District's proportionate share of the net pension liability was based on the District's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At September 30, 2018, the District's proportionate share was .024596426 percent, which was an increase of .001886717 percent from its proportionate share measure as of September 30, 2017.

For the year ended September 30, 2018, the District recognized pension expense of \$1,276,497. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to the pension 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	\$ 627,617	\$ 22,780
Change of assumptions	2,420,763	-
Net difference between projected and actual earnings on pension plan investments	-	572,402
Changes in proportion and differences between District contributions and proportionate share of contributions	362,042	162,415
District contributions subsequent to the measurement date	<u>171,339</u>	<u>-</u>
Total	<u>\$ 3,581,761</u>	<u>\$ 757,597</u>

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

NOTE G - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED

FRS Pension Plan, continued

The deferred outflows of resources related to the FRS pension, totaling \$171,339, resulting from District contributions subsequent to the measurement date, will be recognized as a reduction on the net pension liability in the fiscal year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense over the remaining service period of 6.4 years as follows:

Fiscal Years Ending <u>September 30</u>	<u>Amount</u>
2019	\$ 454,162
2020	454,162
2021	454,162
2022	454,164
2023	597,263
Thereafter	<u>238,912</u>
Total	<u>\$ 2,652,825</u>

Actuarial Assumptions. The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Real payroll growth	0.65 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

NOTE G - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED

FRS Pension Plan, continued

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:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	2.9%	2.9%	1.8%
Fixed income	18%	4.4%	4.3%	4.0%
Global equity	54%	7.6%	6.3%	17.0%
Real estate (property)	11%	6.6%	6.0%	11.3%
Private equity	10%	10.7%	7.8%	26.5%
Strategic investments	6%	6.0%	5.7%	8.6%
Total	100%			
Assumed inflation - Mean		2.60%		1.90%

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

Discount Rate. The discount rate used to measure the total pension liability was 7.00 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 G - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED

FRS 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 7.00 percent, 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net FRS pension liability	<u>\$ 13,520,953</u>	<u>\$ 7,408,571</u>	<u>\$ 233,187</u>

Pension Plan Fiduciary Net Position. Detailed information about pension plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report (FRS CAFR) dated June 30, 2018.

The FRS CAFR and actuarial reports may also be obtained by contacting the Division of Retirement at:

Department of Management Services
Division of Retirement
Bureau of Research and Member Communications
P.O. Box 9000
Tallahassee, FL 32315-9000

850-488-5706 or toll free at 877-377-1737

http://www.dms.myflorida.com/workforce_operations/retirement/publications

Payables to the Pension Plan. At September 30, 2018, the District reported an FRS payable of \$25,005 for the outstanding amount of contributions in the pension plan required for the year ended September 30, 2018.

NOTE G - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED

HIS Plan

Plan Description. The Health Insurance Subsidy Plan ("HIS Plan") is a cost-sharing, multiple-employer defined benefit pension plan established under section 112.363, Florida Statutes. 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 year ended September 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments are at least \$30 but not more than \$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 can 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 year ended September 30, 2018, the contribution rate ranged between 1.66 percent and 1.66 percent of payroll 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 HIS 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 cancelled.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to the HIS Plan. At September 30, 2018, the District reported a HIS liability of 1,224,635 for its proportionate share of the net HIS Plan's net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability was used to calculate the net pension liability which was determined by an actuarial valuation as of July 1, 2018. The District's proportionate share of the net HIS liability was based on

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

NOTE G - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED

HIS Plan, continued

the District's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At September 30, 2018, the District's proportionate share was .011570500 percent, which was an increase of .000759030 percent from its proportionate share measured as of September 30, 2017.

For the fiscal year ended September 30, 2018, the District recognized HIS expense of \$80,541. 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	\$ 18,749	\$ 2,081
Change of assumptions	136,194	129,479
Net difference between projected and actual earnings on HIS pension plan investments	739	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	73,292	56,090
District contributions subsequent to the measurement date	<u>13,916</u>	<u>-</u>
Total	<u>\$ 242,890</u>	<u>\$ 187,650</u>

The deferred outflows of resources related to HIS, totaling \$13,916, resulting from District contributions subsequent to the measurement date, will be recognized as a reduction on the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense over the remaining service period of 7.2 years as follows:

<u>Fiscal Years Ending September 30</u>	<u>Amount</u>
2019	\$ 6,730
2020	6,730
2021	6,730
2022	6,729
2023	6,545
Thereafter	<u>7,860</u>
Total	<u>\$ 41,324</u>

NOTE G - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED

HIS Plan, continued

Actuarial Assumptions. The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Real payroll growth	0.65 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	3.87 percent

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

Because the HIS plan is funded on a pay-as-you-go basis, no experience study has been completed for this plan.

Discount Rate. The discount rate used to measure the total HIS liability was 3.87 percent. In general, the discount rate for calculating the total HIS 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 plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the District's Proportionate Share of the Net HIS Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net HIS liability calculated using the discount rate of 3.87 percent, as well as what the District's proportionate share of the net HIS liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
District's proportionate share of the net HIS liability	<u>\$ 1,394,787</u>	<u>\$ 1,224,635</u>	<u>\$ 1,082,803</u>

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

Page 40 of 67

NOTE G - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED

HIS Plan, continued

Pension Plan Fiduciary Net Position. Detailed information about the HIS plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Comprehensive Annual Financial Report (FRS CAFR) dated June 30, 2018.

The FRS CAFR and actuarial reports may also be obtained by contacting the Division of Retirement at:

Department of Management Services
Division of Retirement
Bureau of Research and Member Communications
P.O. Box 9000
Tallahassee, FL 32315-9000
850-488-5706 or toll free at 877-377-1737

http://www.dms.myflorida.com/workforce_operations/retirement/publications

Payables to the Pension Plan. At September 30, 2018, the District reported a payable of \$1,882 for the outstanding amount of contributions to the HIS plan required for the fiscal year ended September 30, 2018.

FRS - Defined Contribution Pension Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

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

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

NOTE G - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED

FRS - Defined Contribution Pension Plan, continued

are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the plan, including FRS Financial Guidance Program, are funded through an employer contribution of .06 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2017-18 fiscal year were as follows:

Class	Percent of Gross Salary*		
	Employee	Employer (1)	Employer (3)
Florida Retirement System, Regular	3.00	7.92	8.26
Florida Retirement System, Senior Management Service	3.00	22.71	24.06
Florida Retirement System, Special Risk	3.00	23.27	24.50
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	13.26	14.03
Florida Retirement System, Reemployed Retiree	(2)	N/A	N/A
Florida Retirement System, Elected Official	3.00	45.50	48.70

Notes:

- (1) Employer rates include 1.66 percent for the post employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .06 percent for administrative costs for the Investment Plan. Rates for 7/1/17 - 6/30/18.
- (2) Contribution rates are dependent upon retirement class in which reemployed.
- (3) Employer rates include 1.66 percent for the post employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .06 percent for administrative costs for the Investment Plan. Rates for 7/1/18 - 6/30/19.

* As defined by the Plan.

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 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 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5 year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

NOTE G - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, 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 \$95,492 which is included in FRS employer contributions for the fiscal year ended September 30, 2018.

Payables to the Investment Plan. At September 30, 2018, the District reported a payable of \$0 for the outstanding amount of contributions to the Plan required for the fiscal year ended September 30, 2018.

NOTE H - PROPERTY TAXES

Property taxes are levied after formal adoption of the District's budget and become due and payable on November 1 of each year and are delinquent on April 1 of the following year. Discounts on property taxes are allowed for payments made prior to the April 1 delinquent date. Tax certificates are sold to the public for the full amount of any unpaid taxes and must be sold not later than June 1 of each year. The billing, collection, and related recordkeeping of all property taxes is performed for the District by the Lee County Tax Collector. No accrual for the property tax levy becoming due in November 2018 is included in the accompanying basic financial statements, since such taxes are collected to finance expenditures of the subsequent period.

Procedures for collecting delinquent taxes, including applicable tax certificate sales and tax deed sales, are provided for by Florida Statutes. The enforceable lien date is approximately two (2) years after taxes become delinquent and occurs only upon request of a holder of a delinquent tax certificate. As of September 30, 2018, \$77,419 was recorded in the General Fund as due from the Lee County Tax Collector to the District for ad valorem taxes and excess fees.

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

NOTE H - PROPERTY TAXES, CONTINUED

Important dates in the property tax cycle are as follows:

Assessment roll certified	July 1
Millage resolution approved	No later than 93 days following certification of assessment roll
Taxes due and payable (Levy date)	November/with various discount provisions through March 31
Property taxes payable - maximum discount (4 percent)	30 days after levy date
Beginning of fiscal year for which taxes have been levied	October 1
Due date	March 31
Taxes become delinquent (lien date)	April 1
Tax certificates sold by the Lee County Tax Collector	Prior to June 1

The Board of Commissioners of the District levied ad valorem taxes at a millage rate of \$3.50 per \$1,000 (3.5 mills) of the 2017 net taxable value of real property located within the District. In August 2016, the voters of the District approved a referendum to increase the District's millage cap to 3.5 mills from its current cap of 2.5 mills. The change was effective for the year ended September 30, 2018 and the ad valorem tax assessment in November 2017.

NOTE I - ASSIGNED FUND BALANCE

Assigned fund balance in the General Fund consisted of the following at September 30, 2018:

<u>Assigned fund balance</u>	<u>Amount</u>
Operations	\$ 3,932,797
Disaster preparedness	75,000
Buildings	100,000
Vehicles	325,000
Capital equipment	100,000
Contingency	50,000
Post Retirement Medical Reserve	200,000
Total assigned fund balance	<u>\$ 4,782,797</u>

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

NOTE J - IMPACT FEE FUND ACTIVITY

During the year ended September 30, 2018, the Impact Fee Fund had the following activity:

	<u>Amount</u>
Unearned revenue, October 1, 2017	\$ 189,062
Impact fee receipts	11,367
Due from other governments	17,605
Interest income	2,603
Capital outlay	(142,334)
Fiscal charges	<u>-</u>
Unearned revenue, September 30, 2018	<u>\$ 78,303</u>

NOTE K - COMMITMENTS AND CONTINGENCIES

The District is involved from time to time in certain routine litigation, the substance of which either as liabilities or recoveries, would not materially affect the financial position of the District. Although the final outcome of the lawsuits, assertions and claims or the exact amount of costs and/or potential recovery is not presently determinable, in the opinion of the District's legal counsel, the resolution of these matters will not have a materially adverse affect on the financial condition of the District. As a general policy, the District plans to contest any such matter.

NOTE L - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Insurance programs for general liability, crime and fidelity, automobile and property are covered by commercial insurance. The District retains the risk of loss up to a deductible amount with the risk of loss in excess of this amount transferred to the insurance carrier with limits of general liability of \$1,000,000 per occurrence and \$3,000,000 in the aggregate. The District is third party insured for employee health, dental and vision, as well as workers' compensation.

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

NOTE M - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

Pursuant to the provisions of Section 112.08, Florida Statutes, the District provides the opportunity to participate in health insurance benefits to its retired employees through a single employer defined benefit plan. All retired full-time employees are eligible for benefits if actively employed by the District immediately before retirement. As of September 30, 2018, there were thirty-four (34) retirees receiving benefits, twenty-eight (28) of which are on the District's health insurance plan and receive between \$443 to \$528 per month from the District. The remaining six (6) retirees are of Medicare age and received a stipend ranging between \$225 and \$278 per month from the District. The opportunity to obtain coverage is available to all retired District employees which have completed 20 years of service or 15 years of service and attainment of age 62 or 55 if special risk. The benefits require contributions from the retirees, depending on certain specified criteria and, in particular, length of creditable employment. The District pays 4% of the premium cost per month for each year of service towards the employees' cost of insurance premiums up to 100% of the premium cost upon completion of 25 years of service. The District closed the subsidy Plan to new hires effective for anyone hired after October 1, 2014. Retirees hired after this date can elect to participate in the health care coverage but must fund 100% of the related cost. The District finances the benefits on a pay-as-you-go basis and recognizes expenditures at the time premiums are due.

The year ended September 30, 2018, was the District's transition year and as such, the District implemented GASB No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". GASB No. 75 requires the District record its actuarially determined total OPEB liability as well as the restatement of the District's beginning net position balance for the year ended September 30, 2018.

The retiree's premiums for these benefits totaled \$180,999 during the year ended September 30, 2018, of which the District paid \$133,103 in explicit subsidies.

Funding Policy

The District's OPEB benefits are unfunded. The District has not determined if a separate trust fund or equivalent arrangement will be established into which the District would make contributions to advance-fund the obligation. Therefore, no separate financial statement is issued. All required disclosures are presented herein. The District obtained an actuarial valuation for its OPEB Plan to measure the current

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

**NOTE M - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(OPEB), CONTINUED**

Funding Policy, continued

year's subsidies and project these subsidies into the future, making an allocation of that cost to different years.

The District also subsidizes the premium rates paid by retirees by allowing them to participate at blended premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, retiree claims are expected to result in higher costs to the plan on average than those of active employees.

Actuarial Methods and Assumptions

At September 30, 2018, the District's net OPEB liability of \$3,835,782 was measured as of October 1, 2017, and was determined by an actuarial valuation as of that date. The following actuarial assumptions and other inputs were applied to all periods included in the measurement:

Salary Increases	2.20%	
Discount Rate	3.50%	(2018)
Inflation Rate	2.50%	

Annual healthcare cost trend using the Society of Actuaries Long-Run Medical Cost Trend Model baseline assumptions with an initial rate of 5.5% per year trending to 5.20% by 2050.

The discount rate was based on the 20 Year Municipal Bond Rate with AA/Aa or higher. (3.10 for 2017)

Entry age normal cost method was used.

The FRS salary scale was used

Mortality rates were based on the RP-2000 Generational Healthy mortality Table with scale MP-2017.

The actuarial assumptions used in the September 30, 2018 valuation were based on results of an actuarial experience study performed for the FRS Retirement Plan.

The rationales for selecting each of the assumptions used in the financial accounting valuation and for the assumptions changes summarized above are to best reflect the current market conditions and recent plan experience.

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

**NOTE M - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(OPEB), CONTINUED**

Demographic Assumptions

100% of participants are assumed to retire between age 55-65. Termination assumptions mirror the Florida Retirement System's special risk employees' termination assumptions as reported in the FRS 2017 actuarial valuation report. No disability assumption was made.

Changes in the Net OPEB Liability

	<u>Amount</u>
Balance at September 30, 2017	\$ 4,026,567
Changes for the year:	
Service Cost	71,485
Interest	121,507
Change in benefit terms	-
Difference Between Expected and Actual Experience	-
Changes in Assumptions	(169,777)
Contributions from Employer	<u>(214,000)</u>
Net Changes	<u>(190,785)</u>
Balance at September 30, 2018	<u>\$ 3,835,782</u>

The following presents the net OPEB liability of the District as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percent higher or 1 percent lower than the current discount rate.

	1% Decrease <u>2.50%</u>	Current Rate <u>3.50%</u>	1% Increase <u>4.50%</u>
Net OPEB Liability	\$ 4,207,855	\$ 3,835,782	\$ 3,513,009

The following presents the net OPEB liability of the District as well as what the District's net OPEB liability would be if it were calculated using healthcare trend rates that are 1 percent higher or 1 percent lower than the current healthcare trend rate.

	1% Decrease <u>5.5 - 3.4%</u>	Trend Rate <u>6.5 - 4.4%</u>	1% Increase <u>7.5 - 5.4%</u>
Net OPEB Liability	\$ 3,700,878	\$ 3,835,782	\$ 3,988,877

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

**NOTE M - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(OPEB), CONTINUED**

Changes in the Net OPEB Liability, continued

For the year ended September 30, 2018, the District recognized OPEB expense credit of \$42,230. At September 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ -
Changes in Assumptions	-	148,555
Net difference between projected and actual earnings	-	-
Employer contribution subsequent to measurement date	-	-
Total	<u>\$ -</u>	<u>\$ 148,555</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30:	<u>Amount</u>
2019	\$ (21,222)
2020	(21,222)
2021	(21,222)
2022	(21,222)
2023	(21,222)
Thereafter	<u>(42,445)</u>
Total	<u>\$ (148,555)</u>

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

NOTE N - CHANGES IN ACCOUNTING PRINCIPLE

During the year ended September 30, 2018, the District implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The implementation of the pronouncement required the restatement of the District's September 30, 2017 governmental activities - net position as follows:

<u>Governmental Activities</u>	<u>Amount</u>
Net Position (Deficit), as Previously Reported	\$ (4,204,343)
Cummulative Affect of GASB 75 Other Post Employment Liability (OPEB)	<u>(1,067,567)</u>
Net Position (Deficit), As Restated	<u>\$ (5,271,910)</u>

NOTE O - DEFICIT NET POSITION (NET ASSETS)

During the year ended September 30, 2014, the District's unrestricted net position (net assets) balance became a deficit, due substantially to recording the current year actuarially determined OPEB liability of \$458,000. The total OPEB liability at September 30, 2014, was \$2,415,000. This is a non-cash actuarially determined liability related to future cost of allowing retirees to remain on the District health care policy and for paying a portion of retiree coverage. The District's fund balance remains approximately equal to six (6) months budgeted expenditures.

During the year ended September 30, 2015, the District's net position (net assets) balance of \$(4,010,376) was a deficit, due substantially to recording the actuarially determined OPEB liability of \$2,892,000, the recording of the net pension liability of \$4,005,042 and the abandonment of \$331,000 in CIP costs. The District's fund balance remains approximately equal to six (6) months budgeted expenditures. The District intends to put a referendum on the ballot in August 2016 to seek voter approval of an increase in the millage cap from 2.5 mills to 3.5 mills effective November 2017.

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

NOTE O - DEFICIT NET POSITION (NET ASSETS), CONTINUED

During the year ended September 30, 2016, the District's net position (net assets) balance of \$(4,120,127) was again a deficit, due substantially to recording the actuarially determined OPEB liability of \$2,930,000 and the recording of the current year net pension liability of \$7,017,838.

During the year ended September 30, 2017, the District's net position (net assets) balance of \$(4,204,343) was again a deficit, due substantially to recording the actuarially determined OPEB liability of \$2,959,000 and the recording of the current year net pension liability of \$7,873,392.

During the year ended September 30, 2018, the District's net position (net assets) balance of \$(3,101,985) was again a deficit, due substantially to recording the actuarially determined OPEB liability of \$3,835,782 and the recording of the current year net pension liability of \$8,633,206.

The District's fund balance remains approximately equal to six (6) months budgeted expenditures.

**REQUIRED SUPPLEMENTARY
INFORMATION
OTHER THAN MD&A**

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND -
SUMMARY STATEMENT
Year Ended September 30, 2018**

	General Fund			
	Original	Final		Variance
	Budget	Budget	Actual	Favorable (Unfavorable)
REVENUES				
Ad valorem taxes	\$ 8,829,228	\$ 8,827,966	\$ 8,995,893	\$ 167,927
Intergovernmental revenue:				
Federal grants	-	-	-	-
Lee County EMS - Rent	2,300	6,050	6,050	-
State grant proceeds	-	-	104,628	104,628
State supplemental education	15,000	15,000	11,169	(3,831)
Fees:				
Inspection fees	25,000	25,000	25,856	856
Miscellaneous:				
Interest	1,700	3,200	10,288	7,088
Other	82,500	102,500	134,354	31,854
Cash brought forward	2,700,000	3,216,081	-	(3,216,081)
TOTAL REVENUES	11,655,728	12,195,797	9,288,238	(2,907,559)
EXPENDITURES				
Current				
Public safety				
Personnel services	5,805,000	5,801,000	5,751,930	49,070
Operating expenditures	4,750,728	5,091,797	769,339	4,322,458
Capital outlay	1,240,000	1,435,000	812,529	622,471
Debt Service				
Principal retirement	310,000	318,000	311,274	6,726
Interest	-	-	5,896	(5,896)
TOTAL EXPENDITURES	12,105,728	12,645,797	7,650,968	4,994,829
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(450,000)	(450,000)	1,637,270	2,087,270
OTHER FINANCING SOURCES				
Proceeds from disposition of Capital Assets	-	-	6,500	6,500
Proceeds from issuance of debt - Cap. Lease	450,000	450,000	459,750	9,750
NET CHANGE IN FUND BALANCE	\$ -	\$ -	2,103,520	\$ 2,103,520
FUND BALANCE - Beginning			3,216,081	
FUND BALANCE - Ending			\$ 5,319,601	

The accompanying notes are an integral part of this statement.

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND -
DETAILED STATEMENT
Year Ended September 30, 2018**

REVENUES	General Fund			Variance Favorable/ (Unfavorable)
	Original Budget	Final Budget	Actual	
Ad valorem taxes:				
Current	\$ 8,809,228	\$ 8,807,966	\$ 8,914,646	\$ 106,680
Delinquent	20,000	20,000	11,984	(8,016)
Excess fees	-	-	69,263	69,263
Subtotal - Ad Valorem Taxes	<u>8,829,228</u>	<u>8,827,966</u>	<u>8,995,893</u>	<u>167,927</u>
Intergovernmental revenue:				
Federal grants	-	-	-	-
Lee County EMS - Rent	2,300	6,050	6,050	-
State grant proceeds	-	-	104,628	104,628
State supplemental education	15,000	15,000	11,169	(3,831)
Fees:				
Inspection fees	25,000	25,000	25,856	856
Interest:				
Ad valorem interest	-	-	4,729	4,729
Bank interest	200	200	167	(33)
SBA interest	1,500	3,000	5,392	2,392
Subtotal - Interest	<u>1,700</u>	<u>3,200</u>	<u>10,288</u>	<u>7,088</u>
Other:				
Donations-CERT	-	-	-	-
Donations	1,500	1,500	200	(1,300)
Lock boxes	5,000	5,000	670	(4,330)
Increase (Decrease) in fair value investment	-	-	-	-
Retiree health insurance	40,000	40,000	47,896	7,896
Miscellaneous	36,000	56,000	85,588	29,588
Subtotal - Other	<u>82,500</u>	<u>102,500</u>	<u>134,354</u>	<u>31,854</u>
Cash brought forward	<u>2,700,000</u>	<u>3,216,081</u>	<u>-</u>	<u>(3,216,081)</u>
TOTAL REVENUES	<u>11,655,728</u>	<u>12,195,797</u>	<u>9,288,238</u>	<u>(2,907,559)</u>

The accompanying notes are an integral part of this statement.

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND -
DETAILED STATEMENT, CONTINUED
Year Ended September 30, 2018**

	General Fund			Variance Favorable/ (Unfavorable)
	Original Budget	Final Budget	Actual	
EXPENDITURES				
Current - Public safety				
Personnel services:				
Salaries				
Firefighters & administrative	3,600,000	3,600,000	3,579,405	20,595
Voluntary separation pay	-	-	-	-
Overtime	285,000	300,000	296,402	3,598
Incentives and holiday pay	15,000	15,000	11,205	3,795
Payroll taxes				
Social Security	300,000	300,000	286,121	13,879
Unemployment	-	-	-	-
Benefits				
Retirement	850,000	817,000	840,591	(23,591)
Group insurance - health/life	615,000	633,000	632,514	486
Workers compensation	140,000	136,000	105,692	30,308
Subtotal - Personnel services	<u>5,805,000</u>	<u>5,801,000</u>	<u>5,751,930</u>	<u>49,070</u>
Operating expenditures:				
Uniforms	16,000	30,000	26,436	3,564
Communications	35,000	50,000	46,179	3,821
Commercial Pkg Insurance	55,000	52,000	50,396	1,604
Utilities	33,000	28,000	26,308	1,692
Maintenance				
Vehicle	75,000	75,000	71,209	3,791
Equipment	30,000	40,000	35,243	4,757
Office	20,000	17,000	14,164	2,836
Communications	10,000	3,000	1,923	1,077
Hydrant	1,000	1,000	547	453
Building	18,000	13,000	10,992	2,008
Bunker gear	2,000	-	-	-
Supplies				
Office	10,000	14,000	14,047	(47)
Inter-departmental	5,000	5,000	4,651	349
Communications	6,000	4,000	3,337	663
Firefighter & rescue	38,000	50,000	46,598	3,402
Station	20,000	28,000	27,668	332
Training	-	-	-	-
Fire prevention	-	-	-	-

The accompanying notes are an integral part of this statement.

AND RESCUE SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND -
DETAILED STATEMENT, CONTINUED
Year Ended September 30, 2018

	General Fund			Variance Favorable/ (Unfavorable)
	Original Budget	Final Budget	Actual	
Operating expenditures (continued):				
CERT	3,000	2,600	2,494	106
Public education	2,000	2,400	1,729	671
Professional and other fees				
Legal	5,000	9,000	10,960	(1,960)
Legal advertising	2,000	2,000	1,635	365
Property Appraiser fees	46,000	45,000	35,773	9,227
Tax Collector fees	186,000	187,000	186,050	950
Election fees	-	-	-	-
Accounting and audit	35,000	31,000	28,520	2,480
Miscellaneous				
Education and travel	25,000	35,000	30,568	4,432
Postage	2,000	2,000	960	1,040
Gas and oil	60,000	58,000	51,304	6,696
Employment expenses	16,000	13,000	9,267	3,733
Computer software/training	12,000	12,000	11,864	136
Lock boxes	5,000	5,000	1,622	3,378
Donations	-	-	-	-
Miscellaneous	10,000	10,000	7,845	2,155
Books and dues	7,000	10,000	9,050	950
Operational reserves				
Contingency	50,000	50,000	-	50,000
Operating reserve	3,650,728	3,932,797	-	3,932,797
Disaster preparedness reserve	60,000	75,000	-	75,000
Post retirement medical reserve	200,000	200,000	-	200,000
Subtotal - Operating expenditures	<u>4,750,728</u>	<u>5,091,797</u>	<u>769,339</u>	<u>4,322,458</u>
Capital outlay:				
Vehicles	650,000	640,000	620,824	19,176
Firefighter & rescue equipment	75,000	60,000	49,264	10,736
Bunker gear	30,000	30,000	25,982	4,018
Training equipment	-	-	-	-
Communications equipment	-	25,000	20,872	4,128
Furniture & office	10,000	10,000	-	10,000
Station equipment	5,000	5,000	-	5,000

The accompanying notes are an integral part of this statement.

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND -
DETAILED STATEMENT, CONTINUED
Year Ended September 30, 2018**

	General Fund			Variance Favorable/ (Unfavorable)
	Original Budget	Final Budget	Actual	
Capital outlay (continued):				
Rescue equipment	-	-	-	-
Bunker gear	-	-	-	-
Station #1 improvements	25,000	55,000	32,422	22,578
Station #2 improvements	10,000	45,000	32,936	12,064
Station #3 improvements	10,000	40,000	30,229	9,771
Capital Reserves	-	-	-	-
Building reserve	50,000	100,000	-	100,000
Vehicle reserve	300,000	325,000	-	325,000
Capital equipment reserve	75,000	100,000	-	100,000
Subtotal - Capital outlay	<u>1,240,000</u>	<u>1,435,000</u>	<u>812,529</u>	<u>622,471</u>
DEBT SERVICE				
Principal reduction	310,000	318,000	311,274	6,726
Interest and fiscal charges	-	-	5,896	(5,896)
SUBTOTAL - DEBT SERVICE	<u>310,000</u>	<u>318,000</u>	<u>317,170</u>	<u>830</u>
TOTAL EXPENDITURES	<u>12,105,728</u>	<u>12,645,797</u>	<u>7,650,968</u>	<u>4,994,829</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(450,000)</u>	<u>(450,000)</u>	<u>1,637,270</u>	<u>2,087,270</u>
OTHER FINANCING SOURCES				
Proceeds from disposition of capital assets	-	-	6,500	6,500
Proceeds from issuance of debt	450,000	450,000	459,750	9,750
SUBTOTAL - OTHER FINANCING SOURCES	<u>450,000</u>	<u>450,000</u>	<u>466,250</u>	<u>16,250</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>2,103,520</u>	<u>\$ 2,103,520</u>
FUND BALANCE, October 1, 2017			<u>3,216,081</u>	
FUND BALANCE, September 30, 2018			<u>\$ 5,319,601</u>	

The accompanying notes are an integral part of this statement.

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - IMPACT FEE FUND
Year Ended September 30, 2018**

	Impact Fee Fund			
	Original	Final	Actual	Variance
	Budget	Budget		Favorable (Unfavorable)
REVENUES				
Fees:				
Impact fees	\$ 6,000	\$ 6,000	\$ 142,334	\$ 136,334
Miscellaneous:				
Interest	1,000	1,000	-	(1,000)
Cash brought forward	125,000	189,000	-	(189,000)
TOTAL REVENUES	<u>132,000</u>	<u>196,000</u>	<u>142,334</u>	<u>(53,666)</u>
EXPENDITURES				
Current				
Public safety				
Operating				
Refunds	-	-	-	-
Miscellaneous	-	-	-	-
Capital outlay				
Contingency	102,000	53,539	-	53,539
Vehicles	30,000	44,161	44,161	-
Equipment - firefighter/rescue	-	75,000	74,883	117
Equipment - bunker gear	-	-	-	-
Buildings - Station #1	-	23,300	23,290	10
TOTAL EXPENDITURES	<u>132,000</u>	<u>196,000</u>	<u>142,334</u>	<u>53,666</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE - Beginning			<u>-</u>	
FUND BALANCE - Ending			<u>\$ -</u>	

The accompanying notes are an integral part of this statement.

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY - FLORIDA RETIREMENT SYSTEM (FRS) PENSION
PLAN (1)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.024596426%	0.022709709%	0.022818081%	0.021852527%
District's proportionate share of the net pension liability	\$ 7,408,571	\$ 6,717,360	\$ 5,761,583	\$ 2,822,547
District's covered-employee payroll	\$ 3,826,921	\$ 3,495,050	\$ 3,342,649	\$ 3,371,304
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	193.59%	192.20%	172.37%	83.72%
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%

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

**SCHEDULE OF DISTRICT CONTRIBUTIONS -
FLORIDA RETIREMENT SYSTEM (FRS) PENSION PLAN (1)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 781,750	\$ 658,074	\$ 612,210	\$ 568,090
Contributions in relation to the contractually required contribution	<u>781,750</u>	<u>658,074</u>	<u>612,210</u>	<u>568,090</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,826,921	\$ 3,495,050	\$ 3,342,649	\$ 3,371,304
Contributions as a percentage of covered-employee payroll	20.43%	18.83%	18.32%	16.85%

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

GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, governments should present information for only those years for which information is available.

2014
0.021748347%
\$ 1,326,969
\$ 3,421,304

38.79%

96.09%

2014
\$ 551,857

551,857
\$ -
\$ 3,421,304

16.13%

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY - HEALTH INSURANCE SUBSIDY (HIS) PENSION
PLAN (1)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.011570500%	0.010811470%	0.010779066%	0.011594876%
District's proportionate share of the net pension liability	\$ 1,224,635	\$ 1,156,012	\$ 1,256,255	\$ 1,182,495
District's covered-employee payroll	\$ 3,826,921	\$ 3,495,050	\$ 3,342,649	\$ 3,371,304
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	32.00%	33.08%	37.58%	35.08%
Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%

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

**SCHEDULE OF DISTRICT CONTRIBUTIONS -
HEALTH INSURANCE SUBSIDY (HIS) PENSION PLAN (1)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 58,841	\$ 49,532	\$ 48,924	\$ 46,272
Contributions in relation to the contractually required contribution	<u>58,841</u>	<u>49,532</u>	<u>48,924</u>	<u>46,272</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,826,921	\$ 3,495,050	\$ 3,342,649	\$ 3,371,304
Contributions as a percentage of covered-employee payroll	1.54%	1.42%	1.46%	1.37%

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

GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, governments should present information for only those years for which information is available.

2014
0.011475690%
\$ 1,073,005
\$ 3,421,304

31.36%

0.99%

2014
\$ 37,464

37,464
\$ -
\$ 3,421,304

1.10%

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2018**

Changes of Assumptions

Actuarial assumptions for both cost-sharing defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008 through June 30, 2013. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments were reduced from 7.10% to 7.00%. 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.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.87% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

Florida Retirement System Pension Plan

There were changes in actuarial assumptions. As of June 30, 2018, the inflation rate assumption remained at 2.6 percent, the real payroll growth assumption was 0.65 percent, and the overall payroll growth rate assumption remained at 3.25 percent. The long-term expected rate of return was reduced from 7.10% to 7.00%.

Health Insurance Subsidy Pension Plan

The municipal rate used to determine total pension liability increased from 3.58 percent to 3.87 percent.

Pension Expense and Deferred Outflows/Inflows of Resources

In accordance with GASB 68, paragraphs 54 and 71, changes in the net pension liability are recognized in pension expense in the current measurement period, except as indicated below. For each of the following, a portion is recognized in pension expense in the current reporting period, and the balance is amortized as deferred outflows or deferred inflows of resources using a systematic and rational method over a closed period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors - amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees)
- Changes of assumptions or other inputs - amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees)
- Changes in proportion and differences between contributions and proportionate share of contributions - amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees)
- Differences between expected and actual earnings on pension plan investments - amortized over five years

Employer contributions to the pension plans from employers are not included in collective pension expense. However, employee contributions are used to reduce pension expense.

The average expected remaining service life of all employees provided with pensions through the pension plans at June 30, 2018, was consistent with the prior year at 6.4 years for FRS and 7.2 years for HIS.

**NORTH FORT MYERS FIRE CONTROL
RESCUE SERVICE DISTRICT**

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND
RELATED RATIOS GASB 75 AND RELATED NOTES TO THE SCHEDULE**

Changes in Employer's Net OPEB Liability and Related Ratios as of September 30:

Net OPEB Liability	<u>2018</u>
Service Cost	\$ 71,485
Interest Cost	121,507
Changes in Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes in Assumptions	(169,777)
Benefit Payments	<u>(214,000)</u>
Net Change in net OPEB Liability	(190,785)
Net OPEB Liability - Beginning of Year	<u>4,026,567</u>
Net OPEB Liability - End of Year	<u>\$ 3,835,782</u>

NOTE: Information for FY 2017 and earlier is not available.

Plan Fiduciary Net Position as of September 30:

	<u>2018</u>
Contributions - Employer	\$ 214,000
Net Investment Income	-
Benefit Payments	(214,000)
Administrative Expense	<u>-</u>
Net Change in Fiduciary Net Position	-
Fiduciary Net Position - Beginning of Year	<u>-</u>
Fiduciary Net Position - End of Year	<u>\$ -</u>
Net OPEB Liability	3,835,782
Fiduciary Net Position as a % of Net OPEB Liability	0.00%
Covered-Employee Payroll *	
Net OPEB Liability as a % of Payroll *	

* Because this OPEB plan does not depend of salary, no information is provided.

NOTE: Information for FY 2017 and earlier is not available.

Notes to the Schedule:

Benefit Changes	None
Changes of Assumptions	The discount rate was changed as follows:
9/30/17	3.10%
9/30/18	3.50%

Population covered by Plan: 45 active 34 retired

Plan has no specific trust established. \$200,000 assigned for OPEB.

ADDITIONAL REPORTS



TUSCAN
& Company, PA

Certified Public Accountants & Consultants

Affiliations

Florida Institute of Certified Public Accountants

American Institute of Certified Public Accountants

Private Companies Practice Section

Tax Division

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

Board of Commissioners
North Fort Myers Fire Control and Rescue Service District
P.O. Box 3507
North Fort Myers, Florida 33918

We have audited, 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 of America, the basic financial statements of the governmental activities and each major fund of North Fort Myers Fire Control and Rescue Service District (the "District") as of and for the year ended September 30, 2018, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents and have issued our report thereon dated February 4, 2019.

Internal Control Over Financial Reporting

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

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

INTEGRITY SERVICE EXPERIENCE

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, as defined previously. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Fort Myers Fire Control and Rescue Service District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



TUSCAN & COMPANY, P.A.

Fort Myers, Florida

February 4, 2019



TUSCAN
 & Company, PA

Certified Public Accountants & Consultants

Affiliations

Florida Institute of Certified Public Accountants

American Institute of Certified Public Accountants

Private Companies Practice Section

Tax Division

Page 64 of 67

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE
 WITH SECTION 218.415, FLORIDA STATUTES**

Board of Commissioners
 North Fort Myers Fire Control and Rescue Service District
 P.O. Box 3507
 North Fort Myers, Florida 33918

We have examined North Fort Myers Fire Control and Rescue Service District's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2018. Management is responsible for North Fort Myers Fire Control and Rescue Service District's compliance with those requirements. Our responsibility is to express an opinion on North Fort Myers Fire Control and Rescue Service District's compliance based on our examination.

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

In our opinion, North Fort Myers Fire Control and Rescue Service District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

This report is intended solely for the information and use of the North Fort Myers Fire Control and Rescue Service District and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Tuscan & Company, P.A.

TUSCAN & COMPANY, P.A.
 Fort Myers, Florida
 February 4, 2019

INTEGRITY SERVICE EXPERIENCE



TUSCAN
 & Company, PA

Certified Public Accountants & Consultants

Affiliations

Florida Institute of Certified Public Accountants
 American Institute of Certified Public Accountants
 Private Companies Practice Section
 Tax Division

INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT

Board of Commissioners
 North Fort Myers Fire Control and Rescue Service District
 P.O. Box 3507
 North Fort Myers, Florida 33918

We have audited the accompanying basic financial statements of North Fort Myers Fire Control and Rescue Service District (the "District") as of and for the year ended September 30, 2018 and have issued our report thereon dated February 4, 2019.

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 of America and Chapter 10.550, Rules of the Florida Auditor General. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an audit of the financial statements performed in accordance with Government Auditing Standards and Chapter 10.550, Rules of the Florida Auditor General. Disclosures in those reports, which are dated February 4, 2019, should be considered in conjunction with this report to management.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no financially significant prior year comments noted.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. No such recommendations were noted to improve financial management.

INTEGRITY SERVICE EXPERIENCE

- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)4., Rule of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The District discloses this information in the notes to the financial statements.
- Section 10.554(1)(i)5.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. The District did not meet any of the conditions described in Section 218.503(1). Florida Statutes.
- Pursuant to Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, we have applied financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. In connection with our audit, we determined that the District did not meet any of the criteria of a deteriorating financial condition described in Auditor General Rule Section 10.554(1)(i)(6).c.
- Pursuant to Section 10.554(1)(i)5.c., Rules of the Auditor General, requires a statement indicating a failure, if any, of a component unit Special District to provide financial information necessary to a proper reporting of the component unit within the audited financial statements of this District (F.S. Section 218.39(3)(b)). There are no known component units required to report within these financial statements.
- Section 10.556(10)(a), Rules of the Auditor General, requires that the scope of our audit to determine the District's compliance with the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes as reported in our Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes dated February 4, 2019, included herein.

PRIOR YEAR COMMENTS:

2017-1 **Florida Statute Non-Compliance**

During the audit, it was noted that the District did not obtain surety bonds for members of the Board of Commissioners. For each member of the Board of Commissioners, Florida Statute Chapter 194.005 requires that the District submit a good and sufficient surety bond in the sum of \$5,000 to the Governor.

We recommend the District ensure compliance with this Statute and acquire the required bonding immediately.

Current Year Addendum

During the audit we noted the District obtained surety bonds for all members of the Board of Commissioners. This comment has been resolved.

CURRENT YEAR COMMENTS:

There were no financially significant comments noted.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Board of Commissioners, management, the Auditor General of the State of Florida and other federal and state agencies. This report is not intended to be and should not be used by anyone other than these specified parties.



TUSCAN & COMPANY, P.A.

Fort Myers, Florida

February 4, 2019

EXHIBIT

**Board of
Commissioners**

Michael Gatewood
Chairman

Danny Ballard
Vice-Chairman

Chris Noble

Leroy Nottingham

Tom Mere



P.O. Box 3507 * 2900 Trail Dairy Circle
N. Ft. Myers, FL 33918-3507
(239) 997-8654 (239) 995-3757 fax

Administration

David Rice
Fire Chief

John Manson
Asst. Fire Chief

Rick Jones
Fire Marshal

Monique Brooks
Office Manager

January 17, 2019

Response to Management Letter – Fiscal Year 2017/2018

In response to the management letter contained in the independent audit by Tuscan and Company, we provide the following:

Per prior year comments, Bonds for Commissioners were obtained and issued.

Sincerely,

David Rice
Fire Chief