

**SANIBEL FIRE AND RESCUE DISTRICT  
SANIBEL, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2020**

# SANIBEL FIRE AND RESCUE DISTRICT

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet – Governmental Funds	10
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Notes to the Financial Statements	14-30
REQUIRED SUPPLEMENTARY INFORMATION	
Schedules of Proportionate Share of Net Pension Liability and Pension Contributions	31-32
Schedule of Changes in the District's Net OPEB Liability and Related Ratios	33
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	34
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Special Revenue Fund	35
Notes to Required Supplementary Information	36
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 <i>GOVERNMENT AUDITING STANDARDS</i>	37-38
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA	39
MANAGEMENT LETTER PURSUANT TO THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA	40-41



# Grau & Associates

CERTIFIED PUBLIC ACCOUNTANTS

951 Yamato Road • Suite 280  
Boca Raton, Florida 33431  
(561) 994-9299 • (800) 299-4728  
Fax (561) 994-5823  
www.graucpa.com

## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Sanibel Fire and Rescue District  
Sanibel, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Sanibel Fire and Rescue District, Sanibel, Florida ("District") as of and for the fiscal year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2020, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



June 2, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Sanibel Fire and Rescue District, Sanibel, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2020. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

### FINANCIAL HIGHLIGHTS

- The assets plus deferred outflows of resources of the District exceeded its liabilities plus deferred inflows of resources at the close of the fiscal year ended September 30, 2020 resulting in a net position balance of \$928,130.
- The District's total net position decreased by (\$324,612) or 26 percent, in comparison to the prior year.
- At September 30, 2020, the District's governmental funds reported combined ending fund balances of \$4,401,267, an increase of \$785,370, or 22 percent, in comparison with the prior year. The total fund balance is restricted for capital projects, committed to emergency services, apparatus purchases, vacation/sick payout, major medical equipment, major fire equipment, and a county lease agreement, and the remainder is unassigned fund balance which is available for spending at the District's discretion.
- Total revenues, in the government-wide statements, decreased (\$5,942,850 – 5,929,714) (\$13,136), or 0.2 percent, in comparison to the prior year.
- Total expenses in the government-wide statements increased (\$5,656,726 – 6,254,326) \$597,600, or 11 percent, in comparison to the prior year.

### OVERVIEW OF FINANCIAL STATEMENTS

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

#### Government-Wide Financial Statements

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

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

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

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

## OVERVIEW OF FINANCIAL STATEMENTS (Continued)

### Fund Financial Statements

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

### Governmental Funds

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

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

The District maintains two governmental funds for external reporting. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and special revenue fund. The general and special revenue funds are considered major funds.

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

### Notes to the Financial Statements

The notes to the financial statements explain in detail the District's significant accounting policies and certain data contained in the following statements. These notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following is a condensed summary of net position for the primary government for the year ended September 30, 2019, compared to September 30, 2020:

	September 30, 2019	September 30, 2020	Change
Assets:			
Current and other assets	\$ 4,190,779	\$ 4,967,002	\$ 776,223
Capital assets	4,841,605	4,505,171	(336,434)
Total assets	<u>9,032,384</u>	<u>9,472,173</u>	<u>439,789</u>
Deferred outflows of resources	<u>2,063,488</u>	<u>2,146,227</u>	<u>82,739</u>
Liabilities:			
Current liabilities	825,012	816,817	(8,195)
Non-current liabilities	8,398,708	9,478,479	1,079,771
Total liabilities	<u>9,223,720</u>	<u>10,295,296</u>	<u>1,071,576</u>
Deferred inflows of resources	<u>619,410</u>	<u>394,974</u>	<u>(224,436)</u>
Net position:			
Net investment in capital assets	3,885,294	3,779,227	(106,067)
Restricted	82,085	93,261	11,176
Unrestricted	(2,714,637)	(2,944,358)	(229,721)
Total net position	<u>\$ 1,252,742</u>	<u>\$ 928,130</u>	<u>\$ (324,612)</u>

The District's net position reflects its investment in capital assets (land, fire and rescue equipment, buildings, fire and rescue vehicles and furniture, fixtures and equipment) less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. An additional portion of the District's net position, \$93,261, represents resources that are subject to external restrictions on how they may be used.

The District's net position decreased during the most recent fiscal year. The majority of the decrease represents the extent to which the cost of operations and depreciation expense exceeded ongoing program revenues.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following schedule reports the revenues, expenses, and changes in net position for the District for the fiscal year ended September 30, 2019 compared to September 30, 2020.

	September 30, 2019	September 30, 2020	Change
Revenues:			
General revenues			
Property taxes	\$ 5,731,910	\$ 5,815,074	\$ 83,164
Impact fees	13,762	11,145	(2,617)
Investment earnings	3,408	11,558	8,150
Miscellaneous revenue	65,109	64,758	(351)
Proceeds from sale of capital assets	75,000	-	(75,000)
Grants and contributions	10,200	10,920	720
Program revenues			
Charges for services	43,461	16,259	(27,202)
Total revenues	<u>5,942,850</u>	<u>5,929,714</u>	<u>(13,136)</u>
Expenses:			
Public safety-fire and Rescue Safety			
Personal Services	4,638,529	5,038,184	399,655
Operating expenditures	607,645	590,225	(17,420)
Interest	24,646	18,956	(5,690)
Loss on disposal of fixed assets	37,913	265,417	227,504
Depreciation	347,993	341,544	(6,449)
Total expenses	<u>5,656,726</u>	<u>6,254,326</u>	<u>597,600</u>
Increase (decrease) in net position	286,124	(324,612)	(610,736)
Net position - beginning	966,618	1,252,742	286,124
Net position, ending	<u>\$ 1,252,742</u>	<u>\$ 928,130</u>	<u>\$ (324,612)</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2020 was \$6,254,326. The costs of the District's activities were primarily funded by property taxes. Property taxes increased from the prior fiscal year as a result of increases in property values. Expenses increased primarily as a result of increases in the net pension liability.

## FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

As noted earlier, combined fund balances increased by \$785,370 in comparison with the prior year. Restricted or committed fund balance indicates that the amounts are not available for new spending because they have already been set aside for other items. The remainder is unassigned fund balance, which is available for spending at the District's discretion.

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



## GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. The Board of Commissioners must approve any budget amendments that increase the aggregate budgeted appropriations.

Budget versus actual comparisons for the general fund and special revenue fund are reported as required supplementary information. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2020. The general fund actual expenditures were under budget by a total of \$914,560, mainly as a result of anticipated expenditures that did not occur.

## CAPITAL ASSETS

At September 30, 2020, the District had \$7,001,189 invested in land, fire and rescue equipment and vehicles, buildings, and furniture, fixtures and equipment. Depreciation of \$2,496,018 has been taken, which resulted in a net book value of \$4,505,171.

The following is a schedule of the District's capital assets net of depreciation as of September 30, 2020 and 2019:

	2019	2020
Land	\$ 273,062	\$ 273,062
Construction in progress	-	217,236
Buildings and improvements	2,765,877	2,658,769
Vehicles	1,451,599	1,032,133
Furniture and equipment	351,067	323,971
Total capital assets, net depreciation	<u>\$ 4,841,605</u>	<u>\$ 4,505,171</u>

Additional information on the District's capital assets is found in Note 5.

## LONG TERM DEBT

At September 30, 2020 the District had \$725,944 in notes payable and \$503,867 in compensated absences. Additional information on the District's long-term debt is found in Note 8.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. Questions regarding any information provided in this report should be directed to: Mary Hickey, Administrator, Sanibel Fire and Rescue District, 2351 Palm Ridge Road, Sanibel, FL 33957, phone (239) 472-5525.

**SANIBEL FIRE AND RESCUE DISTRICT  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,959,868
Investments	2,971,877
Due from other governments	5,579
Interest receivable	493
Restricted assets:	
Cash and cash equivalents	25,313
Due from other governments	3,872
Capital assets:	
Nondepreciable	490,298
Depreciable assets, net	4,014,873
Total assets	9,472,173
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension	2,146,227
 <b>LIABILITIES</b>	
Accounts payable and accrued expenses	136,736
Unearned revenue	428,999
Accrued interest payable	15,003
Noncurrent liabilities:	
Due in one year:	
Note payable	236,079
Due in more than one year:	
Net pension liability	7,407,695
Note payable	489,865
Compensated absences	503,867
Net OPEB obligation	1,077,052
Total liabilities	10,295,296
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension	394,974
 <b>NET POSITION</b>	
Net investment in capital assets	3,779,227
Restricted for interlocal agreements	93,261
Unrestricted	(2,944,358)
Total net position	\$ 928,130

See notes to the financial statements

**SANIBEL FIRE AND RESCUE DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Primary government:	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Public safety	\$ 6,254,326	\$ 16,259	\$ 10,920	\$ (6,227,147)
Total governmental activities	6,254,326	16,259	10,920	(6,227,147)
General revenues:				
Property taxes				5,815,074
Impact fees				11,145
Unrestricted investment earnings				11,558
Miscellaneous revenue				64,758
Total general revenues				5,902,535
Change in net position				(324,612)
Net position - beginning				1,252,742
Net position - ending				\$ 928,130

See notes to the financial statements

**SANIBEL FIRE AND RESCUE DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020**

	Major Funds		Total Governmental Funds
	General	Special Revenue	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,959,868	\$ 25,313	\$ 1,985,181
Investments	2,971,877	-	2,971,877
Due from other governments	5,579	3,872	9,451
Interest receivable	493	-	493
Due from other funds	-	64,076	64,076
Total assets	<u>\$ 4,937,817</u>	<u>\$ 93,261</u>	<u>\$ 5,031,078</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 136,736	\$ -	\$ 136,736
Due to other fund	64,076	-	64,076
Unearned revenue	428,999	-	428,999
Total liabilities	<u>629,811</u>	<u>-</u>	<u>629,811</u>
 Fund balances:			
Restricted:			
Capital projects	-	93,261	93,261
Committed:			
Emergency services	605,528	-	605,528
Apparatus purchases	72,141	-	72,141
Vacation/sick payout	41,169	-	41,169
Major medical equipment	63,177	-	63,177
Major fire equipment	64,507	-	64,507
County lease agreement	428,999	-	428,999
Unassigned	3,032,485	-	3,032,485
Total fund balances	<u>4,308,006</u>	<u>93,261</u>	<u>4,401,267</u>
 Total liabilities and fund balances	 <u>\$ 4,937,817</u>	 <u>\$ 93,261</u>	 <u>\$ 5,031,078</u>

See notes to the financial statements

**SANIBEL FIRE AND RESCUE DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

Total fund balances - governmental funds		\$ 4,401,267
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net position includes those capital assets, net of any accumulated depreciation, in the net position of the government as a whole.		
Cost of capital assets	7,001,189	
Accumulated depreciation	<u>(2,496,018)</u>	4,505,171
Deferred outflows of resources related to pensions are recorded in the statement of net position.		
		2,146,227
Deferred inflows of resources related to pensions are recorded in the statement of net position.		
		(394,974)
Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.		
Net pension liability		(7,407,695)
Note payable		(725,944)
Accrued interest payable		(15,003)
Net OPEB asset (obligation)		(1,077,052)
Compensated absences		<u>(503,867)</u>
Net position of governmental activities		<u>\$ 928,130</u>

See notes to the financial statements

**SANIBEL FIRE AND RESCUE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

	Major Funds		Total Governmental Funds
	General	Special Revenue	
<b>REVENUES</b>			
Ad valorem taxes	\$ 5,815,074	\$ -	\$ 5,815,074
Permits and fees	16,259	-	16,259
Investment earnings	11,527	31	11,558
Impact fees	-	11,145	11,145
Miscellaneous	64,758	-	64,758
Intergovernmental revenue	10,920	-	10,920
Total revenues	<u>5,918,538</u>	<u>11,176</u>	<u>5,929,714</u>
<b>EXPENDITURES</b>			
Current:			
Public safety			
Personnel service	4,029,508	-	4,029,508
Operating expenditures	590,225	-	590,225
Capital outlay	270,527	-	270,527
Debt service:			
Principal retirement	230,367	-	230,367
Interest and fiscal charges	23,717	-	23,717
Total expenditures	<u>5,144,344</u>	<u>-</u>	<u>5,144,344</u>
Excess (deficiency) of revenues over (under) expenditures	774,194	11,176	785,370
Fund balances - beginning	<u>3,533,812</u>	<u>82,085</u>	<u>3,615,897</u>
Fund balances - ending	<u>\$ 4,308,006</u>	<u>\$ 93,261</u>	<u>\$ 4,401,267</u>

See notes to the financial statements

**SANIBEL FIRE AND RESCUE DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

Net change in fund balances - total governmental funds	\$ 785,370
Governmental funds report capital outlays as expenditures; however, the cost of capital assets is eliminated in the statement of activities and capitalized in the statement of net position.	270,527
Depreciation on capital assets is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.	(341,544)
Repayment of certain long-term liabilities are reported as expenditures in the governmental fund financial statements but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.	230,367
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.	
Loss on disposal of capital assets	(265,417)
Change in net pension liability and deferred inflows and outflows of resources related to pension	(836,290)
Change in other post employment benefit obligation	(91,978)
Change in accrued interest	4,761
Change in long-term compensated absences	<u>(80,408)</u>
Change in net position of governmental activities	<u>\$ (324,612)</u>

See notes to the financial statements

## SANIBEL FIRE AND RESCUE DISTRICT NOTES TO FINANCIAL STATEMENTS

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

The Sanibel Fire and Rescue District (the “District”) is an independent special district located in Sanibel, Florida. The District was established in 1955 by a Special Act of the Legislature of the State of Florida (Laws of Florida, 30930). The District Charter was amended on May 22, 2000 by House Bill 925, Chapter 2000-386, Laws of Florida. The District is governed by a three member elected Board of Commissioners.

The District was established to provide fire control and protection services, fire safety inspections, and rescue services to the District’s incorporated land area. The District operates and maintains two (2) station houses and employs approximately 28 full-time employees.

The financial statements were prepared in accordance with Governmental Accounting Standards Board (“GASB”) Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Commissioners is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Government-Wide and Fund Financial Statements**

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

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

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

#### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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

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



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

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

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of taxes receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

#### General Fund

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

#### Special Revenue Fund

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

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

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

### **Assets, Liabilities and Net Position or Equity**

#### Restricted Assets

These assets represent cash and cash equivalents and amounts due from other governments set aside pursuant to contractual restrictions.

#### Deposits and Investments

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

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

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

The State Board of Administration's ("SBA") Local Government Surplus Funds Trust Fund ("Florida PRIME") is a "2a-7 like" pool. A "2a-7 like" pool is an external investment pool that is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. Thus, the pool operates essentially as a money market fund. The District has reported its investment in Florida PRIME at amortized cost for financial reporting purposes.

Securities listed in paragraphs c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. In addition, surplus funds may be deposited into certificates of deposit which are insured.

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

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

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

#### Inventories and Prepaid Items

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

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

#### Capital Assets

Capital assets, which include property, plant and equipment and infrastructure assets (e.g. fire hydrants) are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost equal to or more than \$1,000, other than infrastructure assets which is \$5,000, and an estimated useful life in excess of more than one year. These assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The acquisition value is based on the most recent appraisal documentation available.

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

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

<u>Asset</u>	<u>Years</u>
Buildings	10-50
Fire and Rescue Vehicles	4-20
Fire and Rescue Equipment	5-20
Furniture and Fixtures	5-20

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

#### Unearned Revenue

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

#### Compensated Absences

The District's employees accumulate sick and vacation leave based on years of continuous service. Upon termination of employment, employees can receive payment for accumulated sick and vacation leave time. District policy places no limit on the amount of sick leave an employee can accumulate. Twenty-five percent of an employee's accumulated sick leave will be paid at termination at the current rate of pay, not to exceed a maximum of 400 hours. Employees may accumulate vacation leave up to an amount equal to 1 year for union members and 1.5 years for non-union members of their normal accrual. Unused vacation leave accumulated annually over the maximum allowed may be forfeited.

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

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

#### Impact Fees

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

Because of the eligibility requirements imposed in the agreement the District records funds received as restricted cash.

#### Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

#### Fund Equity/Net Position

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

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

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

Assigned fund balance – Includes spendable fund balance amounts established by the Commissioners that are intended to be used for specific purposes that are neither considered restricted nor committed. The Board can assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary.

The District first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

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

### Other Disclosures

#### Use of Estimates

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

## NOTE 3 – BUDGETARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund. All annual appropriations lapse at fiscal year-end.

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

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

## NOTE 4 – DEPOSITS AND INVESTMENTS

### Deposits

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

### Investments

The District's investments were held as follows at September 30, 2020:

	Amortized cost	Credit Risk	Weighted Average Maturities
FLORIDA PRIME	\$ 14,554	S&P AAAM	48 days
Certificate of Deposit	1,002,271	N/A	March 11, 2021
Certificate of Deposit	423,073	N/A	December 7, 2020
Certificate of Deposit	502,840	N/A	March 12, 2021
Certificate of Deposit	21,462	N/A	December 7, 2020
FL Fixed Income Trust	1,007,677	Fitch AAAf/S1	100 days
Total Investments	<u>\$ 2,971,877</u>		

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

## NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

### Investments (Continued)

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

*Interest rate risk* – The District does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

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

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

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

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

For external investment pools that qualify to be measured at amortized cost, the pool's participants should also measure their investments in that external investment pool at amortized cost for financial reporting purposes. Non-negotiable, non-transferable certificates of deposits that do not consider market rates are required to be reported at amortized cost. Money market investments that have a maturity at the time of purchase of one year or less and are held by governments other than external investment pools should be measured at amortized cost. Accordingly, the District's investments have been reported at amortized cost above.

## NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2020 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land and land improvements	\$ 273,062	\$ -	\$ -	\$ 273,062
Construction in Progress	-	217,236	-	217,236
Total capital assets, not being depreciated	273,062	217,236	-	490,298
Capital assets, being depreciated				
Buildings and improvements	4,127,522	-	-	4,127,522
Vehicles	1,978,854	22,280	(398,125)	1,603,009
Furniture and equipment	749,349	31,011	-	780,360
Total capital assets, being depreciated	6,855,725	53,291	(398,125)	6,510,891
Less accumulated depreciation for:				
Buildings and improvements	1,361,645	107,108	-	1,468,753
Vehicles	527,255	176,329	(132,708)	570,876
Furniture and equipment	398,282	58,107	-	456,389
Total accumulated depreciation	2,287,182	341,544	(132,708)	2,496,018
Total capital assets, being depreciated, net	4,568,543	(288,253)	(265,417)	4,014,873
Governmental activities capital assets, net	\$ 4,841,605	\$ (71,017)	\$ (265,417)	\$ 4,505,171

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

**NOTE 6 – LONG-TERM LIABILITIES**

On April 26, 2013 the District executed a note agreement for \$2,247,954. The note bears interest at 2.48% and is due on December 1, 2022. The note was issued to refund a promissory note that was used to purchase capital assets.

The Note is subject to redemption prior to its maturity at a redemption price of 102.5%.

The following is a summary of the changes in the District’s long-term liabilities for the fiscal year ended September 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Note Payable	\$ 956,311	\$ -	\$ 230,367	\$ 725,944	\$ 236,079
Compensated Absences	423,459	123,724	43,316	503,867	-
Total	<u>\$ 1,379,770</u>	<u>\$ 123,724</u>	<u>\$ 273,683</u>	<u>\$ 1,229,811</u>	<u>\$ 236,079</u>

Compensated absences are generally paid out of the general fund.

At September 30, 2020, the scheduled debt service requirements on the long-term debt were as follows:

September 30,	Amount
2021	\$ 236,079
2022	241,933
2023	247,932
Total	<u>\$ 725,944</u>

**NOTE 7 – INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables at September 30, 2020 were as follows;

Fund	Receivable	Payable
General	\$ -	\$ 64,076
Special Revenue	64,076	-
Total	<u>\$ 64,076</u>	<u>\$ 64,076</u>

The balance between the general fund and the special revenue fund relate to amounts held by the general fund on behalf of the special revenue fund that have not yet been transferred.

## NOTE 8 – RETIREMENT PLAN

### Florida Retirement System (FRS)

#### **General Information about the FRS**

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

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

The District's pension expense totaled \$1,445,134 for the fiscal year ended September 30, 2020.

#### **FRS Pension Plan**

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

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

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

## NOTE 8 – RETIREMENT PLAN (Continued)

### Florida Retirement System (FRS) (Continued)

#### FRS Pension Plan (Continued)

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

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

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

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

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



**NOTE 8 – RETIREMENT PLAN (Continued)**

**Florida Retirement System (FRS) (Continued)**

**FRS Pension Plan (Continued)**

*Contributions* – The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2020 fiscal year were as follows:

<b>Class</b>	<b>Percent of Gross Salary October 1, 2019 to June 30, 2020</b>		<b>Percent of Gross Salary July 1, 2020 to September 30, 2020</b>	
	<b>Employee</b>	<b>Employer (1)</b>	<b>Employee</b>	<b>Employer (1)</b>
FRS, Regular	3.00	8.47	3.00	10.00
FRS, Senior Management Service	3.00	25.41	3.00	27.29
FRS, Special Risk	3.00	25.48	3.00	24.45

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

The District's contributions to the Plan totaled \$477,252 for the fiscal year ended September 30, 2020. This excludes the HIS defined benefit pension plan contributions.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* – At September 30, 2020, the District reported a liability of \$6,536,160 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The District's proportionate share of the net pension liability was based on the District's contributions for the year ended June 30, 2020 relative to the contributions made during the year ended June 30, 2019 of all participating members. At June 30, 2020, the District's proportionate share was .015%, which was a decrease of about (.001%) from its proportionate share measured as of June 30, 2019.

For the fiscal year ended September 30, 2020 the District recognized pension expense of \$1,317,140 related to the Pension Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 250,152	\$ -
Change of assumptions	1,183,253	-
Net difference between projected and actual earnings on FRS pension plan investments	389,169	-
Changes in proportion and differences between District FRS contributions and proportionate share of FRS contributions	59,846	(306,787)
District FRS contributions subsequent to the measurement date	115,055	-
<b>Total</b>	<b>\$ 1,997,475</b>	<b>\$ (306,787)</b>

The deferred outflows of resources related to pensions, totaling \$115,055, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending September 30:</b>	<b>Amount</b>
2021	\$ 339,179
2022	522,664
2023	427,608
2024	249,604
2025	36,578
Thereafter	-
<b>Total</b>	<b>\$ 1,575,633</b>

## NOTE 8 – RETIREMENT PLAN (Continued)

### Florida Retirement System (FRS) (Continued)

#### FRS Pension Plan (Continued)

**Actuarial Assumptions** – The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Discount rate	6.80%

Mortality rates were based on the PUB-2010 base table, with variations by member category and sex, projected generationally with Scale MP-2018. The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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

Asset Class	Target Allocation (1)	Arithmetic Return	(Geometric) Return	Standard Deviation
Cash	1.0%	2.2%	2.2%	1.2%
Fixed income	19.0%	3.0%	2.9%	3.5%
Global equity	54.2%	8.0%	6.7%	17.1%
Real estate (property)	10.3%	6.4%	5.8%	11.7%
Private equity	11.1%	10.8%	8.1%	25.7%
Strategic investments	4.4%	5.5%	5.3%	6.9%
<b>Total</b>	<b>100.0%</b>			
Assumed inflation - mean			2.4%	1.7%

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

**Discount Rate** – The discount rate used to measure the total pension liability was 6.80%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

**Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate** – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.80%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.80%) or 1-percentage-point higher (7.80%) than the current rate:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
District's proportionate share of net pension liability	\$ 10,437,150	\$ 6,536,160	\$ 3,278,037

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

## NOTE 8 – RETIREMENT PLAN (Continued)

### Florida Retirement System (FRS) (Continued)

#### HIS Pension Plan

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

*Benefits Provided* – For the fiscal year ended September 30, 2020, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

*Contributions* – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2020, the contribution rate was 1.66% of payroll from October 1, 2019 through September 30, 2020 pursuant to section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$36,257 for the fiscal year ended September 30, 2020.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* – At September 30, 2020, the District reported a net pension liability of \$871,535 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The District's proportionate share of the net pension liability was based on the year ended June 30, 2020 contributions relative to the year ended June 30, 2019 contributions of all participating members. At June 30, 2020, the District's proportionate share was .007%, which decreased less than (.001%) compared to its proportionate share measured as of June 30, 2019.

For the fiscal year ended September 30, 2020, the District recognized pension expense of \$67,137 related to the HIS Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 35,651	\$ (672)
Change of assumptions	93,715	(50,676)
Net difference between projected and actual earnings on HIS pension plan investments	696	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	8,856	(36,839)
District HIS contributions subsequent to the measurement date	9,834	-
Total	\$ 148,752	\$ (88,187)

**NOTE 8 – RETIREMENT PLAN (Continued)**

**Florida Retirement System (FRS) (Continued)**

**HIS Pension Plan (continued)**

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)* – The deferred outflows of resources related to pensions, totaling \$9,834, resulting from District contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30:</u>	<u>Amount</u>
2021	\$ 16,386
2022	9,527
2023	(2,821)
2024	5,289
2025	12,409
Thereafter	9,941
<b>Total</b>	<b>\$ 50,731</b>

*Actuarial Assumptions* – The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Discount rate	2.21%

Mortality rates were based on the PUB-2010 base table, with variations by member category and sex, projected generationally with Scale MP-2018. The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

*Discount Rate* – The discount rate used to measure the total pension liability was 2.21%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

*Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 2.21%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage-point higher (3.21%) than the current rate:

	<u>1%</u>	<u>Current</u>	<u>1%</u>
	<u>Decrease</u>	<u>Discount Rate</u>	<u>Increase</u>
	<u>(1.21%)</u>	<u>(2.21%)</u>	<u>(3.21%)</u>
District's proportionate share of net pension liability	\$ 1,007,456	\$ 871,535	\$ 760,285

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

**NOTE 8 – RETIREMENT PLAN (Continued)**

**Florida Retirement System (FRS) (Continued)**

**FRS – Defined Contribution Pension Plan**

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

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

Allocations to the investment member's accounts during the 2020 fiscal year were as follows:

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

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

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

The District's Investment Plan pension expense totaled \$60,857 for the fiscal year ended September 30, 2020.

## **NOTE 9 – PROPERTY TAXES**

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

Key dates in the property tax cycle are as follows:

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

The Board of Commissioners of the District levied ad valorem taxes at a millage rate of \$1.1089 mills per \$1,000 of the 2020 net taxable value of real property located within the District.

## **NOTE 10 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance.

The District participates in the public entity risk pool administered by the Florida League of Cities, Inc. for workers' compensation. The District pays an annual premium to Florida League of Cities, Inc. for this insurance program. Participation in this risk pool is non-assessable. There were no significant reductions in insurance coverage as compared to the prior year. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. The District transfers the risk of loss to the pool with limits of liability of \$1,000,000 per accident or disease for workers' compensation.

The Florida League of Cities, Inc. published financial report for the year ended September 30, 2020, can be obtained from the Florida League of Cities, Inc., Public Risk Service, 125 East Colonial Drive, Orlando, Florida 32801.

The District purchased commercial insurance for general/professional liability, automobile and rescue vehicle, and property. The District retains the risk of loss up to a deductible amount (ranging from \$0 to \$1,000) with the risk of loss in excess of this amount transferred to the pool with limits of liability of either guaranteed replacement value or between \$1,000,000 to \$3,000,000, per occurrence, for general/professional liability, automobile, and property.

## **NOTE 11 – POST EMPLOYMENT HEALTH INSURANCE**

The District provides post employment health insurance to its employees under a 501 (c) (9) plan (the "Plan"). Under the provisions of the Plan, the District is required to pay an annual funding amount of \$1,500 per union employee and \$3,000 per administrative employee, into a trust (the "Trust Fund") administered by Nationwide Retirement Solutions. The administrator is required to maintain separate sub-accounts in the name of each participant having an interest in the Trust Fund. Upon a participant's separation from service with the District, the participant (or, in the event of a deceased participant, his dependents) shall be entitled to be reimbursed from the participant's sub-account for qualifying medical expenses or health care premiums incurred by the participant. These benefits are limited to the participant's respective sub-account balance as of the date of the claim. Alternatively, the employee may elect to apply his or her benefit to their required contribution for dependent coverage.

**NOTE 11 – POST EMPLOYMENT HEALTH INSURANCE (Continued)**

No trust or agency has been established for the plan. The plan does not issue a separate financial report.

Pursuant to Section 112.081, Florida Statutes, the District is required to permit eligible retirees and their eligible dependents to participate in the District’s health insurance program at a cost to the retiree that is no greater than the cost at which coverage is available for active employees.

The District had an actuary calculate net OPEB liability as of September 30, 2020. At this time the District has opted to pay as you go rather than fund a portion or the entire net OPEB liability. Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing costs between the District and plan members to that point.

At September 30, 2020, the actuarial valuation date, the following employees were covered by benefit terms:

Active employees electing coverage	27
Active employees waiving coverage	-
Retirees electing coverage	<u>3</u>
	<u>30</u>

**Actuarial Methods and Assumptions**

Significant actuarial assumptions used to calculate the total OPEB were as follows:

Valuation date	September 30, 2018
Measurement date	September 30, 2019
Actuarial valuation method	Entry age normal level percent of pay cost method
Discount Rate	2.75% per annum
Inflation Rate	2.50% per annum
Plan eligibility	An employee of the Sanibel Fire Rescue District that is eligible for retirement through Florida Retirement Systems (FRS) as a Special Risk class Member. Based on the Pub-2010 headcount weighted mortality tables for Safety Employees. Generational projection using scale MP-2018 was applied to these base rates.
Mortality	
Healthcare cost trend rate	6.9% for FY2019, gradually decreasing over several decades to an ultimate rate of 4.0% in FY2076 and later years.

**NOTE 11 – POST EMPLOYMENT HEALTH INSURANCE (Continued)**

**Changes in Net OPEB Liability**

Changes in the net OPEB liability were as follows:

	<b>Total OPEB Liability</b>	<b>Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
Balance as of September 30, 2019	\$ 985,074	\$ -	\$ 985,074
Changes due to:			
Service cost	68,159	-	68,159
Interest	39,273	-	39,273
Changes of assumptions	40,202	-	40,202
Benefit payments and refunds	(55,656)	-	(55,656)
Balance as of September 30, 2020	<u>\$ 1,077,052</u>	<u>\$ -</u>	<u>\$ 1,077,052</u>

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is a 1-percentage-point lower (1.75%) or a 1-percentage-point higher (3.75%) than the current discount rate:

1% Decrease (1.75%)	Current Discount Rate (2.75%)	1% Increase (3.75%)
\$ 1,146,501	\$ 1,077,052	\$ 1,011,923

**Sensitivity of the Net OPEB Liability Using Alternative Healthcare Cost Trend Rates**

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.9% decreasing to 3%) or 1-percentage-point higher (7.9% increasing to 5%) than the current healthcare cost trend rates:

1% Decrease 5.9% decreasing to 3%	Current Healthcare cost rates 6.9% decreasing to 4%	1% Increase 7.9% decreasing to 5%
\$ 976,898	\$ 1,077,052	\$ 1,192,059

**NOTE 12 – COMMITMENTS**

On September 19, 2006, the District entered into an agreement with Lee County, Florida (the "County"), to provide space to house County emergency personnel and their vehicles. The agreement is for 25 years but may be cancelled by either party. The County paid the District \$400,000 in December 2007, \$100,000 in October 2007, July 2008, June 2009, June 2010, August 2011 and July 2012, and \$76,992 in July 2014. Should either party terminate this agreement early, the sums paid by the County will be prorated for the years of use with the excess refunded to the County. The District has recorded a total of \$604,913 of rental income over the term of the lease, of which \$43,080 was recorded as rental income for the year ended September 30, 2020. The remaining \$428,999 received as of September 30, 2020 has been recorded as unearned revenue.

On November 18, 2008 the District entered into an agreement with the City of Sanibel, Florida (the "City"), outlining each parties' responsibilities in the joint use of a boat dock on the City's boat ramp facility site. As part of this agreement, the District has agreed to pay to the City 25% of the annual maintenance and operation costs of the boat dock facility.



**REQUIRED SUPPLEMENTARY INFORMATION**

**SANIBEL FIRE AND RESCUE DISTRICT  
FLORIDA RETIREMENT SYSTEM PENSION LIABILITY  
AND CONTRIBUTION SCHEDULES  
SEPTEMBER 30, 2020  
(UNAUDITED)**

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

	2020	2019	2018	2017	2016	2015	2014
District's proportion of the FRS net pension liability	0.01508061%	0.01582597%	0.01598784%	0.01691660%	0.01758221%	0.01565342%	0.01559770%
District's proportionate share of the FRS net pension liability	\$ 6,536,160	\$ 5,450,244	\$ 4,815,622	\$ 5,003,816	\$ 4,439,523	\$ 2,021,850	\$ 951,689
District's covered payroll	\$ 2,161,892	\$ 2,179,490	\$ 2,065,762	\$ 2,264,224	\$ 2,332,672	\$ 2,250,421	\$ 2,178,747
District's proportionate share of the FRS net pension liability as a percentage of its covered payroll	302.34%	250.07%	233.12%	220.99%	190.32%	89.84%	43.68%
FRS plan fiduciary net position as a percentage of the total pension liability	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%

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

	2020	2019	2018	2017	2016	2015	2014
District's proportion of the HIS net pension liability	0.00713798%	0.00727488%	0.00719279%	0.00744340%	0.00765915%	0.00762584%	0.00752287%
District's proportionate share of the HIS net pension liability	\$ 871,535	\$ 813,986	\$ 761,293	\$ 795,882	\$ 892,642	\$ 777,716	\$ 703,407
District's covered payroll	\$ 2,161,892	\$ 2,179,490	\$ 2,065,762	\$ 2,264,224	\$ 2,332,672	\$ 2,250,421	\$ 2,178,747
District's proportionate share of the HIS net pension liability as a percentage of its covered payroll	40.31%	37.35%	36.85%	35.15%	38.27%	34.56%	32.28%
HIS plan fiduciary net position as a percentage of the total pension liability	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

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

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

**SANIBEL FIRE AND RESCUE DISTRICT  
FLORIDA RETIREMENT SYSTEM PENSION LIABILITY  
AND CONTRIBUTION SCHEDULES  
SEPTEMBER 30, 2020  
(UNAUDITED)**

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

	2020	2019	2018	2017	2016	2015	2014
Contractually required FRS contribution	\$ 477,252	\$ 468,629	\$ 443,403	\$ 440,381	\$ 428,770	\$ 381,644	\$ 341,656
FRS contributions in relation to the contractually required contribution	(477,252)	(468,629)	(443,403)	(440,381)	(428,770)	(381,644)	(341,656)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 2,184,122	\$ 2,175,990	\$ 2,090,181	\$ 2,264,224	\$ 2,332,672	\$ 2,250,421	\$ 2,178,747
FRS contributions as a percentage of covered payroll	21.85%	21.54%	21.21%	19.45%	18.38%	16.96%	15.68%

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

	2020	2019	2018	2017	2016	2015	2014
Contractually required HIS contribution	\$ 36,257	\$ 36,121	\$ 34,697	\$ 39,393	\$ 39,258	\$ 29,151	\$ 25,771
HIS contributions in relation to the contractually required contribution	(36,257)	(36,121)	(34,697)	(39,393)	(39,258)	(29,151)	(25,771)
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 2,184,122	\$ 2,175,990	\$ 2,090,181	\$ 2,264,224	\$ 2,332,672	\$ 2,250,421	\$ 2,178,747
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.74%	1.68%	1.30%	1.18%

**SANIBEL FIRE AND RESCUE DISTRICT  
SCHEDULE OF CHANGES IN THE DISTRICT'S  
NET OPEB LIABILITY AND RELATED RATIOS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020  
(UNAUDITED)**

	<u>2020</u>	<u>2019</u>
<b>Total OPEB Liability</b>		
Beginning balance	\$ 985,074	\$ 955,619
Service cost	68,159	67,763
Interest	39,273	34,906
Assumption changes	40,202	(21,102)
Benefit payments and refunds	(55,656)	(52,112)
Ending balance	<u>\$ 1,077,052</u>	<u>\$ 985,074</u>
 <b>Plan Fiduciary Net Position</b>		
Beginning balance	\$ -	\$ -
Benefit payments and refunds	(55,656)	(52,112)
Contributions - employer	55,656	52,112
Ending balance	<u>\$ -</u>	<u>\$ -</u>
 <b>Net OPEB Liability</b>	 <u>\$ 1,077,052</u>	 <u>\$ 985,074</u>
 Plan fiduciary net position as a percentage of total OPEB liability	 0.0%	 0.00%
 Covered payroll	 \$ 2,472,086	 \$ 2,370,531
 Net OPEB liability as a percentage of covered payroll	 43.6%	 41.6%

**SANIBEL FIRE AND RESCUE DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020  
(UNAUDITED)**

	Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original & Final		
<b>REVENUES</b>			
Ad valorem taxes	\$ 5,987,329	\$ 5,815,074	\$ (172,255)
Intergovernmental revenue	24,800	10,920	(13,880)
Permits and fees	10,350	16,259	5,909
Interest	-	11,527	11,527
Miscellaneous	3,610	64,758	61,148
Total revenues	6,026,089	5,918,538	(107,551)
<b>EXPENDITURES</b>			
Current:			
Public safety			
Personnel service	4,410,336	4,029,508	380,828
Operating expenditures	993,520	590,225	403,295
Capital outlay	400,966	270,527	130,439
Debt service	254,082	254,084	(2)
Total expenditures	6,058,904	5,144,344	914,560
Excess (deficiency) of revenues over (under) expenditures	(32,815)	774,194	807,009
<b>OTHER FINANCING SOURCES</b>			
Use of fund balance	32,815	-	(32,815)
	32,815	-	(32,815)
Net change in fund balances	\$ -	774,194	\$ 774,194
Fund balances - beginning		3,533,812	
Fund balances - ending		\$ 4,308,006	

See notes to required supplementary information

**SANIBEL FIRE AND RESCUE DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE – BUDGET AND ACTUAL – SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020  
(UNAUDITED)**

	Budgeted Amounts Original & Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Impact fees	\$ 3,000	\$ 11,145	\$ 8,145
Interest	-	31	31
Total revenues	3,000	11,176	8,176
<b>EXPENDITURES</b>			
Total expenditures	-	-	-
Excess (deficiency) of revenues over (under) expenditures	\$ 3,000	11,176	\$ 8,176
Fund balances - beginning		82,085	
Fund balance - ending		\$ 93,261	

See notes to required supplementary information

**SANIBEL FIRE AND RESCUE DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Commissioners. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2020. The general fund actual expenditures were under budget by a total of \$914,560, mainly as a result of anticipated expenditures that did not occur.



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

To the Board of Commissioners  
Sanibel Fire and Rescue District  
Sanibel, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Sanibel Fire and Rescue District, Sanibel, Florida (the "District") as of and for the fiscal year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated June 2, 2021.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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



**Purpose of this Report**

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



June 2, 2021



**Grau & Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

951 Yamato Road ▪ Suite 280  
Boca Raton, Florida 33431  
(561) 994-9299 ▪ (800) 299-4728  
Fax (561) 994-5823  
www.graucpa.com

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

To the Board of Commissioners  
Sanibel Fire and Rescue District  
Sanibel, Florida

We have examined Sanibel Fire and Rescue District, Sanibel, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2020. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2020.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, management, and the Board of Supervisors of Sanibel Fire and Rescue District, Sanibel, Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Grau & Associates*

June 2, 2021



**Grau & Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

951 Yamato Road ▪ Suite 280  
Boca Raton, Florida 33431  
(561) 994-9299 ▪ (800) 299-4728  
Fax (561) 994-5823  
www.graucpa.com

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

To the Board of Commissioners  
Sanibel Fire and Rescue District  
Sanibel, Florida

**Report on the Financial Statements**

We have audited the accompanying basic financial statements of Sanibel Fire and Rescue District, Sanibel, Florida ("District") as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated June 2, 2021.

**Auditor's Responsibility**

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

**Other Reporting Requirements**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 2, 2021, should be considered in conjunction with this management letter.

**Purpose of this Letter**

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

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

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

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

*Grau & Associates*

June 2, 2021

## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

### II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

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

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

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

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2019.

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2020.

3. Noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2020.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.

5. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.

6. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2020. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

**IMPACT FEE  
AFFIDAVIT**

BEFORE ME, the undersigned authority, personally appeared Mary Hickey, who being duly sworn, deposes and says on oath that:

1. I am the Chief Financial Officer of Sanibel Fire and Rescue District which is a local governmental entity of the State of Florida;
2. Sanibel Fire and Rescue District adopted (Lee County Ordinance No. 99-10) implementing an impact fee; and
3. Sanibel Fire and Rescue District has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

FURTHER AFFIANT SAYETH NAUGHT.

Mary F. Hickey  
Chief Financial Officer of Sanibel Fire & Rescue District

STATE OF FLORIDA  
COUNTY OF LEE

SWORN TO AND SUBSCRIBED before me this 23<sup>rd</sup> day of June, 2021.

[Signature]  
NOTARY PUBLIC  
Print Name Samantha Quinn

Personally known  or produced identification \_\_\_\_\_

Type of identification produced: \_\_\_\_\_

My Commission Expires:

February 21, 2025

