

**PALM HARBOR SPECIAL FIRE CONTROL
AND RESCUE DISTRICT**

ANNUAL FINANCIAL REPORT
FOR THE FISCAL
YEAR ENDED SEPTEMBER 30, 2019



Saltmarsh, Cleaveland & Gund, P.A.
Certified Public Accountants

ANNUAL FINANCIAL REPORT

OF

**PALM HARBOR SPECIAL FIRE CONTROL
AND RESCUE DISTRICT**

FOR THE

FISCAL YEAR ENDED SEPTEMBER 30, 2019

PREPARED BY THE

OFFICE MANAGER

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

BOARD OF FIRE COMMISSIONERS

Julie Peluso, Chairman

Casey Cane,
Vice Chairman

James Angle,
Secretary - Treasurer

Debra Buschman,
Fire Commissioner

James Nelson,
Fire Commissioner

Fire Chief

Office Manager/Accountant

Scott J. Sanford

Eileen M. Brown

INTRODUCTORY SECTION

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

Table of Contents	I
Palm Harbor Special Fire Control and Rescue District Organization	iv
Listing of District Officials.....	v

FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position.....	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Reconciliation of the Balance Sheet to the Statement of	
Net Position - Governmental Activities.....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances -	
Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes	
in Fund Balance of the Governmental Funds to the Statement of Activities.....	19

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION (CONTINUED)</u>	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
General Fund	20
Statement of Fiduciary Net Position - Fiduciary Fund	22
Statement of Changes in Fiduciary Net Position - Fiduciary Fund	23
Notes to Financial Statements	24
Required Supplementary Information for Single Employer	
Firefighters' Defined Benefit Pension Plan Under GASB 68:	
Schedule of Changes in Net Pension 175 Plan	84
Related Ratios 175 Plan	85
Schedule of Contributions 175 Plan	86
Notes to Schedule of Contributions 175 Plan	87
Schedule of Investment Returns - 175 Plan	89
Required Supplementary Information for	
Post Employment Benefits Other Than Pension (OPEB):	
Schedule of the District's Proportionate Share of the Florida Retirement System Pension Plan Net Pension Liability	90
Schedule of the District's Proportionate Share of the Florida Retirement System HIS Program Net Pension Liability	91
Schedule of the District's Contributions to the Florida Retirement System Pension Plan	92

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT
 ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

TABLE OF CONTENTS

Page

FINANCIAL SECTION (CONTINUED)

Required Supplementary Information for Firefighters'

Cost Sharing Defined Benefit Pension Plan Under GASB 68 (Continued):

Schedule of the District's Contributions to the Florida Retirement System HIS Program	93
Schedule of the Investment Returns Florida Retirement System Pension Plan	94
Schedule of Changes in OPEB Liability	95
Plan Fiduciary Net Position	96
Schedule of Discount Rate	97

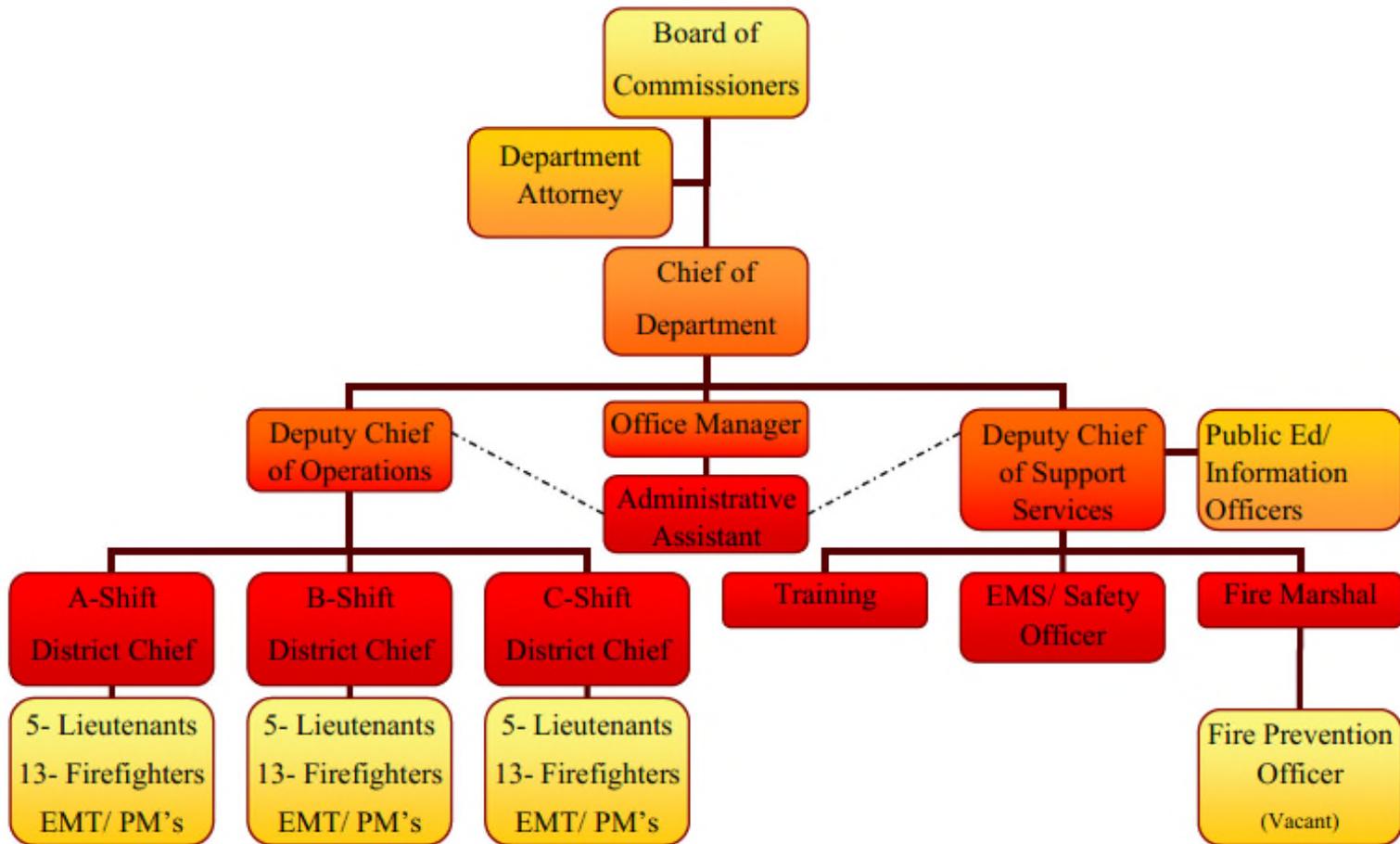
Other Reports:

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	98
Management Letter	100
Attestation Letter	103
Memorandum on Review of Internal Control Structure	104
Management's Response	108

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

ORGANIZATION CHART

2019



PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

LISTING OF DISTRICT OFFICIALS

ELECTED OFFICIALS

Commissioner	Julie A. Peluso
Commissioner	Casey Cane
Commissioner	James P. Nelson
Commissioner	James S. Angle
Commissioner	Debra Buschman

APPOINTED OFFICIALS

Chief of Department	Scott J. Sanford
Attorney	Andrew J. Salzman

DISTRICT OFFICERS

Rodney Malpass, Deputy Chief of Operations
Jason Haynes, Training Chief
Brent Breuer, Deputy Chief of Support Services
William Fisher, Fire Marshall
Thomas Greear, District Chief
Raymond Tracy, District Chief
Ryan Fisher, District Chief

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FINANCIAL SECTION

This section contains the following subsections:

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

Notes to Financial Statements

INDEPENDENT AUDITOR'S REPORT



Board of Fire Commissioners
Palm Harbor Special Fire Control and Rescue District
Palm Harbor, Florida

INDEPENDENT AUDITOR’S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, the budgetary comparisons for the general fund, and the aggregate remaining fund information of Palm Harbor Special Fire Control and Rescue District as of and for the year ended September 30, 2019, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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Board of Fire Commissioners
Palm Harbor Special Fire Control and Rescue District
Palm Harbor, Florida

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Palm Harbor Special Fire Control and Rescue District as of September 30, 2019, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Board of Fire Commissioners
Palm Harbor Special Fire Control and Rescue District
Palm Harbor, Florida

inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Palm Harbor Special Fire Control and Rescue District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section 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.



Tampa, Florida
April 28, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis September 30, 2019

As management of the Palm Harbor Special Fire Control and Rescue District (District), we offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the fiscal year ended September 30, 2019.

FINANCIAL HIGHLIGHTS

- (A) The assets of the District exceeded its liabilities at the close of the 2019 fiscal year by \$14,148,806 (*net position*).
- (B) The District's net position increased by \$2,278,049 during the current fiscal year due to increased reserve funding. The District received higher than budgeted ad valorem income, higher than expected interest income along with grant funds.
- (C) As of the close of the 2019 fiscal year, the District's governmental funds (general and capital projects funds) reported an ending fund balance of \$7,972,248, an increase of \$1,198,408 in comparison with the prior year. \$7,803,545 is available for spending at the District's discretion.
- (D) Outstanding debt, which includes compensated absences, OPEB obligations, pension plan liabilities, and capital leases at the end of fiscal year 2019 is \$1,632,923.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, using accounting methods similar to a private-sector business. These statements include all assets and liabilities on the accrual basis of accounting. All current year revenues and expenses are taken into account regardless of when the cash is received or paid.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis September 30, 2019

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

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

The government-wide financial statements should distinguish functions of the Palm Harbor Special Fire Control and Rescue District (District) that are principally supported by the District's residents and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). All of the District's activities are governmental. The District is the *primary government*.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund Financial Statements

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The fund financial statements provide more information about the District's general fund - not the District as a whole.

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

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

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis September 30, 2019

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

The District maintains two governmental funds, its general fund and its capital projects fund. These funds are presented in the governmental fund balance sheets and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 15 through 21 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reflected in the government-wide financial statements because resources of those funds are *not* available to support the District's own programs. Accounting used for fiduciary funds is much like that used for the government-wide financial statements.

The basic fiduciary fund financial statements can be found beginning on pages 22 and 23 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 83 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) concerning the District's progress in funding its obligation to provide pension benefits to its firefighters. Required supplementary information can be found on pages 84 through 97 of this report.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management’s Discussion and Analysis
September 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the District’s case, assets exceeded liabilities by \$14,148,806 and \$11,870,757 at the fiscal years ended on September 30, 2019 and 2018.

The District’s capital assets represent investments in land, buildings and improvements and equipment. Approximately 49% of the total net assets are capital assets. The District uses these capital assets to provide services to its citizens and property owners, consequently, these assets are not available for future spending. The District’s investment in its capital assets is reported net of related debt and the capital assets themselves cannot be used to liquidate general operating liabilities.

The *unrestricted* category of net position, with a balance of \$6,374,743 and \$4,426,257 at years ended September 30, 2019 and 2018, may be used to meet the District’s ongoing obligations to citizens and creditors and is shown in the following schedule:

	Governmental Activities	
	2019	2018
Prepaid items	\$ 1,501	\$ 624,908
Cash	4,539,347	3,182,582
Other current assets	3,610,332	3,268,124
Capital assets, net	7,802,381	7,622,681
Receivables, net of allowance for uncollectibles	50,552	21,837
Total Assets	16,004,113	14,720,132
Deferred outflows	1,248,147	1,694,329
Long-term liabilities	1,373,918	1,606,587
Other liabilities	492,102	624,846
Total Liabilities	1,866,020	2,231,433
Deferred inflows	1,237,434	2,312,271
Net Position:		
Capital assets net of related debt	7,606,861	7,303,106
Restricted for capital projects	167,202	141,394
Unrestricted	6,374,743	4,426,257
Total Net Position	\$ 14,148,806	\$ 11,870,757

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis
September 30, 2019

The District's net position increased by \$2,278,049 during the current fiscal year primarily from increased reserve funding, and higher than budgeted ad valorem income, higher than expected interest income and grant funding that was received. The District's net position increased by \$1,662,637 during the prior fiscal year, primarily from GASB 68 changes requiring the pension plan to be included in the AFR along with the unfunded liabilities of each plan, and the increase in depreciation of new apparatus.

Palm Harbor Special Fire Control and Rescue District's Change in Net Position

	Governmental Activities	
	2019	2018
Revenues:		
Program Revenues:		
Charge for services	\$ 2,895,866	\$ 2,643,771
Impact fees	23,511	23,929
Total Program Revenues	2,919,377	2,667,700
General Revenues:		
Property taxes	8,620,215	8,071,250
Investment earnings	86,042	64,652
Intergovernmental	-	4,069
Other	567,897	400,584
Total General Revenues	9,274,154	8,540,555
Total Program and General Revenues	12,193,531	11,208,255
Expenses:		
Public Safety - EMS and Fire Protection	9,915,482	9,545,618
Total Expenses	9,915,482	9,545,618
Change in net position	2,278,049	1,662,637
Net position, beginning of year	11,870,757	10,208,120
Net position, end of year	\$ 14,148,806	\$ 11,870,757

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis September 30, 2019

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the District's chief operating fund. At the end of the current fiscal year, the total fund balance of the general fund was \$7,805,046. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance to total fund expenditures. The unreserved fund balance represents 63.7% of total general fund expenditures.

The fund balance for the general fund increased \$1,172,600 during the current fiscal year. The key factor in this increase was higher than anticipated ad valorem, higher than anticipated interest income and increased reserves.

General Fund Budgetary Highlights

An annual budget is legally adopted for the general fund and was not amended during either 2019 or 2018. Revenues exceeded the budget by \$732,663 in 2019. Property taxes, representing 74.6% and 74% of the District's revenue increased by \$129,144 and \$124,865 over the current and prior year's budget.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis
September 30, 2019

	2019			2018		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:						
Property taxes	\$ 8,491,071	\$ 8,620,215	\$ 129,144	\$ 7,946,385	\$ 8,071,250	\$ 124,865
Other	2,895,256	3,498,775	603,519	2,792,278	3,064,735	272,457
Total Revenues	11,386,327	12,118,990	732,663	10,738,663	11,135,985	397,322
Expenditures:						
General government						
Debt service	135,581	135,581	-	135,582	135,582	-
Capital outlay	117,435	777,701	660,266	797,511	87,219	710,292
Public Safety -						
EMS and Fire Protection	10,049,965	10,083,134	(33,169)	9,504,023	9,423,672	80,351
Total Expenditures	10,302,981	10,996,416	(693,435)	10,437,116	9,646,473	790,643
Other financing sources						
and (uses)	(1,083,346)	50,026	1,133,372	(341,548)	48,953	390,501
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,172,600</u>	<u>\$ 1,172,600</u>	<u>\$ (40,001)</u>	<u>\$ 1,538,465</u>	<u>\$ 1,578,466</u>

Capital Assets

At the end of 2019 and 2018, the District's investment in capital assets for its governmental activities was \$7,802,381 and \$7,622,681 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements and equipment.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis
September 30, 2019

	2019			2018		
	Beginning Balance	Additions/ (Deletions)	Ending Balance	Beginning Balance	Additions/ (Deletions)	Ending Balance
Land	\$ 939,530	\$ -	\$ 939,530	\$ 939,530	\$ -	\$ 939,530
Buildings and	6,534,997	(4,421)	6,530,576	6,534,997	-	6,534,997
Equipment	5,408,703	673,552	6,082,255	5,393,285	15,418	5,408,703
Total capital assets	12,883,230	669,131	13,552,361	11,928,282	15,418	11,943,700
Less accumulated depreciation	5,260,549	489,431	5,749,980	4,784,281	476,268	5,260,549
Capital assets, net	<u>\$ 7,622,681</u>	<u>\$ 179,700</u>	<u>\$ 7,802,381</u>	<u>\$ 8,083,531</u>	<u>\$ (460,850)</u>	<u>\$ 7,622,681</u>

Total Capital Assets

Additional information on the District's capital assets can be found in note 6 on page 46 of this report.

LONG-TERM DEBT

At the end of 2019 and 2018, the District had total long-term debt outstanding made up of accrued sick and vacation payable, postemployment health care obligation, and capital improvement revenue note payable of \$1,355,413 and \$1,615,840, respectively. As of September 30, 2019, the District's net pension liability was \$278,510.

More detailed information about the District's long-term debt can be found in note 7 on pages 47 through 50 of this report.

ECONOMIC FACTORS

The District's board of commissioners approved \$11,388,326 and \$10,868,663 budgets for the 2019 and 2018 fiscal years. This is an increase of 5.2% for FY 2019 and an increase of 7.2% for FY 2018.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis
September 30, 2019

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for the District's residents and creditors. Questions concerning this report or requests for additional financial information should be directed to:

Chief Scott J. Sanford
250 West Lake Road
Palm Harbor, Florida 34684

For information about services, visit the District's website at www.palmharborfd.com

BASIC FINANCIAL STATEMENTS

This section contains the following subsections:

Government-Wide Financial Statements

Statement of Net Positions
Statement of Activities

Fund Financial Statements

Governmental Fund Financial Statements

Balance Sheet - Governmental Funds
Reconciliation of the Balance Sheet to the Statement of
Net Position - Governmental Activities
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balance of the Governmental Funds to the Statement of
Activities
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual:
General Fund

Fiduciary Fund Financial Statement

Statement of Fiduciary Net Position- Fiduciary Fund
Statement of Changes in Fiduciary Net Position - Fiduciary Fund

Notes to Financial Statements

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

STATEMENT OF NET POSITION

SEPTEMBER 30, 2019

<u>ASSETS</u>	<u>Primary Government</u>
Cash	\$ 4,539,347
Investments	3,610,332
Receivables, net of allowance for uncollectibles	50,552
Prepaid items	1,501
Capital Assets:	
Land	939,530
Buildings and improvements	6,530,576
Equipment	6,082,255
Accumulated depreciation	<u>(5,749,980)</u>
Total capital assets, net	<u>7,802,381</u>
TOTAL ASSETS	16,004,113
Deferred Outflows of Resources:	
Deferred outflows of resources	1,248,147
<u>LIABILITIES</u>	
Accounts payable	3,205
Accrued salaries and benefits payable	226,279
Accrued interest payable	2,613
Noncurrent liabilities:	
Due within one year	260,005
Due in more than one year	<u>1,373,918</u>
TOTAL LIABILITIES	<u>1,866,020</u>
Deferred Inflows of Resources:	
Deferred inflows of resources	1,237,434
<u>NET POSITION</u>	
Invested in capital assets, net of related debt	7,606,861
Restricted for capital projects	167,202
Unrestricted	<u>6,374,743</u>
TOTAL NET POSITION	<u>\$ 14,148,806</u>

See Notes to Financial Statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	Primary Government
EXPENSES - PUBLIC SAFETY:	
Personal services:	
Salaries	\$ 5,414,318
Retirement	558,248
Insurance - employee	1,673,232
Payroll taxes	398,593
	<hr/>
Total personal services expense	8,044,391
Other operating:	
Building/equipment maintenance	197,652
Contractual services	15,850
Professional services	61,438
Insurance - property/liability	129,309
Med/health services	42,238
Office supplies	28,808
Operating supplies/equipment	24,872
Computer hardware/software	20,313
Miscellaneous	18,238
Vehicle maintenance/fuel	273,534
Training, education, travel	52,772
Utilities	79,800
Fire prevention	21,352
Incentive program	25,551
Uniforms/clothing and bunker gear	81,838
Fees	247,839
Depreciation	538,288
Interest on long-term debt	11,399
	<hr/>
Total other operating expense	1,871,091
	<hr/>
TOTAL PROGRAM EXPENSES	9,915,482
PROGRAM REVENUES:	
Charges for services	2,895,866
Impact fees	23,511
	<hr/>
Total program revenues	2,919,377
	<hr/>
Net program expenses	(6,996,105)
GENERAL REVENUES:	
Property taxes	8,620,215
Tax collector fee rebate	52,112
Tower rental	74,744
Firefighters' educational incentive	17,286
Investment earnings	86,042
Hazmat reimbursement	141,815
Health insurance reimbursement	192,322
Miscellaneous	89,618
	<hr/>
TOTAL GENERAL REVENUES	9,274,154
	<hr/>
CHANGE IN NET POSITION	2,278,049
NET POSITION - BEGINNING	11,870,757
	<hr/>
NET POSITION - ENDING	\$ 14,148,806
	<hr/> <hr/>

See Notes to Financial Statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2019

ASSETS	General	Capital Projects	Total Governmental Funds
Cash	\$ 4,476,023	\$ 63,324	\$ 4,539,347
Investments	3,506,454	103,878	3,610,332
Receivables (net of allowance for uncollectibles):			
Intergovernmental:			
State	4,086	-	4,086
Accounts	46,466	-	46,466
Prepaid item	1,501	-	1,501
TOTAL ASSETS	\$ 8,034,530	\$ 167,202	\$ 8,201,732
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 3,205	\$ -	\$ 3,205
Accrued salaries and benefits payable	226,279	-	226,279
Total liabilities	229,484	-	229,484
Fund balance:			
Restricted	1,501	167,202	168,703
Committed	794,000	-	794,000
Unassigned	7,009,545	-	7,009,545
Total fund balance	7,805,046	167,202	7,972,248
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,034,530	\$ 167,202	\$ 8,201,732

See Notes to Financial Statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES

SEPTEMBER 30, 2019

Fund balance - total governmental funds	\$	7,972,248
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 fund.		
Governmental capital assets	\$	13,552,361
Less accumulated depreciation		<u>(5,749,980)</u>
		7,802,381
Certain deferred outflows of resources are not available to pay current period and therefore are not reported in the fund.		
Deferred outflows of resources related to pension plan		1,248,147
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.		
Accrued interest		(2,613)
Capital improvement revenue note		(195,520)
Post-employment health care obligation		(635,095)
Compensated absences		<u>(524,798)</u>
		(1,358,026)
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds		
Net Pension Liability		(278,510)
Deferred inflows of resources related to pension plans		<u>(1,237,434)</u>
		<u>(1,515,944)</u>
Net position of governmental activities	\$	<u><u>14,148,806</u></u>

See Notes to Financial Statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	<u>General</u>	<u>Capital Projects</u>	<u>Totals Governmental Funds</u>
REVENUES:			
Property taxes	\$ 8,620,215	\$ -	\$ 8,620,215
EMS services	2,696,084	-	2,696,084
Tax collector fee rebate	52,112	-	52,112
Hazmat reimbursement	141,815	-	141,815
Firefighters' educational incentive	17,286	-	17,286
Impact fees	-	23,511	23,511
Interest	83,745	2,297	86,042
Tower rental	74,744	-	74,744
Charges for services	199,782	-	199,782
Health insurance reimbursement	192,322	-	192,322
Miscellaneous	40,885	-	40,885
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	12,118,990	25,808	12,144,798
EXPENDITURES - PUBLIC SAFETY:			
Personal services:			
Salaries	5,587,280	-	5,587,280
Retirement	1,161,045	-	1,161,045
Insurance - employee	1,673,232	-	1,673,232
Payroll taxes	398,593	-	398,593
	<hr/>	<hr/>	<hr/>
Total personal services	8,820,150	-	8,820,150
Other operating:			
Building/equipment maintenance	139,232	-	139,232
Contractual services	15,850	-	15,850
Fees	247,839	-	247,839
Fire prevention	21,352	-	21,352
Insurance - property/liability	129,309	-	129,309
Med/health services	42,238	-	42,238
Miscellaneous	18,238	-	18,238
Office supplies	28,808	-	28,808
Operating supplies/equipment	24,872	-	24,872
Professional services	61,438	-	61,438
Computer hardware/software	20,313	-	20,313
Training, education, travel	52,772	-	52,772
Incentive program	25,551	-	25,551
Uniforms/clothing and bunker gear	81,838	-	81,838
Utilities	79,800	-	79,800
Vehicle maintenance/fuel	273,534	-	273,534
	<hr/>	<hr/>	<hr/>
Total other operating	1,262,984	-	1,262,984
Capital outlay	777,701	-	777,701
Debt service:			
Principal	124,055	-	124,055
Interest and fiscal charges	11,526	-	11,526
	<hr/>	<hr/>	<hr/>
Total debt service	135,581	-	135,581
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	10,996,416	-	10,996,416
EXCESS OF REVENUES OVER EXPENDITURES CARRIED FORWARD	\$ 1,122,574	\$ 25,808	\$ 1,148,382

See Notes to Financial Statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	<u>General</u>	<u>Capital Projects</u>	<u>Totals Governmental Funds</u>
EXCESS REVENUES OVER EXPENDITURES BROUGHT FORWARD	\$ 1,122,574	\$ 25,808	\$ 1,148,382
OTHER FINANCING SOURCES (USES):			
Proceeds from insurance	45,925	-	45,925
Sale of surplus property	4,101	-	4,101
TOTAL OTHER FINANCING SOURCES (USES)	<u>50,026</u>	<u>-</u>	<u>50,026</u>
EXCESS OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES AND OTHER SOURCES	1,172,600	25,808	1,198,408
FUND BALANCE, OCTOBER 1	<u>6,632,446</u>	<u>141,394</u>	<u>6,773,840</u>
FUND BALANCE, SEPTEMBER 30	<u>\$ 7,805,046</u>	<u>\$ 167,202</u>	<u>\$ 7,972,248</u>

See Notes to Financial Statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

Net change in fund balance - total governmental funds \$ 1,198,408

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	\$ 777,701	
Less current year depreciation	<u>(538,288)</u>	
		239,413

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

Accrued interest expense	127	
Loss on disposition of equipment	(59,713)	
Debt payments	124,055	
Post-employment health care obligation	(50,719)	
Net pension liabilities	653,516	
Change in compensated absences	<u>172,962</u>	
		<u>840,228</u>

Change in net position of governmental activities \$ 2,278,049

See Notes to Financial Statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	<u>BUDGETED AMOUNTS</u>		
	<u>ORIGINAL AND FINAL</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Property taxes	\$ 8,491,071	\$ 8,620,215	\$ 129,144
EMS services	2,698,093	2,696,084	(2,009)
Tax collector fee rebate	45,000	52,112	7,112
Hazmat reimbursement	-	141,815	141,815
Firefighters' educational incentive	-	17,286	17,286
Interest	59,500	83,745	24,245
Tower rental	45,663	74,744	29,081
Charges for services	22,000	199,782	177,782
Health insurance reimbursement	-	192,322	192,322
Miscellaneous	25,000	40,885	15,885
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	11,386,327	12,118,990	732,663
EXPENDITURES:			
Personal services:			
Salaries	5,457,570	5,587,280	(129,710)
Retirement	1,271,359	1,161,045	110,314
Insurance - employee	1,682,814	1,673,232	9,582
Payroll taxes	410,542	398,593	11,949
	<hr/>	<hr/>	<hr/>
Total personal services	8,822,285	8,820,150	2,135
Other operating:			
Building/equipment maintenance	149,425	139,232	10,193
Contractual services	16,800	15,850	950
Fees	274,170	247,839	26,331
Fire prevention	14,900	21,352	(6,452)
Insurance-property/liability	131,645	129,309	2,336
Med/health services	42,446	42,238	208
Miscellaneous	6,000	18,238	(12,238)
Office supplies	32,125	28,808	3,317
Operating supplies/equipment	29,450	24,872	4,578
Professional services	60,600	61,438	(838)
Computer hardware/software	20,000	20,313	(313)
Training, education, travel	63,200	52,772	10,428
Incentive program	25,500	25,551	(51)
Uniforms/clothing and bunker gear	84,500	81,838	2,662
Utilities	83,660	79,800	3,860
Vehicle maintenance/fuel	193,259	273,534	(80,275)
	<hr/>	<hr/>	<hr/>
Total other operating	1,227,680	1,262,984	(35,304)
Capital outlay	117,435	777,701	(660,266)
	<hr/>	<hr/>	<hr/>
Subtotal, carried forward	10,167,400	10,860,835	(693,435)

See Notes to Financial Statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

(CONTINUED)

	<u>BUDGETED</u> <u>AMOUNTS</u>		
	<u>ORIGINAL</u> <u>AND</u> <u>FINAL</u>	<u>ACTUAL</u> <u>AMOUNTS</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
SUBTOTAL BROUGHT FORWARD	\$ 10,167,400	\$ 10,860,835	\$ (693,435)
Debt service:			
Principal	124,055	124,055	-
Interest and fiscal charges	<u>11,526</u>	<u>11,526</u>	<u>-</u>
Total debt service	<u>135,581</u>	<u>135,581</u>	<u>-</u>
TOTAL EXPENDITURES	<u>10,302,981</u>	<u>10,996,416</u>	<u>(693,435)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,083,346	1,122,574	39,228
OTHER FINANCING SOURCES (USES):			
Sale of surplus property	2,000	4,101	2,101
Proceeds from insurance	-	45,925	45,925
Operating reserve	(206,040)	-	206,040
Contingency reserve	(160,000)	-	160,000
SCBA bottle reserve	(16,826)	-	16,826
Capital reserves	(665,440)	-	665,440
Sick leave and vacation reserve	<u>(37,040)</u>	<u>-</u>	<u>37,040</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,083,346)</u>	<u>50,026</u>	<u>1,133,372</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	-	1,172,600	1,172,600
FUND BALANCES, OCTOBER 1	<u>6,632,446</u>	<u>6,632,446</u>	<u>-</u>
FUND BALANCES, SEPTEMBER 30	\$ <u>6,632,446</u>	\$ <u>7,805,046</u>	\$ <u>1,172,600</u>

See Notes to Financial Statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUND

SEPTEMBER 30, 2019

ASSETS

	<u>Public Safety Pension Fund</u>
Receivables:	
Interest and dividends	\$ <u>51,962</u>
Total receivables	51,962
Prepaid expenses	2,368
Investments at fair value:	
U.S. Government and agency securities	476,783
Corporate bonds	4,852,172
Municipal bonds	200,179
Domestic stock	20,384,834
International stocks	835,500
Temporary investment funds	<u>2,034,677</u>
Total investments	<u>28,784,145</u>
Total assets	28,838,475

LIABILITIES

Accounts payable	<u>30,212</u>
Total liabilities	<u>30,212</u>
Net position restricted for pensions	\$ <u><u>28,808,263</u></u>

See Notes to Financial Statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSIITON

FIDUCIARY FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	<u>Public Safety Pension Fund</u>
Additions:	
Contributions:	
Employer	\$ 993,378
Plan members	<u>309,466</u>
Total contributions	1,302,844
Intergovernmental:	
State Excise Tax Rebate	<u>465,966</u>
Total intergovernmental	465,966
Investment income:	
Net appreciation (depreciation) in fair value of investments	452,139
Interest income	201,539
Dividend income	343,489
Other	<u>146</u>
Total investment income (loss)	997,313
Less investment expenses	<u>105,073</u>
Net investment income (loss)	<u>892,240</u>
Total additions	2,661,050
Deductions:	
Pension benefits	249,205
Refund of contributions	26,860
Administrative expenses	<u>45,566</u>
Total deductions	<u>321,631</u>
Net increase in net position	2,339,419
Net position restricted for pensions:	
Beginning of year	<u>26,468,844</u>
End of year	\$ <u><u>28,808,263</u></u>

See Notes to Financial Statements.

NOTES TO
FINANCIAL STATEMENTS

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

1. **General Statement And Summary of
Significant Accounting Policies**

General Statement

The Palm Harbor Special Fire Control and Rescue District (District) was created under the Laws of the State of Florida Chapter 61-2661 as amended by House Bill 795 as an independent fire control district. It operates under the control of a Board of five Commissioners elected by the voters living within the District boundaries. It was established in 1961 to provide fire protection services for the unincorporated area of Pinellas County Florida known as Palm Harbor. The basic operations of the District are financed by ad valorem taxes which the District is empowered to levy on real property within its geographically defined district boundaries. In 1997 the District entered into an agreement with the Pinellas County Emergency Medical Services Authority to provide emergency medical service. In 1986 an ordinance was established allowing the District to impose a public safety construction fee on all new development and construction in the district. These funds are designated for capital improvements for fire fighting and fire protection services related to new development and construction and are reflected in the Capital Projects Fund of the financial statements.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described as follows:

Reporting Entity

The District's general purpose financial statements include the accounts of all of the District's operations and potential component units in providing fire protection and emergency medical services to all residents and property located within its defined boundaries. The decision to include a potential component in the reporting entity was made by applying the criteria set forth on GASB Statement No. 14.

This governmental accounting standard requires that this financial statement present the District (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria: the primary government is accountable for the potential component unit (i.e., the primary government appoints the voting majority of its

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

1. **General Statement And Summary of
Significant Accounting Policies (Continued)**

board) and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government. The firefighters' pension fund is included in these financial statements as a pension trust fund as disclosed below.

District Pension Fund

The District's Firefighters participate in the Palm Harbor Special Fire Control and Rescue District Pension Plan. The plan functions for the benefit of these employees and is governed by a five-member pension board. Two firefighters, two district residents and a fifth member elected by the other four members constitute the pension board. The District and the Plan participants are obligated to fund all Plan costs based upon actuarial valuations. The District is authorized to establish benefit levels and the Pension Board of Trustees approves the actuarial assumptions used in the determination of contribution levels.

Complete financial statements of the above pension plan can be obtained from: PHSFCRD, Office Manager, 250 West Lake Road, Palm Harbor, Florida 34686.

Defined Benefit Pension Plan - During the fiscal year ended September 30, 2014 the Governmental Standards Board (GASB) adopted GASB 67, Financial Reporting for Pension Plans which became effective for the fiscal year ended September 30, 2014. In addition, GASB 68, Accounting and Financial Reporting for Pensions, was also effective for the fiscal year ended September 30, 2015 (Note 18). Thus, disclosures for both of those standards have been included in these financial statements.

Government-wide and fund financial statements - The District has adopted the provisions of GASB Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." The government-wide financial statements required under this statement (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are supported by taxes and intergovernmental revenues, continue to be reported separately from fiduciary funds.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

1. **General Statement And Summary of Significant Accounting Policies (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds (general and capital projects funds) and fiduciary funds. Fiduciary funds are excluded from the government-wide financial statements. The major individual governmental funds are reported as separate columns in the fund financial statements.

Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to reconcile the fund based financial statements to the governmental activities column of the government-wide presentation.

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

Measurement focus, basis of accounting, and financial statement presentation- The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. 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 imposed by the provider have been met.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

1. **General Statement And Summary of Significant Accounting Policies (Continued)**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The only revenue that is susceptible to accrual is interest revenue. EMS and impact fee revenues collected and held by Pinellas County, Florida at year end on behalf of the District also are recognized as revenue of the current fiscal period. Plan and inspection fees are not susceptible to accrual because generally they are not measurable until received in cash. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects fund* accounts for revenues generated under the Public Safety Construction Fee Ordinance which are designated for acquisition and construction of capital improvements.

Additionally, the District reports the following fiduciary fund type:

Pension fund - accounts for the activities of the public safety employees' pension plans, which accumulates resources for pension benefit payments to qualified (sworn) public safety employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

1. **General Statement And Summary of
Significant Accounting Policies (Continued)**

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all property taxes.

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.

Assets, Liabilities, and Net Assets or Equity:

Deposits and investments - The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The District's investment policy is to maintain funds in investments which yield the highest possible efficiency and return within the limitations established by Florida Statutes, Chapter 166.261. Provisions of those statutes authorize the District to invest in:

- a) Florida State Board of Administration Local Government Pooled Investment Fund.
- b) Bonds, notes or other obligations of the United States or for which the credit of the United States is pledged for the payment thereof.
- c) Interest-bearing time deposits, savings accounts or collective investment funds in banks or savings and loan associations organized under the laws of the United States.
- d) Obligations of the federal farm credit banks and the Federal Home Loan Mortgage Corporation.
- e) Obligations of the Federal National Mortgage Association and the Government National Mortgage Association.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

1. **General Statement And Summary of Significant Accounting Policies (Continued)**

Investments in fixed income securities are stated at fair value. Fair value is the amount at which an investment could be exchanged in a current transaction between market participants, other than in a forced or liquidation sale.

The Florida State Board of Administration Local Government Pooled Investment Fund has met the criteria to be considered a “2A-7 like” Investment Fund as defined by GASB Statement No. 3. Therefore, amortized cost may be used for valuation. The fair value of the District’s investment in this pool is determined by the pool’s share price (account balance).

Investments held by the District’s pension trust funds are reported at fair value. Short-term investments are reported at amortized cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair values with the advice of professional investment advisors.

The Plan and the District invests in a variety of investment funds. Investments in general are exposed to various risks, such as interest rate, credit, and overall volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

Receivables and payables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e, the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All accounts and intergovernmental receivables, are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

1. **General Statement And Summary of Significant Accounting Policies (Continued)**

Compensated absences - It is the District's policy to permit employees to accumulate earned but unused vacation, holiday and sick pay benefits.

Budgets and Budgetary Accounting - As empowered by State Statute the District Board of Commissioners adopts an annual budget ordinance for the general fund to assist in planning and analyzing financial activity for the fiscal period. The amounts authorized by the annual budget ordinance for the period are reported in the budget column of the financial statement. Any revision that alters the total expenditures of the fund must be approved by the District commission. In instances where budget appropriations and estimated revenues have been revised during the year, budget data presented in these financial statements present the initial as well as the final authorized amounts.

Expenditures may not legally exceed budgeted appropriations at the division level within the general fund. During the year, there were no supplementary appropriations.

Finance-Related Legal and Contractual Provisions - The District is not in violation of any finance-related legal and contractual provisions.

Establishment/Elimination of Funds - During the fiscal year ended September 30, 2019, the District did not establish or eliminate any funds.

Property Taxes - Property taxes represent the major source of operating revenue for the District and are recognized as revenue when they become measurable and available. The budget for the fiscal year ended September 30, 2019 was adopted by the Board of Commissioners in September 2018. At that time a millage rate of 2.0000 per thousand of assessed valuation was approved. Taxes are assessed for the District on January 1 of each year by the Pinellas County Property Appraiser. Taxes are collected for the District by the Pinellas County Tax Collector and are payable from November of the current year through March of the following year. A 1% discount is offered for each month paid in advance beginning with November and ending with February. Taxes become delinquent after April 1 and attach as an enforceable lien on the property.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

1. General Statement And Summary of Significant Accounting Policies (Continued)

Capital assets - Capital assets, which include property, plant and equipment are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$3,000 (amount not rounded) and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred, if any, during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 - 50
Equipment	5 - 30

Long-term obligations - Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

In the government-wide financial statements, capital lease obligations, capital improvement revenue debt and compensated absences and other long-term obligations are reported as liabilities in the governmental activities statement.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

1. General Statement And Summary of Significant Accounting Policies (Continued)

Net Position - Net position of the government-wide fund represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and the outstanding balance on any borrowing spent for acquisition, construction or improvements of those assets. Net position is are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors or laws or regulations of other government.

Nature and Purpose of Classifications of Fund Equity - In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Amounts that are restricted to specific purposes either by

- a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or
- b) imposed by law through constitutional provisions or enabling legislation are classified as restricted fund balances.

Amounts that can only be used for specific purposes pursuant to constraints imposed by the District Commission through a resolution are classified as committed fund balances. Amounts that are constrained by the District's intent to be used for specific purposes but are not restricted nor committed are classified as assigned fund balances. Assignments are made by the District management based on Commission direction. Non-spendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the governmental funds.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

1. General Statement And Summary of Significant Accounting Policies (Continued)

Minimum Fund Balance Policy - It is the desire of the District to maintain adequate General Fund balance to maintain liquidity and in anticipation of economic downturns or natural disasters. The Commission has adopted a financial policy standard to maintain a General Fund minimum fund balance of 60 days of budgeted expenditures.

Fund balance created as a result of actual revenue and expenditure deviations from the budget will be used to achieve and maintain the District's minimum fund balance goals and to meet the next year's budget expenditure requirements.

Deferred Outflows of Resources/Deferred Inflows of Resources - Government Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities" establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflow of resources, certain items that were previously reported as assets and liabilities.

Deferred Outflows of Resources is a consumption of net assets by the government that is applicable to a future reporting period.

Deferred Inflows of Resources is an acquisition of net assets by the government that is applicable to a future reporting period.

Government Accounting Standards Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" provide financial reporting guidance for Deferred Outflows of Resources and Deferred Inflows of Resources and also identifies Net Position (replacing Net Assets) as the residual of all the elements (Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflow of Resources) presented in a statement of financial position.

In implementing GASB Statement No. 65, the District established the following items that qualify for reporting in this category:

- A. Pension contributions after measurement date - These contributions are deferred and recognized in the following fiscal year.
- B. Difference in projected and actual earnings on pension assets - This difference is deferred and amortized over a closed five year period.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

1. Summary of Significant Accounting Policies (Continued)

Cost-Sharing Pension Plan - For purposes of measuring the net pension liability, pension related deferred outflows and deferred inflows of resources, and pension expense, the District's specific information from the Florida Retirement System (FRS) and additions to/deductions from the District's Fiduciary Net Position have been determined on the same basis as they are reported by FRS. Information regarding the District's total pension liability for the pension plan and the Health Insurance Subsidy (HIS) program is obtained from FRS through a report prepared for the District by the FRS consulting actuary, Milliman, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

Net Position - The government-wide and business-type fund financial statements utilize a net position presentation. Net position is presented in three components - net investment in capital assets, restricted and unrestricted.

Fair Value Measurement and Application - Government Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application" requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported in certain entities that calculate net asset value per share (or its equivalent). This statement has been implemented in these financial statements.

Subsequent Events - On January 20, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the District is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

Management has evaluated subsequent events through April 28, 2020, which is the date the financial statements were officially available to be issued.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

2 Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds and net position - governmental activities* as reported in the government-wide statement of net position. The detail of this \$6,176,558 difference is as follows:

Capital assets, net of accumulated depreciation	\$ 7,802,381
Deferred outflows of resources related to pension plans	1,248,147
Capital improvement revenue note	(195,520)
Accrued interest on long-term debt	(2,613)
Post-employment health care obligation	(635,095)
Compensated absences	(523,798)
Net pension liability	(279,510)
Deferred inflows of resources related to pension plans	<u>(1,237,434)</u>
Net adjustment to increase <i>fund balance - total Governmental funds</i> to arrive at <i>net position - Governmental activities</i>	<u>\$ 6,176,558</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

2. Reconciliation of Government-wide and Fund Financial Statements (Continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “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 expenses.” The details of this \$180,993 difference are as follows:

Capital outlay	\$ 719,281
Depreciation expense	<u>(538,288)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at changes in net position of governmental activities	<u>\$ 180,993</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$898,648 difference are as follows:

Compensated absences	\$ 172,962
Post-employment health care obligation	(50,719)
Change in accrued interest expense	127
Principal debt payments	124,055
Net pension liabilities	653,516
Loss on disposition of equipment	<u>(1,293)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at changes in net position of governmental activities	<u>\$ 898,648</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

3. Deposits and Investments

Deposits

At year-end the carrying amount of the District's deposits was \$4,539,347 and the bank balance was \$4,458,574. The bank balance was covered by federal depository insurance and, for the amount in excess of such federal depository insurance, by the State of Florida's Security for Public Deposits Act. Provisions of the Act require that public deposits may only be made at qualified public depositories. The Act requires each qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral as determined by the provisions of the Act. In the event of a failure by a qualified public depository, losses in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

3. Deposits and Investments (Continued)

Investments (continued)

Investments as of September 30, 2019 are presented as follows:

	<u>Bond Rating</u>	<u>Fair Value</u>	<u>Weighted Average Duration (Years)</u>
Domestic Stocks	N/A	\$ 20,384,834	N/A
International Stocks	N/A	835,500	N/A
U.S. Government and agency securities	A-AA	476,783	5.3
Corporate Bonds	A-AA	4,852,172	6.2
Municipal Bonds	A-AA	200,179	2.1
Temporary investments	N/A	<u>2,034,677</u>	N/A
Total Pension Trust Fund investments		<u>\$ 28,784,145</u>	

Certificates of deposit held at September 30, 2019, at cost, are summarized as follows:

Certificate of Deposit, 2.40% (matures March 21, 2020)	N/A	\$ 452,925	N/A
Certificate of Deposit, 2.40%, (matures March 21, 2020)	N/A	103,878	N/A
Certificate of Deposit, 2.00%, (matures August 14, 2020)	N/A	1,288,613	N/A
Certificate of Deposit, 2.40%, (matures October 1, 2019)	N/A	1,053,062	N/A
Certificate of Deposit, 2.45% (matures December 19, 2019)	N/A	487,100	N/A
Certificate of Deposit, 2.45%, (matures March 12, 2020)	N/A	<u>224,754</u>	N/A
Total Certificates of Deposit		<u>\$ 3,610,332</u>	

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

3. **Deposits and Investments (Continued)**

Investments (continued)

The domestic stocks, international stocks, U.S. Government and agency securities, corporate bonds, municipal bonds, and temporary investments are assets of the District's Pension Trust Fund. The fair value of these publicly traded investments was determined by the stock share or bond prices as of September 30, 2019.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. Through its investment policies, the pension trust fund manages its exposure to fair value losses arising from increasing interest rates. The fund limits the effective duration of its investment portfolio through the adoption of nationally accepted risk measure benchmarks.

Credit Risk: Credit risk is the risk that a debt issuer will not fulfill its obligations. Consistent with state law, it is the Pension fund's policy to limit its debt investments to the A rating or higher issued by nationally recognized statistical rating organizations.

Custodial Credit Risk: Custodial credit risk is defined as the risk that the Pension Plan (Plan) may not recover cash and investments held by another party in the event of a financial failure. The Plan requires all securities to be held by a third party custodian in the name of the Plan. Securities transactions between a broker-dealer and the custodian involving the purchase or sale of securities must be made on a "delivery vs. payment" basis to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. The investments in mutual funds and investment partnerships are considered *unclassified* pursuant to the custodial credit risk categories of GASB Statement No.3, because they are not evidenced by securities that exist in physical or book-entry form.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

4. Investment Measurement at Fair Value

Fair Value Hierarchy

The accounting standards break down the fair value hierarchy into three levels based on how observable the inputs are that make up the valuation. The most observable inputs are classified as Level 1 where the unobservable inputs are classified as Level 3.

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

As a general rule, any asset that has a daily closing price and is actively traded will be classified as a Level 1 input.

Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly. Inputs to the valuation methodology include: (1) quoted market prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in active markets, (3) inputs other than quoted prices that are observable for the asset or liability, and (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

As a general rule, if an asset or liability does not fall into the requirements of a Level 1 or Level 3 input, it would default to Level 2. With Level 2 inputs, there is usually data that can be easily obtained to support the valuation, even though it is not as easily obtained as a Level 1 input would be.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As a general rule, Level 3 inputs are those that are difficult to obtain on a regular basis and require verification from an outside party, such as an auditor or an appraisal, to validate the valuation.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

4. Investment Measurement at Fair Value (Continued)

Fair Value Hierarchy (Continued)

Net asset value (NAV) is a common measurement of fair value for Level 1, Level 2, and Level 3 investments. A fund's NAV is simply its assets less its liabilities, and is often reported as a per share amount for fair value measurement purposes. The Plan would multiply the NAV per share owned to arrive at fair value. Level 1 investment in funds such as mutual funds report at a daily NAV per share and are actively traded. NAV also comes in to play for Level 2 and 3 investments. As a matter of convenience (or referred to in accounting literature as a "practical expedient"), a Plan can use the NAV per share for investments in a nongovernmental entity that does not have a readily determined fair value, such as an alternative investment. Investments measured at NAV as a practical expedient would be excluded from the fair value hierarchy because the valuation is not based on actual market inputs but rather is quantified using the fund's reported NAV as a matter of convenience.

The Plan categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following total recurring fair value measurements as of September 30, 2019 and 2018:

- *Debt securities* - Debt securities classified in Level 1 or Level 2 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used by International Data Pricing and Reference Data, LLC to value securities based on the securities' relationship to benchmark quoted prices.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

4. Investment Measurement at Fair Value (Continued)

Fair Value Hierarchy (Continued)

- *Mutual funds* - The rationale for inclusion in Level 1 or Level 2 points to the unobservable inputs involved in mutual fund pricing. Mutual funds do not trade using bid and ask, as with ETF's or common stock. Instead, the prices are determined by the net asset value of the underlying investments at the close of business for the next day's open. The underlying assets themselves may include a variety of Level 1 and Level 2 securities and some may be valued using matrix pricing which interpolates the price of a security based on the price of similar securities.
- *Fixed income funds* - Valued using pricing models maximizing the use of observable input for similar securities. This includes basing value on yield currently available on comparable securities of issues with similar credit ratings.
- *Equity funds* - Valued at market prices for similar assets in active markets.
- *Common stock* - Valued at quoted market prices for identical assets in active markets.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

4. Investment Measurement at Fair Value (Continued)

Fair Value Hierarchy (Continued)

Pension Trust Fund	September 30,	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level	2019			
U.S. Government and agency securities	\$ 476,783	\$ -	\$ 476,783	\$ -
Corporate bonds	4,852,172	-	4,852,172	-
Municipal bonds	200,179	-	200,179	-
Domestic stocks	20,384,834	20,384,834	-	-
International stocks	835,500	835,500	-	-
Temporary investments	<u>2,034,677</u>	<u>2,034,677</u>	<u>-</u>	<u>-</u>
Total investments measured at fair value	<u>\$ 28,784,145</u>	<u>\$ 23,255,011</u>	<u>\$ 5,529,134</u>	<u>\$ -</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

4. Investment Measurement at Fair Value (Continued)

Fair Value Hierarchy (Continued)

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pension Trust Fund	September 30,			
Investments by fair value level	2018			
U.S. Government and agency securities	\$ 467,573	\$ -	\$ 467,573	\$ -
Corporate bonds	5,538,965	-	5,538,965	-
Municipal bonds	270,163	-	270,163	-
Domestic stocks	18,610,245	18,610,245	-	-
International stocks	682,607	682,607	-	-
Temporary investments	521,284	521,284	-	-
Total investments measured at fair value	\$ <u>26,090,837</u>	\$ <u>19,814,136</u>	\$ <u>6,276,701</u>	\$ <u>-</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

5. Receivables

Receivables at September 30, 2019, consist of the following:

	<u>General Fund</u>
Receivables:	
Intergovernmental:	
State	\$ 4,086
Accounts	<u>46,466</u>
Gross receivables	50,552
Less: Allowance for uncollectibles	<u>-</u>
Net total receivables	<u>\$ 50,552</u>

The receivables in the General Fund are due from state and county agencies and taxpayers within the District.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

6. Capital Assets

Capital asset activity for the year ended September 30, 2019 was as follows:

	Balance October 1, 2018	Increases	Decreases	Balance September 30, 2019
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 939,530	\$ -	\$ -	\$ 939,530
Total capital assets, not being depreciated	939,530	-	-	939,530
Capital assets, being depreciated:				
Buildings and improvements	6,534,997	-	(4,421)	6,530,576
Equipment	<u>5,408,703</u>	<u>777,701</u>	<u>(104,149)</u>	<u>6,082,255</u>
Total capital assets, being depreciated	11,943,700	777,701	(108,570)	12,612,831
Less accumulated depreciation for:				
Buildings and improvements	(2,227,786)	(139,098)	44,436	(2,322,448)
Equipment	<u>(3,032,763)</u>	<u>(399,190)</u>	<u>4,421</u>	<u>(3,427,532)</u>
Total accumulated depreciation	<u>(5,260,549)</u>	<u>(538,288)</u>	<u>48,857</u>	<u>(5,749,980)</u>
Total capital assets, being depreciated, net	<u>6,683,151</u>	<u>239,413</u>	<u>(59,713)</u>	<u>6,862,851</u>
Governmental activities capital assets, net	<u>\$ 7,622,681</u>	<u>\$ 239,413</u>	<u>\$ (59,713)</u>	<u>\$ 7,802,381</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

7. General Long-Term Debt

Capital Improvement Revenue Note

During the fiscal year ended September 30, 2006 the District issued a capital improvement revenue note, series 2005 to finance the cost of the renovation and equipping Station 65. Semi-annual principal and interest payments of \$67,791 are due through December 2020 with interest at 3.99%.

The District pledged all ad valorem revenues which are lawfully available to pay the debt service on the above notes and lease.

Long-term debt is summarized as follows:

<u>Description</u>	<u>Balance October 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 2019</u>	<u>Due Within One Year</u>
Capital improvement revenue note, 3.99%	\$ 319,575	\$ -	\$ 124,055	\$ 195,520	\$ 129,055
Post-employment health obligation (Note 17)	598,505	36,590	-	635,095	-
Compensated absences	697,760	-	172,962	524,798	130,950
Net pension liability	289,242	-	10,732	278,510	-
	<u>\$ 1,905,082</u>	<u>\$ 36,590</u>	<u>\$ 307,749</u>	<u>\$ 1,633,923</u>	<u>\$ 260,005</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

7. General Long Term Debt (Continued)

The following table presents a summary of note and capital lease maturities and interest requirements:

Year ending September 30,	Capital Improvement Revenue Note
2020	\$ 135,581
2021	67,793
Total payments due	203,374
Less interest	7,854
Outstanding principal	\$ <u>195,520</u>

Compensated Absences

Compensated absence benefits are summarized as follow:

Annual Leave:

Employees who earn more than two week's annual leave per year may, with the approval of the District, elect to convert annual leave to supplemental leave or HAS (within the Internal Revenue Service HAS contribution limits) for all annual leave in excess of two (2) weeks to be earned during that fiscal year providing: two (2) weeks minimum leave has been or is being taken at that time, and no vacation carried over from prior years shall be converted. Request for conversion of annual leave will be submitted to the Fire Chief or designate of the intent to "convert" annual leave by September 1st of each fiscal year.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

7. **General Long Term Debt (Continued)**

Annual Leave (Continued)

Sick Leave:

Employees in good standing, who resign or retire after five (5) or more years of continuous service, are eligible to convert a portion of their earned accumulated sick leave at the rate of 2% each year up to a maximum of 50% after 25 years as per Option 1 or 2.5% each year up to a maximum of 62.5% after 25 years as per below Option 2:

The amount of sick hours an employee is allowed to cash out or convert is capped at the following:

- 40-hour employees - 1000 hours
- Shift employee - 1300 hours

CASH OUT PEEP

Option 1: Cash out as per outlined in Section 11 of this article (see maximum hour accumulation requirement). To be eligible for this option the employee must submit written notice at least one (1) month prior to the separation date and receive the payment prior to separation date.

Option 2: Rolled into the employee's PEEP account as per section 11 of this article (see maximum hour accumulation requirement).

To be eligible for this option the employee must submit written notice at least two (2) weeks prior to separation date.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

7. **General Long Term Debt (Continued)**

The total liability as of September 30, 2019 for accrued annual leave is recorded as the liability entitled “compensated absences.”

	<u>Vacation Leave</u>	<u>Sick Leave</u>	<u>Total Compensated Absences</u>
September 30, 2019	\$ <u>307,015</u>	\$ <u>216,783</u>	\$ <u>523,798</u>

Vested or accumulated annual sick and vacation leave that is expected to be liquidated with available financial resources is reported as an expenditure and a fund liability of the general fund in the government-wide financial statements.

8. **Deferred Compensation Plan**

Employees of the District may elect to participate in a deferred compensation plan which the Board adopted on September 16, 1992 under the provisions of Internal Revenue Code Section 457. Deferred Accounts are not available for withdrawal by the employee until termination, retirement, death or hardship.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

8. Deferred Compensation Plan (Continued)

Funds invested in the plan (U.S. Conference of Mayors Deferred Compensation Program) are managed by the independent third party plan administrator Nationwide Retirement Systems, Inc. In its fiduciary role, the District has the obligation of due care in selecting the third party administrator. Various investment options are available from which employees can choose to direct their funds.

Under the terms of IRS Section 457 IRC the deferred compensation and all investment income earned on such funds, are held in trust for the exclusive benefit of the Plan Participants and their beneficiaries. Although District Board is the trustee of the Plan, the District has no administrative involvement, and performs no investing function for the Plan and has therefore not reported the Plan in this financial report.

9. Designations

A portion of the plan net position is designated for benefits that accrue in relation to the Share accounts. Allocations to the Share plan accounts for the year ended September 30, 2019 are presented below as determined in the most recent annual valuation available for the year ended September 30, 2019:

Designated for Share accounts (fully funded)	\$ <u>2,586,995</u>
Total designated plan net position	2,586,995
Undesignated plan net position	<u>26,221,268</u>
Total plan net position	\$ <u><u>28,808,263</u></u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

**10. Schedule of Investment and Administrative Expenses -
175 Pension Plan**

The schedule of investment and administrative expenses, investment income and investment cost and fair value of the Firefighters' Pension Trust Fund for the fiscal year ended September 30, 2019 is as follows:

	<u>Investment</u> <u>Expenses</u>	<u>Administrative</u> <u>Expenses</u>
Legal fees	\$ -	\$ 10,355
Actuary fees	-	18,581
Seminars and travel	-	956
Dues and subscriptions	-	850
Insurance	-	3,193
Custodial fees	10,778	-
Investment management fees - BH	94,295	-
Administrator	-	11,631
	<u> </u>	<u> </u>
Total	\$ <u>105,073</u>	\$ <u>45,566</u>

Appreciation (Depreciation) in Fair Value
of Investments

<u>Investment Type</u>	<u>Realized</u> <u>Appreciation</u> <u>(Depreciation)</u>	<u>Unrealized</u> <u>Appreciation</u> <u>(Depreciation)</u>	<u>Total</u>
U.S. Government and agencies	\$ (164)	\$ 15,517	\$ 15,353
Corporate bonds	(36,245)	161,741	125,496
Municipal obligations	21,775	(11,709)	10,066
International stocks	(110,138)	(68,327)	(178,465)
Domestic stock	<u>1,528,866</u>	<u>(1,049,177)</u>	<u>479,689</u>
Total	\$ <u>1,404,094</u>	\$ <u>(951,955)</u>	\$ <u>452,139</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

**10. Schedule of Investment and Administrative Expenses -
175 Pension Plan (Continued)**

The Plan's investments at both fair value as of September 30, 2019 are summarized as follows:

<u>Investment</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. Government and agency securities	\$ 448,473	\$ 476,783
Corporate bonds	4,702,971	4,852,172
Municipal bonds	189,000	200,179
Domestic stocks	15,220,828	20,384,834
International stocks	654,921	835,500
Temporary investments	<u>2,034,677</u>	<u>2,034,677</u>
Total	<u>\$ 23,250,870</u>	<u>\$ 28,784,145</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

11. Defined Benefit 175 Pension Plan

The District maintains a single employer defined benefit pension plan (Palm Harbor Special Fire Control and Rescue Firefighters' District Pension Plan) (Plan) covering all Firefighters hired on or after January 1, 1996, as a condition of employment.

During the fiscal year ended September 30, 2014 the District adopted Governmental Accounting Standards Board (GASB) Statement 67, Financial Reporting for Pension Plans. During the fiscal year ended September 30, 2015 the District adopted (GASB) Statement 68, Accounting and Financial Reporting for Pensions. Since separate trust financial statements have not been issued for this fire pension plan and are only reported as a fiduciary fund in these statements all of the disclosures required by GASB 67 and 68 have been reported in these statements. Further, the District has chosen to use September 30, 2019 as the measurement date for GASB 68 reporting purposes.

Plan Description:

The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees comprised of:

- a. Two commission appointees,
- b. Two members of the Plan elected by the membership, and a
- c. Fifth member elected by the other 4 and appointed by the Commission.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

11. Defined Benefit 175 Pension Plan (Continued)

Plan Membership as of October 1, 2018:

Inactive Plan members or beneficiaries currently receiving benefits	7
Inactive Plan members entitled to but not yet receiving benefit	3
Active Plan members	<u>49</u>
 Total	 <u>59</u>

Benefits Provided:

The Plan provides retirement, termination, disability and death benefits.

Normal Retirement:

Date: Earlier of age 55 and 8 years of credited service or 25 years of credited service, regardless of age.

Benefit: 3.7% of average final compensation per year of credited service up to September 30, 2003, plus, depending on level of member contribution, either 3.0%, 3.5% or 4.0% for each year after September 30, 2003. Benefit is paid for life with first 120 monthly payments guaranteed (options available).

Effective October 1, 2017, the accrued benefit under the Normal Form (life annuity with the first ten years guaranteed, cannot exceed \$125,000 before application of any applicable supplemental benefit or cost-of-living adjustments. In any event, the accrued benefit cannot be less than 2.75% of Average Final Compensation for each year of credited service.

Early Retirement:

Eligibility: Age 45 with 8 years of credited service

Benefit: Accrued benefit, reduced 3% for each year prior to Normal Retirement.

Vesting:

Schedule: 100% after 8 years of credited service. Members with 6 or more years of credited service as of October 1, 2017 are 100% vested in their accrued benefits.

Benefit Amount: Non-vested members receive a refund of contributions. Vested members receive the accrued benefit at normal retirement or a reduced benefit payable at any time prior to normal retirement.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

11. Defined Benefit 175 Pension Plan (Continued)

Disability:

Eligibility Service Incurred: covered from date of employment. Non-Service Incurred: 8 years of credited service.

Benefit accrued to date of disability, but if the disability is service incurred, the benefit is not less than 42% of Average Final Compensation (65% if the member is unable to perform another type of work) The \$125,000 limitation applies, but not less than 2.75% of Average Final Compensation for each year of credited service.

Death Benefits Not in Line of Duty:

Vested: Beneficiary elects either 1) refund of member contributions, or 2) an immediate or deferred monthly benefit based on the assumption that the member retired on the date of death and elected the 100% joint and survivor annuity. The \$125,000 limitation applies, but not less than 2.75% of Average Final Compensation for each year of credited service.

Non-Vested: Refund of member contributions.

Death Benefits in Line of Duty:

Non-Vested: Spouse or dependent child receives 50% of member's last monthly salary for life (spouse) or until age 18 (dependent child/children).

Vested: Spouse may elect either non-vested line of duty benefit or vested not in line of duty benefit.

Cost of Living Adjustments:

Each July 1 following normal retirement date the monthly benefit amount is increased by 3%. Members terminating employment after September 30, 2017 prior to Normal or Early Retirement eligibility are not entitled to any cost-of-living adjustments.

Supplemental Monthly Benefit:

\$5.00 for each year of credited service (minimum \$30.00, maximum \$150.00) for all Normal, Early or Disability Retirees, and Vested Terminated Members, but not to beneficiaries or joint pensioners.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

11. Defined Benefit 175 Pension Plan (Continued)

Chapter 175 Share Accounts:

Allocation: Each year commencing October 1, 2005, premium tax monies received pursuant to Chapter 175, Florida Statutes in excess of the 1998 base amount plus improvements will be allocated to individual member share accounts based on days employed for the respective calendar year.

Investment Earnings: Net rate of investment return, based on days worked.

Vesting Schedule: Same as for other benefits (see above).

Contributions

Member Contributions:

1.0% of Salary (3.0% Benefit Accrued Rate)

4.3% of Salary (3.5% Benefit Accrued Rate)

7.6% of Salary (4.0% Benefit Accrued Rate)

District and State Contributions:

Remaining amounts required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Part VII of Chapter 112, Florida Statutes.

Investment Policy

The following was the Board's adopted asset allocation policy as of September 30, 2018:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Range</u>
Domestic Equity	50%	40% - 75%
International Equity	15%	0% - 25%
Intermediate Fixed	<u>35%</u>	25% - 45%
Total	<u><u>100%</u></u>	

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

11. Defined Benefit 175 Pension Plan (Continued)

Concentrations

The Plan did not hold investments in any one organization that represents 5% or more of the Pension Plan's Fiduciary Net Position.

Rate of Return

For the year ended September 30, 2019, the annual money-weighted average rate of return on Pension Investments, net of Pension Plan investment expense, was 3.13 percent.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actuarially invested.

Deferred Retirement Option Program

Eligibility: Satisfaction of Normal Retirement requirements.

Participation: Not to exceed 60 months.

Rate of Return: At Member's election:

- 1) Fixed Rate 6.5% compounded monthly, or
- 2) Actual net rate of investment return (total return net of brokerage commissions, management fees, and transaction costs) credited each fiscal quarter.

BAC-DROP

Eligibility: Satisfaction of Normal Retirement requirements. BAC-DROP allows a Member to effectively retire at an earlier point in time (using Credited Service, Average Final Compensation, and Plan provisions in effect on that earlier date), but not prior to the first eligibility date for Normal Retirement.

Participation: Up to 36 months. The Member must terminate employment no later than the first day of the month following entry to the BAC-DROP.

Rate of Return: 6.50% fixed, effective annual rate.

The DROP balance as of September 30, 2019 is \$0.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

11. Defined Benefit 175 Pension Plan (Continued)

The components of the Net Pension Liability of the Sponsor on September 30, 2019 were as follows:

Total Pension Liability	\$ 26,946,862
Plan Fiduciary Net Position	<u>28,808,263</u>
Sponsor's Net Pension Liability (Asset)	<u><u>\$ (1,861,401)</u></u>
Plan Fiduciary Net Position as a	
percentage of Total Pension Liability (Asset)	<u><u>106.91%</u></u>

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2018 updated to September 30, 2019 using the following actuarial assumptions:

Inflation	3.00%
Salary Increases	3.50% - 14.00%
Discount Rate	7.50%
Investment Rate of Return	7.50%

Mortality Rate Healthy Active Lives:

Female: RP2000 Generational, 100% Combined Healthy White Collar, Scale BB.

Male: RP2000 Generational, 10% Combined Healthy White Collar / 90% Combined Healthy Blue Collar, Scale BB.

Mortality Rate Healthy Inactive Lives:

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB.

Mortality Rate Disabled Lives:

Female: 60% RP2000 Disabled Female set forward two years/ 40% Annuitant White Collar with no setback, no projection scale.

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

The most recent actuarial experience study used to review the other significant assumptions was dated July 11, 2016.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

11. Defined Benefit 175 Pension Plan (Continued)

The Long-Term Expected Rate of Return on Pension Plan Investments can be determined using building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expenses and inflation) are developed for each major asset class.

For 2019 the inflation rate assumption of the investment advisor was 3.00%.

These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimate of geometric real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	9.00%
International Equity	7.00%
Intermediate Fixed	2.50%

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.50 percent.

The projection of cash flows used to determine the Discount Rate Assumed that Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term expected Rate of Return on Pension Plan investments was applied to all period of projected benefit payments to be determine the Total Pension Liability.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

11. Defined Benefit 175 Pension Plan (Continued)

	<u>1% Decrease</u> 6.50%	<u>Current</u> <u>Discount Rate</u> 7.50%	<u>1% Increase</u> 8.50%
District's Net			
Pension Liability (Asset)	\$ <u>2,336,184</u>	\$ <u>(1,861,401)</u>	\$ <u>(5,213,361)</u>

PENSION EXPENSE AND DEFERRED OUTFLOWS
OF RESOURCES AND DEFERRED INFLOWS OF
RESOURCES RELATED TO PENSION

For the year ended September 30, 2019, the District recognized a pension expense of \$991,695.

On September 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 428,772	\$ 592,775
Changes of assumptions	117,192	-
Net difference between projected and actual earnings on		
Pension plan investments	-	421,207
Total	\$ <u>545,964</u>	\$ <u>1,013,982</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

11. Defined Benefit 175 Pension Plan (Continued)

PENSION EXPENSE AND DEFERRED OUTFLOWS
OF RESOURCES AND DEFERRED INFLOWS OF
RESOURCES RELATED TO PENSION (CONTINUED)

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

Year ended September 30:

2020	\$	(412,058)
2021	\$	(283,360)
2022	\$	(63,993)
2023	\$	271,342
2024	\$	2,075
Thereafter	\$	17,976

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

12. Employee Retirement Systems

The District maintains a defined contribution 401(a) plan which covers the District's general employees hired on or after January 1, 1996. General employees hired prior to January 1, 1996 participate in the Florida Retirement System (System), a contributory cost-sharing multiple-employer public employee retirement system (PERS).

Florida Retirement System

Plan Description:

Many of the District's employees participate in the Florida Retirement System (FRS), a non-contributory cost-sharing, multiple-employer public employee retirement system.

The District contributes to the FRS which is administered by the Florida Department of Management Services, Division of Retirement. FRS provides retirement (pension) plan, health insurance subsidy program (HIS), disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Chapter 121 of the Florida Statutes, which may be amended by the Florida Legislature, assigns the authority to establish and amend benefit provisions to the Department of Management Services through the Division of Retirement. The FRS issues a publicly available financial report that includes financial statements and required supplementary information for FRS. That report may be obtained by writing to:

State of Florida
Division of Retirement
3639-C North Monroe Street
Tallahassee, Florida 32399-1560

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

12. Employee Retirement Systems (Continued)

The five classes of members are as follows:

1. *Regular Class* - Members of the FRS who do not qualify for membership in the other classes.
2. *Senior Management Service Class (SMSC)* - Members in senior management level positions in state and local governments as well as assistant state attorneys, assistant statewide prosecutors, assistant public defenders, assistant attorneys general, deputy court administrators, assistant capital collateral representatives, and judges of compensation claims. Members of the Elected Officers' Class may elect to withdraw from the FRS or participate in the SMSC in lieu of the Elected Officers' Class.
3. *Special Risk Class* - Members who are employed as law enforcement officers, firefighters, firefighter trainers, fire prevention officers, state fixed-wing pilots for aerial firefighting surveillance, correctional officers, emergency medical technicians, paramedics, community-based correctional probation officers, youth custody officers (from July 1, 2001, through June 30, 2014), certain health-care related positions within state forensic or correctional facilities, or specified forensic employees of a medical examiner's office or a law enforcement agency, and meet the criteria to qualify for this class.
4. *Special Risk Administrative Support Class* - Former Special Risk Class members who are transferred or reassigned to nonspecial risk, law enforcement, firefighting, emergency medical care, or correctional administrative support positions within an FRS special risk-employing agency.
5. *Elected Officers Class (EOC)* - Members who are elected state and county officers, firefighters, and the elected officers of cities and special districts that choose to place their elected officials in this class.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

12. Employee Retirement Systems (Continued)

Beginning July 1, 2001, through June 30, 2011, the FRS Pension Plan provided for vesting benefits after six-years of creditable service for members initially enrolled during this period. Members not actively working in a position covered by the FRS on July 1, 2001 must return to covered employment for up to one work year to be eligible to vest with less service than was required under the law in effect before July 1, 2001. Members initially enrolled on or after July 1, 2011, vest after eight years of creditable service. Members are eligible for normal retirement when they have met the requirements listed below. Early retirement may be taken any time after vesting within 20 years of normal retirement age; however, there is a 5 percent benefit reduction for each year prior to the normal retirement age.

Regular Class, Senior Management Service Class, and Elected Officers' Class Members - For members initially enrolled in the FRS before July 1, 2011, six or more years of creditable service and age 62, or the age after completing six years of creditable service if after age 62. Thirty years of creditable service regardless of age before age 62.

For members initially enrolled in the FRS on or after July 1, 2011, eight or more years of creditable service and age 65, or the age after completing eight years of creditable service if after age 65. Thirty-three years of creditable service regardless of age before age 65.

Special Risk Class and Special Risk Administrative Support Class Members - For members initially enrolled in the FRS before July 1, 2011, six or more years of Special Risk Class service and age 55, or the age after completing six years of Special Risk Class service if after age 55. Twenty-five years of special risk service regardless of age before age 55. A total of 25 years of service including special risk service and up to four years of active duty wartime service and age 52. Without six years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class.

For members initially enrolled in the FRS or after July 1, 2011, eight or more years of Special Risk Class service and age 60, or the age after completing eight years of Special Risk Class service if after age 60. Thirty years of special risk service regardless of age before age 60. Without eight years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

12. Employee Retirement Systems (Continued)

Per State Statutes, contribution requirements of the active employees and the participating employers are established and may be amended by the FRS Board. Employees are required to contribute 3.00 percent of their annual pay. The District’s contractually required contribution rates for the year ended June 30, 2019 and September 30, 2019 , was 24.39% and 25.63%, respectively, of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan and HIS program from the District were \$155,486 for the year ended September 30, 2019.

Funding Policy:

The FRS funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates, established by state law, are determined using the entry-age actuarial funding method. Future plan benefit changes, assumption changes, and methodology changes are amortized within 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount.

Retirement benefits and the District’s contribution rates are summarized as follows:

Membership Category	Retirement Benefit	Vesting	District Contributions Rate Actuarially Determined	
			Employer Contribution Rates through June 30, 2019	Employer Contribution Rates Beginning July 1, 2019
Special Risk	1.6% times years of service times average compensation (5 highest years) if age 55 or 25 years of service at any age.	After 6 years of creditable service. After July 1, 2011, 8 years.	24.50% of covered payroll	25.48% of covered payroll
Drop from FRS	-	-	14.03% of covered payroll	14.60% of covered payroll

Participants in FRS contribute 3% of salary.

The District’s contributions include 1.66% for a post-retirement health insurance subsidy, (HIS).

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

12. Employee Retirement Systems (Continued)

Deferred Retirement Option Program:

The FRS Deferred Retirement Option Program (DROP) is available to a member when the member first reaches eligibility for normal retirement. DROP allows a member to retire while continuing employment for up to 60 months. During DROP participation, the member's retirement benefits (increased by a cost-of-living adjustment each July) accumulate in the FRS Trust Fund and earn monthly interest equivalent to an annual rate of 6.5%. (The DROP interest rate is reduced to 1.3% for members who enter DROP on or after 7/1/11.) The member must cease employment after a maximum of 60 months, must satisfy the termination requirements for retirement, and is subject to reemployment restrictions thereafter. The member's DROP accumulation may be paid out as a lump sum payment, a rollover, or a combination partial lump sum payment and rollover. Employers must pay contributions at a rate of 14.60% of salary for all DROP participants. FRS also provides disability and survivors benefits. Benefits are established by Florida State Statute.

The contribution requirements of employers for the pension plan and the HIS program are established and may be amended by the Division of Retirement. The District's contributions and its required contributions for the prior two fiscal years are summarized as follows:

<u>Year Ended</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
September 30, 2017	\$ 237,102	100.0
September 30, 2018	223,308	100.0
September 30, 2019	155,486	100.0

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

12. **Employee Retirement Systems (Continued)**

Florida Retirement System (Continued)

Funding Policy (Continued):

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions and HIS Program

At September 30, 2019, the District reported a liability of \$1,7503,695 for its proportionate share of the net pension liability and \$386,216 for the net pension HIS liability. The net pension liability was measured as of June 30, 2019, and the total pension and HIS liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan and the HIS program relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2019, the District's proportion was .005092236 percent for the pension plan and .003451749 percent for the HIS program.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

12. Employee Retirement Systems (Continued)

Florida Retirement System (Continued)

Funding Policy (Continued):

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions and HIS Program (Continued)

For the year ended September 30, 2019, the District recognized pension expense of \$429,343 and \$28,872 for the HIS program. At September 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to the pension plan and the HIS program coverage from the following sources:

	<u>FRS Pension Plan</u>		<u>FRS HIS Program</u>		<u>Total</u>	
	<u>Deferred Outflows Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows Resources</u>	<u>Deferred Inflows Resource</u>	<u>Deferred Outflows Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and experience	\$ 104,016	\$ (1,088)	\$ 4,691	\$ (472)	\$ 108,707	\$ (1,560)
Changes in assumptions	476,515	-	47,867	(31,566)	524,382	(31,566)
Net difference between projected and actual investment earnings	-	(97,023)	249	-	249	(97,023)
Changes in proportion and difference between contribution and share of contributions	<u>44,749</u>	<u>(44,749)</u>	<u>14,920</u>	<u>(14,920)</u>	<u>59,669</u>	<u>(59,669)</u>
Total	<u>\$ 625,280</u>	<u>(142,860)</u>	<u>\$ 67,727</u>	<u>(46,958)</u>	<u>\$ 693,007</u>	<u>(189,818)</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

12. Employee Retirement Systems (Continued)

Florida Retirement System (Continued)

Funding Policy (Continued):

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions and HIS Program (Continued)

\$29,238 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2019. Other amounts reported as net deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Pension		HIS	
	Plan	Program	Total	
2020	\$ 165,492	\$ 7,509	\$ 173,001	
2021	49,923	6,010	55,933	
2022	120,620	3,289	123,909	
2023	90,991	(2,389)	88,602	
2024	23,466	433	23,899	
Thereafter	<u>5,834</u>	<u>2,766</u>	<u>8,600</u>	
Total	\$ <u>456,326</u>	\$ <u>17,618</u>	\$ <u>473,944</u>	

Actuarial Assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>Pension Plan</u>	<u>HIS Program</u>
Inflation	2.60 percent	2.60 percent
Salary increases	3.25 percent, average, including inflation	3.25 percent, average, including inflation
Investment rate of return	6.90 percent, net of plan investment expense, including inflation	3.50 percent, net of HIS investment expense,
Discount rate of return	6.90 percent	3.50 percent

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

12. **Employee Retirement Systems (Continued)**

Florida Retirement System (Continued)

Funding Policy (Continued):

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions and HIS Program (Continued)

The following changes in actuarial assumptions occurred in 2019:

- FRS: The long-term expected rate of return was decreased from 7.00% to 6.90% and the active member mortality assumptions were changed from Generational RP-2000 with Projection Scale BB Tables to the PUB-2010 base table Projected generationally with Scale MP-2018 for both the pension plan and HIS program.
- HIS: The municipal rate used to determine total pension liability was decreased from 3.87% to 3.50%.

The actuarial assumptions used in the June 30, 2019 actuarial valuation were based on the results of an actuarial experience study published in 2019 for the period July 1, 2013 through June 30, 2018 for the pension plan. Because the HIS Program is funded on a pay as you go basis, no experience study has been completed for that program.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

12. **Employee Retirement Systems (Continued)**

Florida Retirement System (Continued)

Funding Policy (Continued):

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions and HIS Program (Continued)

The following changes in actuarial assumptions occurred in 2019 (Continued):

Long-Term Expected Rate of Return:

The long-term expected rate of return assumption of 6.90 percent consists of two building block components: 1) a real (in excess of inflation) return of 4.40 per cent, consistent with the currently articulated real return target in the current Florida State Board of Administration's investment policy, developed using capital market assumptions calculated by Aon Hewitt Investment Consulting; and 2) a long-term average annual inflation assumptions of 2.60 percent as adopted in October 2019 by the FRS Actuarial Assumption Conference. In the opinion of the FRS consulting actuary, Milliman, both components and the overall 6.90 percent return assumption were determined to be reasonable and appropriate per the Actuarial Standards of Practice. The 6.90 percent reported investment return assumption differs from the 7.20 percent investment return assumption chosen by the 2019 FRS Actuarial Assumption Conference for funding policy purposes, as allowable under governmental and reporting standards.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

12. **Employee Retirement Systems (Continued)**

Florida Retirement System (Continued)

Funding Policy (Continued):

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions and HIS Program (Continued)

Calculation of Money-Weighted Rate of Return:

For the year ended June 30, 2019, the annual money-weighted rate of return on FRS pension plan investments, net of pension plan investment expenses, was 5.97 percent. The money-weighted rate of return considers the changing amounts estimated as invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. Cash flows are estimated on a monthly basis and are assumed to occur at the beginning of each month. Cash inflows are netted with cash outflows, resulting in a net cash flow in each month. The money-weighted rate of return is calculated net of investment expenses.

Discount rate. The discount rate used to measure the total pension liability for the pension plan was 6.90 percent and 3.50 percent for the HIS program. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the District will be made at contractually, required rates, actuarially determined. Based on those assumptions, the pension 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 long-term expected rate of return on pension plan investments was applicable to all periods for projected benefit payments to determine the total pension liability.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

12. Employee Retirement Systems (Continued)

Florida Retirement System (Continued)

Funding Policy (Continued):

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions and HIS Program (Continued)

Sensitivity of the District's proportionate shares 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 6.90 percent, and 3.50% for the HIS program, as well as what the District's proportionate share of the net pension plan liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Pension Plan		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(5.90%)	(6.90%)	(7.90%)
District's proportionate share			
of the net pension liability	\$ <u>3,031,555</u>	\$ <u>1,753,695</u>	\$ <u>686,466</u>
	HIS Program		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(2.50%)	(3.50%)	(4.50%)
District's proportionate share			
of the net pension liability	\$ <u>440,885</u>	\$ <u>386,216</u>	\$ <u>340,682</u>

The net pension liability represents the liability for employees for projected pension benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service less the amount of the pension plan's fiduciary net position.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

13. Restricted Net Position

Pension Trust Funds - The net position in the Pension Trust Fund is reserved to indicate fund equity is restricted for future benefits to members of the District's Chapter 175 pension plan is summarized as follows as of September 30, 2019:

Firefighters' Pension Fund	\$	<u>28,808,263</u>
Net position restricted for pensions	\$	<u><u>28,808,263</u></u>

14. Details of Constraints on Fund Balances of Governmental Funds

The District has recognized that adequate unassigned fund balance is needed to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates.

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Fund Balances:			
Restricted for:			
Prepaid item	\$ 1,501	\$ -	\$ 1,501
Equipment and improvements	-	167,202	167,202
Committed to:			
Vacation and special pay	25,000	-	25,000
Capital improvements	500,000	-	500,000
Station No. 68	40,000	-	40,000
SCBA	229,000	-	229,000
Unassigned	<u>7,009,545</u>	<u>-</u>	<u>7,009,545</u>
Total fund balance	\$ <u><u>7,805,046</u></u>	\$ <u><u>167,202</u></u>	\$ <u><u>7,972,248</u></u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

15. Contingent Liabilities

The District did not receive federal grant funds during the year ended September 30, 2019 and is not, therefore, subject to the program compliance audit by the grantee under the Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations."

The District is exposed to various risks of loss related to torts; theft of, damage to, and distribution of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases all of its insurance coverage from commercial insurance carriers.

The District also carries commercial insurance for all other risks of loss including health and employee accident insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The district has not had any significant coverage reductions under these policies from the prior year.

16. Tower Rental Income

The District currently leases certain property under the terms of two land lease agreements expiring variously through 2019. The leases require monthly payments of \$2,622 to the District. These leases are automatically extended for four additional five year periods unless terminated by the lessee at the end of any five year term. Revenues received during the year ended September 30, 2019 under these leases were \$74,744. The annual rent will increase at 3% of the previous year's annual rental.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

17. Post-Employment Health Care Benefits

GASB Statement No. 75: *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (OPEB), established new accounting standards for postretirement benefits. The new standard does not require funding of OPEB expense, but any difference between the annual required contribution (ARC) and the amount funded during the year is required to be recorded in the employer’s financial statement as an increase (or decrease) in the net OPEB obligation. The effective date for implementation of GASB 75 by the Palm Harbor Special Fire Control and Rescue District is October 1, 2017. Accordingly, the District did obtain an actuarial valuation in accordance with GASB 75 standards as of October 1, 2017 and discloses the following:

Plan Description and Funding Policy

Employees who retire from the District (District), and eligible dependents and survivors, are eligible to continue to participate in the District’s health insurance programs at the “blended” employee group rate which is determined annually by the District and approved by the District Board. Retirees have 31 days to elect to enroll in the District’s health insurance plan in which they were participating at the time of retirement unless otherwise stated in a plan document or collective bargaining agreement. As of September 30, 2019, eleven eligible retirees were participating in the District’s health program.

The District provides no funding for any portion of the premiums after retirement. However, the District recognizes that there is an “implicit subsidy” arising as a result of the blended rate premium since retiree health care costs, on average, are higher than active employee healthcare costs. The plan is not accounted for as a trust fund as an irrevocable trust has not been established to fund the plan. The plan does not issue a separate financial report.

As of October 1, 2018, the following employees were covered by the benefit terms:

Active Plan Members or Beneficiaries currently	
Retirees	11
Active plan members	<u>64</u>
Total	<u>75</u>

Benefits Provided:

Retirees may participate in the group insurance plans offered by the District but they are required to contribute 100% of the active premiums.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

17. Post-Employment Health Care Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefits (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 75. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. Since GASB Statement 75 only requires an actuarial valuation every two years, the District's last valuation was for the fiscal year ended September 30, 2019.

TOTAL OPEB LIABILITY

The measurement date is September 30, 2019.

The measurement period for the OPEB expense was October 1, 2018 to September 30, 2019.

The reporting period is October 1, 2018 through September 30, 2019.

Economic Assumptions:

The Total OPEB Liability was determined by an actuarial valuation as of October 1, 2018 using the following assumptions:

The medical trend assumption was updated since the previous valuation. The trend was developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The current valuations uses the SOA Model that was released in November 2015. The following assumptions were used as input variables into this model.

Rate of Inflation	2.3%
Rate of Growth in Real Income / GDP per capita	1.6%
Extra Trend due to Technology and other factors	1.3%
Health Share of GDP Resistance Point	25.0%
Year for Limiting Cost Growth to GDP Growth	2075

The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of an SOA Project Oversight Group.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

17. Post-Employment Health Care Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation

Discount Rate:

The discount rate used to determine the liabilities under GASB 75 depends upon Palm Harbor Fire Rescue's funding policy. The discount rate for governments that do not refund benefits is based on 20-year general obligation bond (GO bond) rates.

The discount rate assumption for disclosure purposes for FYE 2019 is 2.75%, the 20-year GO bond index as of 9/30/2019. The rate at the beginning of the year was 3.83%, the 20-year GO bond index as of 9/30/2018.

Funding Policy

The District will pay benefits on a pay-as-you-go basis.

OPEB Expense:

For the year ended September 30, 2019, the District will recognize OPEB Expense of \$41,804.

CHANGES IN TOTAL OPEB LIABILITY

Balance as of September 30, 2018	\$	598,505
Changes for a Year:		
Service Cost		22,062
Interest		22,063
Difference Between Expected and Actual Experience		-
Changes in Assumptions		37,364
Changes of Benefit Terms		-
Benefit Payments		(44,899)
Experience Losses/(Gains)		-
Net changes		<u>36,590</u>
Balance as of September 30, 2019	\$	<u>635,095</u>
Funded status		0.0%

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

17. Post-Employment Health Care Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation

Sensitivity of the Total OPEB Liability to changes in the Discount Rate:

The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>1.75%</u>	<u>2.75%</u>	<u>3.75%</u>
Total OPEB Liability (Asset)	\$ 670,180	\$ 635,095	\$ 600,468

Sensitivity of Total OPEB Liability to changes in the Healthcare Cost Trend Rates:

The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Medical Trend Rate	1% Increase
	<u>2.90%</u>	<u>3.90%</u>	<u>4.90%</u>
Total OPEB Liability (Asset)	\$ 574,114	\$ 635,095	\$ 706,400

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

17. Post-Employment Health Care Benefits (Continued)

Annual OPEB Cost

Reporting Period Ending	09/30/2019
Measurement Date	09/30/2019
Total OPEB Liability	
Service Cost	\$ 22,062
Interest	22,063
OPEB Administrative Expense	-
Changes in benefit terms	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions	2,589
Changes in Benefit Terms	-
Total OPEB Expense	<u>\$ 46,714</u>

For the fiscal year ended September 30, 2019, Palm Harbor Fire Rescue recognized an OPEB expense of \$46,714. At September 30, 2019 Palm Harbor Fire Rescue reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	33,628	9,176
Net difference between projected and actual earnings on OPEB plan investments	-	-
Employee contribution subsequent to measurement	-	-
Total	<u>\$ 33,628</u>	<u>\$ 9,176</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

17. Post-Employment Health Care Benefits (Continued)

Annual OPEB Cost (Continued)

\$33,628 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to measurement date will be recognized as a reduction of the net OPEB liability in the year ending September 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in the expenses as follows:

	Fiscal Year Ended <u>September 30,</u>
2020	\$ 40,589
2021	40,589
2022	40,589
2023	40,589
2024	40,589
Thereafter	1,507

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

18. Recently Issued and Implemented Accounting Pronouncements

Effective October 1, 2017, the District implemented Governmental Accounting Standards Board Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. “The principal objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports (financial reports) of state and local governmental benefit plans for making decisions and assessing accountability. These benefits are referred to as other postemployment benefits (OPEB), and the plans through which the benefits are provided are referred to as OPEB plans.” As a result of this statement, the District has provided additional disclosures for OPEB in Note 17.

Effective October 1, 2017, the District implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*. “The principal objective of this Statement is to improve the usefulness of information for decisions made by the various users of the general purpose external financial reports (financial reports) of governments whose employees—both active employees and inactive employees—are provided with postemployment benefits other than pensions. These benefits are referred to as other postemployment benefit (OPEB). One aspect of that objective is to provide information about the effects of OPEB-related transactions and other events on the elements of the basic financial statements. This information will assist users in assessing accountability and the relationship between a government’s inflows of resources and its total cost (including OPEB expense) of providing government services each period. Another aspect of that objective is to provide users with information about the government’s OPEB obligations and the resources. If any, available to satisfy those obligations.” As a result of the implementation of this standard, the District recorded a net OPEB liability as described in Note 17.

The Governmental Accounting Standards Board has issued Statement No. 86, *Certain Debt Extinguishment Issues*. “The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired in an irrevocable trust for the sole purpose of extinguishing debt. Its implementation did not have any effect on the District’s financial statements.

REQUIRED SUPPLEMENTARY

INFORMATION FOR

SINGLE EMPLOYER FIREFIGHTERS' 175

DEFINED BENEFIT PENSION PLAN

UNDER GASB 68

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY 175 PLAN

Last Six Fiscal Years

	September 30, 2019	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015	September 30, 2014
Total pension liability:						
Service cost	\$ 1,346,869	\$ 1,260,250	\$ 1,123,107	\$ 958,896	\$ 808,434	\$ 835,842
Interest	1,946,665	1,662,319	1,585,879	1,224,258	1,268,794	1,097,202
Share Plan allocation	53,743	-	-	-	-	39,749
Changes of benefit terms	(21,904)	-	(521,336)	-	-	-
Difference between expected and actual experience	(274,947)	238,591	333,660	(450,681)	(168,553)	-
Change of assumptions	-	-	-	195,321	-	-
Benefit payments, including refunds of employee contributions	<u>(276,065)</u>	<u>(280,316)</u>	<u>(334,849)</u>	<u>(279,543)</u>	<u>(182,698)</u>	<u>(549,173)</u>
Net change in total pension liability	2,774,361	2,880,844	2,186,461	1,648,251	1,725,977	1,423,620
Total pension liability - beginning	<u>24,172,501</u>	<u>21,291,657</u>	<u>19,105,196</u>	<u>17,456,945</u>	<u>15,730,968</u>	<u>14,307,348</u>
Total pension liability ending (a)	\$ <u><u>26,946,862</u></u>	\$ <u><u>24,172,501</u></u>	\$ <u><u>21,291,657</u></u>	\$ <u><u>19,105,196</u></u>	\$ <u><u>17,456,945</u></u>	\$ <u><u>15,730,968</u></u>
Plan fiduciary net position:						
Contributions - employer	\$ 993,378	\$ 1,000,275	\$ 1,171,341	\$ 578,401	\$ 561,334	\$ 550,197
Contributions - state	465,966	266,213	257,086	387,021	407,277	451,972
Contributions - employee	309,466	266,837	251,689	217,200	182,236	164,272
Net investment income (loss)	892,240	2,871,157	2,765,240	1,843,485	(912,196)	1,439,727
Benefit payments, including refunds of employee contributions	(276,065)	(280,316)	(334,849)	(279,543)	(182,698)	(549,173)
Administrative expense	<u>(45,566)</u>	<u>(54,762)</u>	<u>(49,057)</u>	<u>(52,876)</u>	<u>(36,213)</u>	<u>(27,118)</u>
Net change in plan fiduciary net position	2,339,419	4,069,404	4,061,450	2,693,688	19,740	2,029,877
Plan fiduciary net position - beginning	<u>26,468,844</u>	<u>22,399,440</u>	<u>18,337,990</u>	<u>15,644,302</u>	<u>15,624,562</u>	<u>13,594,685</u>
Plan fiduciary net position - ending (b)	\$ <u><u>28,808,263</u></u>	\$ <u><u>26,468,844</u></u>	\$ <u><u>22,399,440</u></u>	\$ <u><u>18,337,990</u></u>	\$ <u><u>15,644,302</u></u>	\$ <u><u>15,624,562</u></u>
Net pension liability (asset) (a) - (b)	\$ <u><u>(1,861,401)</u></u>	\$ <u><u>(2,296,343)</u></u>	\$ <u><u>(1,107,783)</u></u>	\$ <u><u>767,206</u></u>	\$ <u><u>1,812,643</u></u>	\$ <u><u>106,406</u></u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

RELATED RATIOS 175 PLAN

Last Six Fiscal Years

	<u>September 30, 2019</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>	<u>September 30 2014</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>106.91%</u>	<u>109.48%</u>	<u>105.20%</u>	<u>95.98%</u>	<u>89.61%</u>	<u>99.32%</u>
Covered employee payroll	<u>\$ 4,158,599</u>	<u>3,593,786</u>	<u>\$ 3,390,111</u>	<u>\$ 2,934,578</u>	<u>\$ 2,564,927</u>	<u>\$ 2,223,147</u>
Net pension liability as a percentage of covered employee payroll	<u>(44.76)%</u>	<u>(63.90)%</u>	<u>(32.68)%</u>	<u>26.14%</u>	<u>70.67%</u>	<u>4.76%</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS 175 PLAN

Last Six Fiscal Years

	<u>September 30, 2019</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Actuarially Determined Contributions	\$ 1,395,210	\$ 1,255,668	\$ 1,307,226	\$ 1,101,640	\$ 946,461	\$ 962,423
Contribution in relation to the Actuarially Determined Contribution	<u>1,404,521</u>	<u>1,255,668</u>	<u>1,307,226</u>	<u>1,101,640</u>	<u>946,461</u>	<u>962,421</u>
Contribution deficiency (excess)	\$ <u>(9,311)</u>	\$ <u>-</u>				
Covered Employee Payroll	\$ 4,158,599	\$ 3,593,786	\$ 3,390,111	\$ 2,934,578	\$ 2,564,927	\$ 2,237,247
Contributions as a percentage of Covered Employee Payroll	33.77%	34.94%	38.56%	37.54%	36.90%	43.02%

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO SCHEDULE OF CONTRIBUTIONS 175 PLAN

Valuation Date: 10/01/2017

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method: Entry age normal actuarial cost method.

Amortization Method: Level percentage of pay, closed.

Remaining Amortization Period: 29 Years (as of 10/01/2017).

Mortality Rate: *Healthy Inactive Lives:*

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

Male: RP2000 Generational 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB.

Healthy Active Lives:

Female: RP2000 Generational, 100% Combined Healthy White Collar, Scale BB.

Male: RP2000 Generational, 10% Combined Healthy White Collar / 90% Combined Healthy Blue Collar, Scale BB.

Disabled Lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

The above assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2016 FRS valuation report for special risk participants. We feel this assumption sufficiently accommodates future mortality improvements.

Early Retirement: Commencing at age 45 with 6 years of service, Members are assumed to retire with an immediate, subsidized benefit at the rate of 2% per year. This assumption is reasonable, based on Plan provisions and historical experience.

Interest Rate: 7.5% per year, compounded annually, net of investment related expenses. This assumption is reasonable based on the Plan's investment policy and long-term expected returns by asset class.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO SCHEDULE OF CONTRIBUTIONS 175 PLAN (CONTINUED)

Payroll Growth: 3.0% per year. For UAAL bases created beginning with the October 1, 2016 valuation, a level-dollar approach will be utilized. This assumption was adopted by the Board in conjunction with an actuarial experience study dated July 11, 2016.

Salary Increases:	<u>Credited Service</u>	<u>Salary Increase</u>
	1	14.0%
	2-3	9.0%
	4	8.0%
	5-6	7.0%
	7-9	6.0%
	10+	3.5%

The above rates were adopted by the Board in conjunction with an actuarial experience study dated July 11, 2016.

Additionally, projected salary in the year of termination is increased, based on individual accruals to account for non-regular compensation.

Post-Retirement COLA: Annual 3% adjustments beginning July 1st after normal retirement date.

Actuarial Asset Method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric four-year average market value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below market value of assets.

Termination Rates: 10.0% in the first year of employment, 2.0% thereafter. The assumed rates of termination were approved in conjunction with an actuarial experience study dated July 11, 2016.

Disability Rates: See table below. It is assumed that 75% of disablements and active Member deaths are service related. These rates were reviewed in conjunction with an actuarial experience study dated July 11, 2016.

:	% Becoming Disabled During	
	<u>Age</u>	<u>the Year</u>
	20	0.14%
	30	0.18%
	40	0.30%
	50	1.00%

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURNS - 175 PLAN

Last Six Fiscal Years

	<u>September 30, 2019</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Annual money-weighted rate of return net of investment expenses	<u>3.13%</u>	<u>12.86%</u>	<u>14.86%</u>	<u>11.75%</u>	<u>12.66%</u>	<u>12.60%</u>

REQUIRED SUPPLEMENTARY
INFORMATION FOR
POST EMPLOYMENT BENEFITS
OTHER THAN PENSIONS (OPEB)
UNDER GASB 75

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE

OF THE FLORIDA RETIREMENT SYSTEM

PENSION PLAN NET PENSION LIABILITY

Last Five Fiscal Years

	September 30, 2019	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015
District's proportion of the net pension liability (asset)	0.005092236%	0.007015218%	0.008316990%	0.001214908%	0.001356860%
District proportionate share of the net pension liability (asset)	\$ 1,753,695	\$ 2,113,020	\$ 2,460,109	\$ 3,067,652	\$ 1,752,572
District's covered employee payroll	\$ 1,196,127	\$ 1,442,946	\$ 1,625,426	\$ 1,516,088	\$ 841,235
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	68.21%	68.29%	65.99%	50.88%	48.00%
Plan fiduciary net position as a percentage of the total pension liability	82.61%	92.61%	83.89%	84.88%	91.99%

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE

OF THE FLORIDA RETIREMENT SYSTEM

HIS PROGRAM NET PENSION LIABILITY

Last Five Fiscal Years

	<u>September 30, 2019</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>
District's proportion of the net pension liability (asset)	0.003451749%	0.004464855%	0.004983282%	0.006428462%	0.007735524%
District proportionate share of the net pension liability (asset)	\$ 386,216	\$ 472,565	\$ 532,835	\$ 749,211	\$ 799,100
District's covered employee payroll	\$ 1,196,127	\$ 1,442,946	\$ 1,623,426	\$ 1,516,088	\$ 841,235
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	32.28%	32.75%	32.82%	49.41%	94.99%
Plan fiduciary net position as a percentage of the total pension liability	2.63%	0.92%	0.81%	0.98%	0.49%

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
TO THE FLORIDA RETIREMENT SYSTEM PENSION PLAN**

Last Five Fiscal Years

	<u>September 30, 2019</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>
Actuarially required contribution	\$ 157,896	\$ 199,928	\$ 216,512	\$ 296,275	\$ 330,815
Contributions in relation to the actuarially required contribution	<u>157,896</u>	<u>199,928</u>	<u>216,512</u>	<u>296,275</u>	<u>330,815</u>
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered employee payroll	\$ 1,196,127	\$ 1,442,946	\$ 1,623,426	\$ 1,516,088	\$ 841,235
Contributions as a percentage of covered employee payroll	13.20%	13.85%	13.53%	19.54%	39.32%

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
TO THE FLORIDA RETIREMENT SYSTEM HIS PROGRAM**

Last Five Fiscal Years

	<u>September 30, 2019</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>
Actuarially required contribution	\$ 19,167	\$ 24,213	\$ 26,373	\$ 32,950	\$ 32,735
Contributions in relation to the actuarially required contribution	<u>19,167</u>	<u>24,213</u>	<u>26,373</u>	<u>32,950</u>	<u>32,735</u>
Contribution deficiency (excess)	\$ <u>-</u>				
District's covered employee payroll	\$ 1,196,127	\$ 1,442,946	\$ 1,623,426	\$ 1,516,088	\$ 841,235
Contributions as a percentage of covered employee payroll	1.60%	1.67%	1.62%	2.17%	3.89%

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURNS

FLORIDA RETIREMENT SYSTEM PENSION PLAN

Last Three Fiscal Years

	<u>September 30, 2019</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Annual money-weighted rate of return net of investment expenses	<u>5.97%</u>	<u>9.26%</u>	<u>13.57%</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE CHANGES IN OPEB LIABILITY

Last Two Fiscal Years

Measurement date:	September 30, <u>2019</u>	September 30, <u>2018</u>
Service Cost	\$ 22,062	\$ 22,441
Interest	22,063	20,510
Difference Between Expected and Actual Experience	-	-
Changes in Assumptions	37,361	(11,470)
Changes of Benefit Terms	-	-
Benefit Payments	<u>(44,899)</u>	<u>(37,966)</u>
Net change in total OPEB liability	36,587	(6,485)
Total OPEB liability - Beginning of Year	<u>598,505</u>	<u>604,990</u>
Total OPEB liability - End of Year	<u>\$ 635,092</u>	<u>\$ 598,505</u>
Funded status	<u>0.0%</u>	<u>0.0%</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

PLAN FIDUCIARY NET POSITION

Last Two Fiscal Years

Measurement date:	September 30, <u>2019</u>	September 30, <u>2018</u>
Contributions - Employer	\$ 44,899	\$ 37,966
Net investment income	-	-
Administrative expenses	-	-
Benefit payments (net of retiree contributions)	<u>(44,899)</u>	<u>(37,966)</u>
Net changes in Fiduciary Net Position	-	-
Fiduciary Net Position - Beginning of Year	<u>-</u>	<u>-</u>
Fiduciary Net Position - End of Year	<u>\$ -</u>	<u>\$ -</u>
Net OPEB Liability	<u>\$ 635,095</u>	<u>\$ 598,505</u>
Fiduciary Net Position as a % of		
Total OPEB Liability	<u>0.0%</u>	<u>0.0%</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISCOUNT RATE

Last Two Fiscal Years

	<u>September 30,</u> <u>2019</u>	<u>September 30,</u> <u>2018</u>
Change of assumptions	<u>2.75%</u>	<u>3.83%</u>

Note: Because the OPEB Plan does not depend on salary,
we do not have salary information.

OTHER REPORTS

REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
September 30, 2019

AND

MANAGEMENT LETTER

AND

ATTESTATION LETTER

MANAGEMENT MEMORANDUM
ON REVIEW OF INTERNAL CONTROL STRUCTURE

**REPORT ON INTERNAL CONTROL
AND COMPLIANCE AND OTHER MATTERS**

Board of Commissioners
Palm Harbor Special Fire Control and Rescue District
Palm Harbor, Florida

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the budgetary comparisons for the general fund and the aggregate remaining fund information of the Palm Harbor Special Fire Control and Rescue District, Florida, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Palm Harbor Special Fire Control and Rescue District, Florida's (District) basic financial statements, and have issued our report thereon dated April 28, 2020.

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 District's internal control.

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

Board of Commissioners
Palm Harbor Special Fire Control and Rescue District
Palm Harbor, Florida

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

Compliance and Other Matters

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

Purpose of this Report

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



Tampa, Florida
April 28, 2020

MANAGEMENT LETTER

Board of Commissioners
Palm Harbor Special Fire Control and Rescue District
Palm Harbor, Florida

Report on the Financial Statements

We have audited the financial statements of the Palm Harbor Special Fire Control and Rescue District, Florida as of and for the fiscal year ended September 30, 2019 and have issued our report thereon dated April 28, 2020.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditors Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General Disclosures in those reports and schedule, which are dated April 28, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, require that we determine whether or not corrective actions have been taken to address finding and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. There were no findings or recommendations made on internal control and compliance issues during the preceding annual financial audit.

Board of Commissioners
Palm Harbor Special Fire Control and Rescue District
Palm Harbor, Florida

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This disclosure has been included in the District's Comprehensive Annual Financial Report for the fiscal year ended September 30, 2019.

Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7) Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the Palm Harbor Special Fire Control and Rescue District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Section 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Palm Harbor Special Fire Control and Rescue 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.

Other Matters

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

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

Board of Commissioners
Palm Harbor Special Fire Control and Rescue District
Palm Harbor, Florida

Purpose of this Letter

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



Tampa, Florida
April 28, 2020

ATTESTATION REPORT

INDEPENDENT ACCOUNTANT’S REPORT

Board of Commissioners
Palm Harbor Special Fire Control and Rescue District
Palm Harbor, Florida

We have examined the Palm Harbor Special Fire Control and Rescue District’s compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2019. Management is responsible for the District’s compliance with those requirements. Our responsibility is to express an opinion on the District’s compliance based on our examination.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

This report is intended solely for the information and use of the 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.



Tampa, Florida
April 28, 2020

MEMORANDUM ON REVIEW
OF INTERNAL CONTROL STRUCTURE



April 28, 2020

Board of Fire Commissioners
Palm Harbor Special Fire Control
and Rescue District
Palm Harbor, Florida

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparisons for the general fund and the aggregate remaining fund information which collectively comprise the basic financial statements of the Palm Harbor Special Fire Control & Rescue District as of and for the year ended September 30, 2019, and have issued our report thereon dated April 28, 2020.

We have issued our Report on Compliance and Internal Accounting Controls in Accordance with *Government Auditing Standards* dated April 28, 2020. Disclosures in that report, if any, should be considered in conjunction with this management memorandum.

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

In planning and performing our audit of the financial statements of Palm Harbor Special Fire Control & Rescue District we considered the District’s internal control structure to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we observed a matter that is an opportunity for strengthening internal control and operating efficiency.

2018-2019

- A. Bank Reconciliations

2017-2018

- A. New Financial Reporting Model

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2018-2019

A. **Bank Reconciliations**

During this year's audit we found several instances when the monthly bank reconciliation did not agree to the District's general ledger.

We recommend that the District work with their QuickBooks consultant to resolve this issue.

2017-2018

A. New Reporting Model

GASB is currently working on a project to change the full accrual financial statements that are presented in the District's Annual Financial Report in accordance with Statement No. 34.

Project Description: The objective of this project is to make improvements to the financial reporting model, including Restatement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other reporting model-related pronouncements.

Last year we recommended that the Finance Director and Chief become aware of the new GASB project.

This recommendation has been implemented.

* * * * *

This memorandum is intended solely for the use of the District's Board of Fire Commissioners, management, the Pinellas County, Florida Board of County Commissioners and the Florida Auditor General and is not intended to be and should not be read by anyone other than specified parties.

We appreciate the courtesy and assistance provided to us by the District's personnel during our audit. We will review the status of the above comments during our next audit engagement. We have already discussed many of these comments and suggestions with District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

SALTMARSH, CLEVELAND & GUND, P.A. .

MANAGEMENT'S RESPONSE



PALM HARBOR FIRE RESCUE

250 West Lake Road
Palm Harbor, Florida 34684-3909
(727) 784-0454 • FAX (727) 785-9131



Scott J. Sanford
Fire Chief

May 6, 2020

Jeanine Bittinger
Saltmarsh, Cleaveland, and Gund, CPA
201 N. Franklin Street, Suite 1625
Tampa, Florida 33602

Dear Ms. Bittinger,

The following shall serve as our response to your Memorandum on Review of Internal Control Structure with the concurrence of the Board of Commissioners:

Current Year Item: Bank Reconciliations

We have reviewed your recommendation to have the District work with a Quickbooks consultant to resolve the issue of the monthly bank reconciliation not agreeing with the District's general ledger.

In response to this recommendation, the District has hired a Quickbooks expert, "Bookkeepers on Demand," to audit our process and provide guidance to resolve this issue moving forward.

As always, it was a pleasure working with your team.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott J. Sanford".

Scott J. Sanford
Chief of Department

Serving the communities of Ozona, Palm Harbor and Crystal Beach