

**GREATER NAPLES FIRE RESCUE DISTRICT  
FINANCIAL REPORT  
FOR THE PERIOD FROM NOVEMBER 4, 2014 TO  
SEPTEMBER 30, 2015**

# GREATER NAPLES FIRE RESCUE DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Greater Naples Fire Rescue District  
Naples, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the remaining fund information of Greater Naples Fire Rescue District, Naples, Florida (the "District") as of and for the period from November 4, 2014 to September 30, 2015, which collectively comprise the District's basic financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the District's Firefighters' Pension Plan, which represents 100% of the assets, net position, and additions of the fiduciary fund. Those financial statements were audited by other independent auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the District's Firefighters' Pension Plan, is based solely on the report of the other independent auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the District as of September 30, 2015, and the respective changes in financial position for the period from November 4, 2014 to September 30, 2015, in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 2 to the accompanying financial statements, the District adopted the recognition and disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68, effective November 4, 2014. The net position balance of the governmental activities as of November 4, 2014, has been restated. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and required supplementary information as detailed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information 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 10, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

### **Report on Other Legal and Regulatory Requirements**

We have also issued our report dated June 10, 2016, on our consideration of the District's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

June 10, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Greater Naples Fire Rescue District, Naples, Florida (the "District") provides a narrative overview of the District's financial activities for the period from November 4, 2014 to September 30, 2015. 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.

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

This information is being presented to provide additional information regarding the activities of the District and to meet the disclosure requirements of Government Accounting Standards Board Statement ("GASB") No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Comparative information between the current year and the prior year is required to be presented in the Management's Discussion and Analysis ("MD&A"). However, because this is the first year of operations of Greater Naples Fire Rescue District, comparative information is excluded in this report. Subsequent reports will include the comparative information.

### FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the period from November 4, 2014 to September 30, 2015 resulting in a net position balance of \$13,593,120.
- The change in the District's total net position from the beginning of the period from November 4, 2014 to September 30, 2015 was \$2,910,915, an increase. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2015, the District's governmental funds reported combined ending fund balances of \$11,455,814, an increase of \$583,101 in comparison with the prior fiscal year. A portion of fund balance is non-spendable for prepaid expenses and the property held for sale; a portion is restricted for capital projects; a portion is assigned for hydrant repairs and maintenance expenditures and for subsequent year's expenditures and the remainder is unassigned fund balance which is available for spending at the District's discretion.
- Implementation of Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 reduced beginning net position by (\$2,795,642) as explained further in Note 2.

### OVERVIEW OF FINANCIAL STATEMENTS

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

#### Government-Wide Financial Statements

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

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

## OVERVIEW OF FINANCIAL STATEMENTS (Continued)

### Government-Wide Financial Statements (Continued)

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

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

### Discretely Presented Component Unit

The District includes the Office of the Fire Code Official Collier County Fire Districts ("Fire Code Official") as disclosed in Note 1 and Note 12 of the Notes to the Financial Statements. Although legally separate, the Fire Code Official is important because the District is the "Administrative District" and has control over the Fire Code Official's assets. Subsequent to September 30, 2015, the Fire Code Official dissolved. The remaining assets of the Fire Code Official were disbursed amongst the participating entities with a portion retained by the District. The District retained a portion to pay for other post-employment benefits of retirees of the Fire Code Official. Further information can be obtained from the Fire Code Official's separately audited financial statements.

### Fund Financial Statements

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

### Governmental Funds

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

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

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

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

## OVERVIEW OF FINANCIAL STATEMENTS (Continued)

### Fiduciary Fund

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

### Notes to the Financial Statements

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities at the close of the period from November 4, 2014 to September 30, 2015.

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

	<u>September 30, 2015</u>
Current and other assets	\$ 11,834,852
Capital assets, net of depreciation	16,007,523
Net pension asset	4,786,654
Total assets	<u>32,629,029</u>
Deferred outflow s of resources	<u>4,879,001</u>
Liabilities:	
Current liabilities	343,450
Non-current liabilities	18,813,850
Total liabilities	<u>19,157,300</u>
Deferred inflow s of resources	<u>4,757,610</u>
Net position:	
Net investment in capital assets	9,801,544
Restricted	2,536,240
Unrestricted	1,255,336
Total net position	<u>\$ 13,593,120</u>

The District's net position reflects its investment in capital assets (e.g. land, land improvements, and infrastructure 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.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	The period from November 4, 2014 to September 30, 2015
Revenues:	
General Revenues	
Property taxes	\$ 18,835,018
Impact Fees	1,321,691
Unrestricted investment earnings	30,219
Rental and lease income	146,190
Miscellaneous	222,026
Program revenues	
Charges for services	1,276,639
Total revenues	<u>21,831,783</u>
Expenses:	
Public safety-fire and rescue services	18,798,434
Interest	122,434
Total expenses	<u>18,920,868</u>
Change in net position	<u>2,910,915</u>
Net position - previously reported	<u>13,477,847</u>
Effect of adoption of GASB No. 68 (Note 2)	<u>(2,795,642)</u>
Net position - beginning, restated	<u>10,682,205</u>
Net position - ending	<u>\$ 13,593,120</u>

As noted above and in the statement of activities, the cost of all governmental activities during the period from November 4, 2014 to September 30, 2015 was \$18,920,868. The costs of the District's activities were primarily funded by ad valorem taxes. The remainder of the revenue for the period from November 4, 2014 to September 30, 2015 relates primarily to impact fees and charges for services such as inspection and permitting fees.

### GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted on a basis consistent with generally accepted accounting principles. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Commissioners. The general fund budget for the period from November 4, 2014 to September 30, 2015 was amended to increase revenues by \$736,712, increase other financing sources by \$1,243,216 and increase appropriations by \$1,979,928. Actual general fund expenditures for the fiscal year ended September 30, 2015 were less than appropriations due primarily to anticipated costs which were not incurred in the current fiscal year.

An operating budget was also adopted for the Districts impact fee fund. The variance between budgeted and actual general fund revenues for the current fiscal year is the result of higher than anticipated impact fees due to an increase in new construction activity. Actual impact fee fund expenditures for the period from November 4, 2014 to September 30, 2015 exceeded appropriations by \$226,451.



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2015, the District had \$34,933,641 invested in land, building and improvements, equipment and vehicles. In the government-wide financial statements depreciation of \$18,926,118 has been taken, which resulted in a net book value of \$16,007,523. More detail information on the capital assets is presented in the notes to the financial statements.

### Capital Debt

At September 30, 2015, the District had \$183,259 in capital leases outstanding and \$6,022,720 in a promissory note outstanding. More detailed information about the District's capital debt is presented in the notes to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

It is anticipated that the revenues of the District will increase and expenditures of the District will decrease.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

**GREATER NAPLES FIRE RESCUE DISTRICT  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015**

	Governmental Activities	Component Unit
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,545,656	\$ 2,496,683
Accounts receivable	358,778	19,839
Prepays	394,178	-
Land held for sale	1,000,000	-
Restricted assets:		
Cash and cash equivalents	2,437,743	-
Accounts receivable	98,497	-
Capital assets:		
Non-depreciable	2,308,497	-
Depreciable, net	13,699,026	-
Net pension asset	4,786,654	-
Total assets	<u>32,629,029</u>	<u>2,516,522</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension	<u>4,879,001</u>	-
<b>LIABILITIES</b>		
Accounts payable	41,471	2,764
Accrued expenses	284,912	-
Accrued interest payable	17,067	-
Non-current liabilities:		
Due within one year:		
Capital leases	78,535	-
Notes payable	6,022,720	-
Compensated absences	52,655	-
Due in more than one year:		
Capital leases	104,724	-
Compensated absences	1,675,762	-
Net Other Post Employment Obligation ("OPEB")	4,089,332	-
Net pension liability	6,766,380	-
Accrued insurance payable	23,742	-
Total liabilities	<u>19,157,300</u>	<u>2,764</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension	<u>4,757,610</u>	-
<b>NET POSITION</b>		
Net investment in capital assets	9,801,544	-
Restricted for capital projects	2,536,240	-
Unrestricted	1,255,336	2,513,758
Total net position	<u>\$ 13,593,120</u>	<u>\$ 2,513,758</u>

See notes to the financial statements

**GREATER NAPLES FIRE RESCUE DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE PERIOD FROM NOVEMBER 4, 2014 TO SEPTEMBER 30, 2015**

<u>Functions/Programs</u>	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Position Primary Governmental Activities	Component Unit
Primary government:				
Governmental activities:				
Public safety	\$ 18,798,434	\$ 1,276,639	\$ (17,521,795)	\$ -
Interest on long-term debt	122,434	-	(122,434)	
Total governmental activities	<u>18,920,868</u>	<u>1,276,639</u>	<u>(17,644,229)</u>	<u>-</u>
Total component unit	<u>126,526</u>	<u>13,029</u>	<u>-</u>	<u>(113,497)</u>
General revenues:				
Property taxes			18,835,018	-
Impact Fees			1,321,691	-
Unrestricted investment earnings			30,219	3,168
Rental and lease income			146,190	-
Miscellaneous			222,026	37,186
Total general revenues			<u>20,555,144</u>	<u>40,354</u>
Special item - loss on sale of capital assets			-	(742,569)
Change in net position			2,910,915	(815,712)
Net position - previously reported			13,477,847	3,329,470
Effect of adoption of GASB No. 68 (Note 2)			(2,795,642)	-
Net position - beginning, restated			<u>10,682,205</u>	<u>3,329,470</u>
Net position - ending			<u>\$ 13,593,120</u>	<u>\$ 2,513,758</u>

See notes to the financial statements

**GREATER NAPLES FIRE RESCUE DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2015**

	Major Funds		Non-Major Fund	Total
	General	Impact Fee	Hydrant Maintenance	Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,142,569	\$ 2,437,743	\$ 403,087	\$ 9,983,399
Accounts receivable	358,778	98,497	-	457,275
Prepays	172,893	221,285	-	394,178
Land held for sale	1,000,000	-	-	1,000,000
Total assets	<u>\$ 8,674,240</u>	<u>\$ 2,757,525</u>	<u>\$ 403,087</u>	<u>\$ 11,834,852</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 41,471	\$ -	\$ -	\$ 41,471
Accrued expenses	337,567	-	-	337,567
Total liabilities	<u>379,038</u>	<u>-</u>	<u>-</u>	<u>379,038</u>
Fund balances:				
Nonspendable:				
Land held for sale	1,000,000	-	-	1,000,000
Prepaid expenses	172,893	221,285	-	394,178
Restricted to:				
Capital projects	-	2,536,240	-	2,536,240
Assigned to:				
Hydrant repair and maintenance	-	-	403,087	403,087
Subsequent year's expenditures	1,214,901	-	-	1,214,901
Unassigned	5,907,408	-	-	5,907,408
Total fund balances	<u>8,295,202</u>	<u>2,757,525</u>	<u>403,087</u>	<u>11,455,814</u>
Total liabilities and fund balances	<u>\$ 8,674,240</u>	<u>\$ 2,757,525</u>	<u>\$ 403,087</u>	<u>\$ 11,834,852</u>

See notes to the financial statements

**GREATER NAPLES FIRE RESCUE DISTRICT  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2015**

Fund balance - governmental funds \$ 11,455,814

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	34,933,641	
Accumulated depreciation	<u>(18,926,118)</u>	16,007,523

A net pension asset is recorded in the statement of net position.	4,786,654
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Deferred outflows of resources related to pensions are recorded in the statement of net position.	4,879,001
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Deferred inflows of resources related to pensions are recorded in the statement of net position.	(4,757,610)
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Liabilities not payable from current available resources are not reported as fund liabilities in governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.

Accrued interest payable	(17,067)
Capital leases	(183,259)
Notes payable	(6,022,720)
Compensated absences	(1,675,762)
Accrued insurance payable	(23,742)
Net pension liability	(6,766,380)

Net other post employment benefit obligations resulting from underfunding are not reported in the funds as they are not payable from current available resources.	(4,089,332)
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Net position of governmental activities	<u><u>\$ 13,593,120</u></u>
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See notes to the financial statements

**GREATER NAPLES FIRE RESCUE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE PERIOD FROM NOVEMBER 4, 2014 TO SEPTEMBER 30, 2015**

	Major Funds		Non-Major Fund	Total Governmental Funds
	General	Impact Fee	Hydrant Maintenance	
<b>REVENUES</b>				
Ad valorem taxes	\$ 18,835,018	\$ -	\$ -	\$ 18,835,018
Impact fees	-	1,321,691	-	1,321,691
Charges for services	1,177,211	-	99,428	1,276,639
Interest	22,881	6,012	1,326	30,219
Rental and lease income	146,190	-	-	146,190
Miscellaneous	221,905	121	-	222,026
Total revenues	<u>20,403,205</u>	<u>1,327,824</u>	<u>100,754</u>	<u>21,831,783</u>
<b>EXPENDITURES</b>				
Current:				
Public safety				
Personnel service	15,230,875	-	-	15,230,875
Operating expenditures	2,532,688	-	214,100	2,746,788
Capital outlay	2,302,058	445,947	-	2,748,005
Debt service:				
Principal payments	302,296	102,312	-	404,608
Interest expense	96,369	22,037	-	118,406
Total expenditures	<u>20,464,286</u>	<u>570,296</u>	<u>214,100</u>	<u>21,248,682</u>
Excess (deficiency) of revenues over (under) expenditures	(61,081)	757,528	(113,346)	583,101
Fund balances - beginning	<u>8,356,283</u>	<u>1,999,997</u>	<u>516,433</u>	<u>10,872,713</u>
Fund balances - ending	<u>\$ 8,295,202</u>	<u>\$ 2,757,525</u>	<u>\$ 403,087</u>	<u>\$ 11,455,814</u>

See notes to the financial statements

**GREATER NAPLES FIRE RESCUE DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE PERIOD FROM NOVEMBER 4, 2014 TO SEPTEMBER 30, 2015**

Net change in fund balances - total governmental funds	\$	583,101
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is capitalized and depreciated over their estimated useful lives.		2,748,005
Depreciation on capital assets is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.		(1,055,558)
Repayment of long-term liabilities are reported as expenditures in the governmental fund, but such repayments reduce liabilities in the statement of net position and are eliminated from the statement of activities.		404,608
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The details of the differences are as follows:		
Loss on disposal of fixed assets		(2,765)
Change in OPEB obligation		(421,055)
Change in net pension asset, net pension liability, and deferred outflows and inflows of resources related to pensions		910,563
Change in accrued interest		(4,028)
Change in long-term compensated absences		(251,956)
Change in net position of governmental activities	\$	<u>2,910,915</u>

See notes to the financial statements

**GREATER NAPLES FIRE RESCUE DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2015**

<b>ASSETS</b>	
Cash and cash equivalents	\$ 902,677
Receivables:	
Contributions-State of Florida	200,787
Accrued investment income	14,438
Prepaid insurance	1,112
Investments at fair value:	
Equity-type	10,148,735
Real estate	918,241
Fixed income	8,418,015
Total assets	<u>20,604,005</u>
<b>LIABILITIES AND NET POSITION</b>	
Accounts payable	32,104
Unearned revenue (prepaid District contribution)	71,568
Total liabilities	<u>103,672</u>
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>	<u><u>\$ 20,500,333</u></u>

See notes to the financial statements



**GREATER NAPLES FIRE RESCUE DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

ADDITIONS

Contributions:

District	\$ 517,177
Plan members	113,635
State of Florida	661,600
Total contributions	<u>1,292,412</u>

Net investment income (loss)\* (143,891)

Total additions to net position 1,148,521

DEDUCTIONS

Benefits paid to members	49,013
Share plan distribution	116,627
Refunds of contributions	5,199
Administrative expenses	163,984
Total deductions	<u>334,823</u>

Change in net position 813,698

Net position - beginning 19,686,635

Net position - ending \$ 20,500,333

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

See notes to the financial statements

**GREATER NAPLES FIRE RESCUE DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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

Greater Naples Fire Rescue District (“the District”) is a local governmental unit created by the Florida Legislature to provide fire and rescue services to a certain prescribing area in Collier County, Florida. The District is an independent special district authorized and existing under the State of Florida enabling statute Chapter 2014-240. On November 4, 2014, the voters of East Naples Fire Control and Rescue District and the Golden Gate Fire Control and Rescue District (“the predecessor Districts”) approved by referendum, House Bill 951, merging the East Naples and Golden Gate Fire Control and Rescue Districts to create a new district known as the Greater Naples Fire Rescue District. The effective date of the merger was November 4, 2014. On the merger date the operations of the predecessor Districts were combined and shown as one entity in the accompanying financial statements.

The following amounts from the predecessor Districts were recognized as of November 4, 2014 by the District:

	November 4, 2014
Current and other assets	11,310,686
Capital assets, net of depreciation	14,317,841
Net pension asset	26,744
Total assets	25,655,271
Liabilities:	
Current liabilities	451,012
Non-current liabilities	11,726,412
Total liabilities	12,177,424
Net position:	
Net investment in capital assets	7,707,254
Restricted	1,999,997
Unrestricted	3,770,596
Total net position	13,477,847

The District is operated by an eight-person Board of Commissioners (“Board”). The Board is elected by the owners of the property within the District. The Board of the District exercises all powers granted to the District pursuant to Chapter 191, Florida Statutes.

The Board has the responsibility for:

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

The financial statements were prepared in accordance with Governmental Accounting Standards Board (“GASB”) Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District is considered to be financially accountable and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. The financial statements include the operations of Office of the Fire Code Official Collier County Fire Districts (“the Fire Code Official”) which is treated as a discretely presented component unit (see Note 12).

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

### **Property Taxes**

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

Ad valorem property taxes are recorded as revenues in the fiscal year in which the taxes are due and collected within 60 days of fiscal year-end. Investment earnings are recognized when earned. All other revenue items are recognized when cash is received by the District, as any potential receivable amounts are not significant.

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

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

The District reports the following major governmental funds:

#### General Fund

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

#### Special Revenue Fund:

##### Impact Fund

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

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

##### Hydrant Maintenance Fund

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

The District also reports the following fiduciary fund:

##### The Firefighters' Pension Trust Fund

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

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

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

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

#### Restricted Assets

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

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

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

#### Deposits and Investments

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

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

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

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

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

#### Inventories and Prepaid Items

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

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

#### Capital Assets

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

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

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

<u>Asset</u>	<u>Years</u>
Buildings and Improvements	5-35
Furniture and Equipment	3-20
Vehicles and Trucks	5-15

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

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

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

#### Compensated Absences

The District's employees accumulate paid personal leave based on years of continuous service and work day classification. Upon termination of employment, employees will receive compensation at regular rates of pay for all accumulated paid personal leave. The amount of compensated absences recorded as expenditures in the General Fund is the amount accrued during the year that would normally be liquidated with expendable available financial resources. Amounts not expected to be liquidated with expendable available resources are reported in the Statement of Net Position.

#### Impact Fees

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

#### Deferred Outflows/Inflows of Resources

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

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

#### Fund Equity/Net Position

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

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

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

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

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

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

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

### Other Disclosures

#### Use of Estimates

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

#### New Accounting Standards Adopted

During fiscal year 2015, the District adopted three new accounting standards as follows:

GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. Statement No. 67, Financial Reporting for Pension Plans, revises existing standards of financial reporting for most pension plans.

This Statement and Statement 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

GASB Statement No. 69, Government Combinations and Disposals of Government Operations

The objective of this Statement is to improve accounting and financial reporting for U.S. state and local governments' combinations and disposals of government operations by providing guidance specific to the situations and circumstances encountered within the governmental environment.

GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date

The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

The implementation of GASB 68 had the following effect on beginning net position at November 4, 2014:

	Governmental Activities
Net position, previously reported	\$ 13,477,847
Adjustment for FRS	(5,698,113)
Adjustment for HIS	(1,767,627)
Adjustment for Firefighters' pension	4,670,098
Total pension related adjustment	(2,795,642)
Net position, restated	<u>\$ 10,682,205</u>

### **NOTE 3 – BUDGETARY INFORMATION**

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

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

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

### **NOTE 4 – DEPOSITS AND INVESTMENTS**

#### **Deposits**

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

#### **Investments**

##### **Equity Type Investments**

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

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

##### **Fixed Income Investments**

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

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



## NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

### Investments (Continued)

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

As of September 30, 2015 the fiduciary fund includes the following investments as well as the credit ratings of the fixed investments:

	<u>Market Value</u>	
<u>Equity investments</u>		
Common stocks	\$ 7,551,412	
International stocks	2,597,323	
<u>Private real estate</u>		
American Core Realty	918,241	
<u>Fixed income securities</u>		<u>Rating within Fund</u>
High Yield Bond ETF	965,280	Ba1/BB+ or below
Convertible Securities ETF	1,595,252	Baa3/BBB- or higher
Aggregate Bond ETF	5,857,483	*
Total investments	<u>\$ 19,484,991</u>	

\* Information not available for fund.

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>Over 10</u>
High Yield Bond ETF	\$ 965,280	\$ -	\$ -	\$ 965,280	\$ -
Convertible Securities ETF	1,595,252	-	-	-	1,595,252
Aggregate Bond ETF	5,857,483	-	-	5,857,483	-
	<u>\$ 8,418,015</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,822,763</u>	<u>\$ 1,595,252</u>

*Foreign currency risk* – Foreign currency risk is the risk that fluctuations in the currency exchange rate may affect transactions conducted in currencies other than U.S. Dollars and the carrying value of foreign investments. The plan’s exposure to foreign currency risk derives mainly from its investments in international equity funds. The Plan owns international equity funds and the Plan’s exposure to foreign currency risk related to foreign equity funds as of September 30, 2015 are as follows:

Foreign Currency	<u>Market Value</u>
Foreign Equity	\$ 413,401
American Europacific	2,183,922
	<u>\$ 2,597,323</u>

## NOTE 5 – CAPITAL ASSETS

Capital asset activity for the period from November 4, 2014 to September 30, 2015 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 2,282,478	\$ 206,019	\$ (180,000)	\$ 2,308,497
Total capital assets, not being depreciated	2,282,478	206,019	(180,000)	2,308,497
Capital assets, being depreciated				
Buildings and improvements	16,666,491	2,129,419	-	18,795,910
Furniture and equipment	4,995,357	188,401	(33,663)	5,150,095
Vehicles and trucks	8,742,803	404,166	(467,830)	8,679,139
Total capital assets, being depreciated	30,404,651	2,721,986	(501,493)	32,625,144
Less accumulated depreciation for:				
Buildings and improvements	8,781,976	388,549	-	9,170,525
Furniture and equipment	3,710,602	327,052	(30,898)	4,006,756
Vehicles and trucks	5,876,710	339,957	(467,830)	5,748,837
Total accumulated depreciation	18,369,288	1,055,558	(498,728)	18,926,118
Total capital assets, being depreciated, net	12,035,363	1,666,428	(2,765)	13,699,026
Governmental activities capital assets, net	\$ 14,317,841	\$ 1,872,447	\$ (182,765)	\$ 16,007,523

Depreciation expense was all charged to public safety in the amount of \$1,055,558.

### Discretely Presented Component Unit

Activity for the Fire Code Official for the period from November 4, 2014 to September 30, 2015 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 1,203,857	\$ -	\$ (1,203,857)	\$ -
Total capital assets, not being depreciated	1,203,857	-	(1,203,857)	-
Capital assets, being depreciated				
Vehicles and trucks	119,680	-	(119,680)	-
Equipment and furniture	178,939	-	(178,939)	-
Buildings and improvements	1,841,842	-	(1,841,842)	-
Total capital assets, being depreciated	2,140,461	-	(2,140,461)	-
Less accumulated depreciation for:				
Vehicles and trucks	118,720	-	(118,720)	-
Equipment and furniture	174,953	-	(174,953)	-
Buildings and improvements	171,773	-	(171,773)	-
Total accumulated depreciation	465,446	-	(465,446)	-
Total capital assets, being depreciated, net	1,675,015	-	(1,675,015)	-
Governmental activities capital assets, net	\$ 2,878,872	\$ -	\$ (2,878,872)	\$ -

## NOTE 6 – LONG-TERM LIABILITIES

### Station County Lease

The District and Collier County have a lease agreement for the facility previously constructed by Collier County to be shared by the District, the Sheriff's Department and Emergency Medical Services. Based on the lease agreement, the lease has been recorded as a non-interest bearing capital lease in the accompanying financial statements with a principal balance of \$92,367 at September 30, 2015. The associated asset has a carrying value of \$564,823 with accumulated depreciation of \$442,445 at September 30, 2015. The District agreed to pay a monthly minimum rent of approximately \$1,400 for the facility.

### Oshkosh Capital Firefighter Truck Lease

In January 2006, the District entered into a capital lease agreement with Oshkosh Capital for the purchase of one firefighter truck including related equipment totaling \$299,200. Accumulated depreciation associated with this lease totaled approximately \$283,000 at September 30, 2015. Interest is being charged at a rate of 4.7%. Payment, consisting of principal and interest, is due on each February 10 from February 10, 2007 to February 10, 2016.

### CSI Leasing, Inc. LED Lighting Lease

In October 2012, the District entered into three five-year capital lease agreements with CSI Leasing Inc. for the purchase of certain interior and exterior LED lighting fixtures (726 fixtures in total) for Stations #71, #72, and #73 totaling \$120,588. Accumulated depreciation associated with this lease totaled approximately \$24,000 at September 30, 2015. Interest is being charged at a rate of 4.6%. Payment, consisting of principal and interest, is due monthly from November 12, 2012 to October 12, 2017.

### Promissory Note

In August 2003, the District entered into a promissory note with Fifth Third Bank totaling \$8 million. Pursuant to the loan agreement, the District was required to use the loan proceeds for the purpose of constructing two fire station facilities (Known as "Station #72" and "Station #73") located in the Golden Gate Fire District. The loan is unsecured and interest is being charged at the sum of 90 day Libor interest rate plus 1.65%. The District's operating funds and impact fees received each year are used as the source of debt service for such loan.

On April 1, 2011, the District entered into a Lease-Purchase Agreement with Fifth Third Bank as a means to refinance the then outstanding principal balance of \$6,691,912 of the original \$8 million promissory note, the proceeds of which were originally used to finance the construction and equipping of two fire stations #72 and #73. Pursuant to the agreement, the District provided the Bank a leasehold interest in the real property and related improvements and equipment of these two specific fire stations as defined, and agreed to pay the Bank quarterly base rent amounts (consisting of principal and interest) for the use of these leased properties as defined in the agreement. The interest component of the base rent is due quarterly on the 20th of each month commencing May 20, 2011 bearing interest at the three month Libor plus 1.65% (defined as "adjusted rate") and the principal component of the base rent totaling \$83,649 is due quarterly on 20th of each month commenced November 20, 2013 with a final balloon payment of \$5,939,071 due on February 20, 2016. See Note 15 for additional information subsequent to September 30, 2015.

Changes in long-term liability activity for the period from November 4, 2014 to September 30, 2015 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	\$ 253,271	\$ -	\$ 70,012	\$ 183,259	\$ 78,535
Promissory note	6,357,316	-	334,596	6,022,720	6,022,720
Compensated absences	1,423,806	1,348,780	1,044,169	1,728,417	52,655
Total	<u>\$ 8,034,393</u>	<u>\$ 1,348,780</u>	<u>\$ 1,448,777</u>	<u>\$ 7,934,396</u>	<u>\$ 6,153,910</u>

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

At September 30, 2015, the future minimum lease payments on the capital lease obligations were as follows:

	Fiscal year	
	2016	82,848
	2017	44,663
	2018	19,116
	2019	16,794
	2020	16,794
	2021	8,397
Total minimum lease payments		<u>\$ 188,612</u>
Less: amounts representing interest		<u>(5,353)</u>
Present value of minimum lease payments		<u>\$ 183,259</u>

At September 30, 2015, the scheduled debt service requirements on the promissory note were as follows:

Fiscal year	Principal	Interest	Total
2016	<u>\$ 6,022,720</u>	<u>\$ 61,215</u>	<u>\$ 6,083,935</u>
Total	<u>\$ 6,022,720</u>	<u>\$ 61,215</u>	<u>\$ 6,083,935</u>

## NOTE 7 - CELLULAR TOWER LEASE AGREEMENTS

In June 1999, the District entered into a lease and construction agreement with Sprint Spectrum, L.P. (SSLP) for an initial five-year term. The District agreed to allow SSLP to construct a certain communications tower on a portion of the District's property. Upon completion of the construction of the tower, SSLP agreed to transfer title to the tower and all related rights to the District. Upon title transfer, SSLP would lease such tower space to maintain and operate at SSLP's sole expense a personal communication service system facility. In consideration of this arrangement, the District agreed to charge an annual rent of \$10,800. Such annual rent was waived for the initial term and for four additional terms of five years each since SSLP paid for all construction costs associated with construction of the tower.

In August 2000, the District entered into a lease agreement with Omnipoint Holdings, Inc., presently T-Mobile USA, Inc. ("T-Mobile"), for an initial five-year period. The District agreed to lease tower antenna space located at the Golden Gate Fire Station to T-Mobile. As consideration for this arrangement, T-Mobile agreed to pay the District annual rent of \$22,800 plus applicable sales tax. This lease agreement has a renewable clause for four additional terms of five-years each with certain defined annual rent adjustments. The lease was renewed for an additional term with a 20% increase during fiscal year 2005, resulting in an annual rental payment of \$27,360. This lease was renewed for a second additional term in fiscal year 2010. This lease was renewed for a third additional term in fiscal year 2015. The rent was increased by 20%, resulting in an annual rent payment of \$39,398 received by the District in August 2015.

In August 2005, the District entered into a communications site lease agreement related to the communications tower located at Golden Gate Fire Station #71 with Alltel Communications, presently known as Verizon, for an initial five-year term. The lessee is granted five additional five-year renewal terms following the initial five-year term. Pursuant to the agreement, Alltel agreed to pay the District monthly rent totaling \$2,500 plus applicable sales tax. The rent will be increased each year thereafter by four percent. A first amendment to the lease agreement was entered into on December 11, 2008, in order to reduce the tenants rent. This amendment commences on January 1, 2009, and expires on December 31, 2013. On January 1, 2009, the rent was decreased to \$2,200 per month. The rent shall be increased by 2% every anniversary thereafter. Alltel, presently known as Verizon, will pay all utility charges applicable to the tower. In April 2011, the monthly rent was increased an additional \$556 per month due to improvements made to their antenna holdings on the communication tower. The prior year monthly rent of \$3,019 was increased by 2% to \$3,079 in January 2015.

## NOTE 8 – RETIREMENT PLANS

### 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 District employees hired after November 18, 2014 are eligible to enroll as members of the FRS. Also, all Greater Naples employees who were Golden Gate Fire Control and Rescue District employees before November 4, 2014 or who were East Naples Fire Control and Rescue District certified employees prior to January 1, 1996 are participants in the plan. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' website ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The District's pension expense related to the Florida Retirement System totaled \$1,286,355 for the period from November 4, 2014 to September 30, 2015.

#### **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.
- Senior Management Service Class – Members in senior management level positions.

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

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

## NOTE 8 – RETIREMENT PLANS (Continued)

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

#### **FRS Pension Plan (Continued)**

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.

Benefits Provided (Continued) – 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 66 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 30 years of service	1.60
Retirement at age 66 or with 31 years of service	1.63
Retirement at age 67 or with 32 years of service	1.65
Retirement at age 68 or with 33 years of service	1.68
<b>Special Risk Class</b>	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00
<b>Senior Management Service Class</b>	2.00

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 PLANS (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 period from November 4, 2014 to September 30, 2015 were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u> <u>November 4, 2014 to June 30, 2015</u>		<u>Percent of Gross Salary</u> <u>July 1, 2015 to September 30, 2015</u>	
	<u>Employee</u>	<u>Employer (1)</u>	<u>Employee</u>	<u>Employer (1)</u>
	FRS, Regular	3.00	7.37	3.00
FRS, Special Risk	3.00	19.82	3.00	22.04
FRS, DROP	0.00	12.28	0.00	12.88

(1) Employer rates include a postemployment HIS contribution rate of 1.26% through June 30, 2015 and 1.66% from July 1 to September 30, 2015. Also, employer rates include .04% for administrative costs of the Investment plan except for the DROP.

The District's contributions to the Plan totaled \$824,264 for the period from November 4, 2014 to September 30, 2015. 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, 2015, the District reported a liability of \$4,639,901 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's contributions for the year ended June 30, 2015 relative to the contributions made during the year ended June 30, 2014 of all participating members. At June 30, 2015, the District's proportionate share was .0359%.

For the period from November 4, 2014 to September 30, 2015 the District recognized pension expense of \$268,038 related to the Pension Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Differences between expected and actual experience	\$ 489,836	\$ (110,044)
Change of assumptions	307,965	-
Net difference between projected and actual earnings on FRS pension plan investments	-	(1,107,931)
Changes in proportion and differences between District FRS contributions and proportionate share of FRS contributions	2,400,028	(2,622,931)
District FRS contributions subsequent to the measurement date	141,090	-
Total	<u>\$ 3,338,919</u>	<u>\$ (3,840,906)</u>

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

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

**FRS 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 \$141,090, 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, 2016. 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>
2016	\$ (430,741)
2017	(430,741)
2018	(430,741)
2019	483,337
2020	122,792
Thereafter	43,017
<b>Total</b>	<b>\$ (643,077)</b>

Actuarial Assumptions – The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.65%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Arithmetic Return</u>	<u>(Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	3.2%	3.1%	1.7%
Fixed income	18.0%	4.8%	4.7%	4.7%
Global equity	53.0%	8.5%	7.2%	17.7%
Real estate (property)	10.0%	6.8%	3.2%	12.0%
Private equity	6.0%	11.9%	8.2%	30.0%
Strategic investments	12.0%	6.7%	6.1%	114.0%
<b>Total</b>	<b>100.0%</b>			
Assumed inflation - mean		2.6%		1.9%

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

Discount Rate – The discount rate used to measure the total pension liability was 7.65 percent. The Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.



## NOTE 8 – RETIREMENT PLANS (Continued)

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

#### **FRS Pension Plan (Continued)**

##### Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate –

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65%) or 1-percentage-point higher (8.65%) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of net pension liability	\$ 12,023,034	\$ 4,639,901	\$ (1,504,078)

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

#### **HIS Pension Plan**

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

Benefits Provided – For the period from November 4, 2014 to September 30, 2015, 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 period from November 4, 2014 to September 30, 2015, the contribution rate was 1.26% of payroll from November 4, 2014 through June 30, 2015 and 1.66% of payroll for July 1, 2015 through September 30, 2015 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 \$89,164 for the period from November 4, 2014 to September 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2015, the District reported a net pension liability of \$2,126,479 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on the year ended June 30, 2015 contributions relative to the year ended June 30, 2014 contributions of all participating members. At June 30, 2015, the District's proportionate share was .0209%.

**NOTE 8 – RETIREMENT PLANS (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)* – For the period from November 4, 2014 to September 30, 2015, the District recognized pension expense of \$579,748 related to the HIS Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Change of assumptions	167,298	-
Net difference between projected and actual earnings on HIS pension plan investments	1,151	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	827,291	(745,488)
District HIS contributions subsequent to the measurement date	27,165	-
Total	<u>\$ 1,022,905</u>	<u>\$ (745,488)</u>

The deferred outflows of resources related to pensions, totaling \$27,165, 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, 2016. 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>
2016	\$ 41,341
2017	41,341
2018	41,341
2019	41,107
2020	40,994
Thereafter	44,128
<b>Total</b>	<u>\$ 250,252</u>

*Actuarial Assumptions* – The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	3.80%

Mortality rates were based on the Generational RP-2000 with Projected Scale BB. The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009, through June 30, 2014.

*Discount Rate* – The discount rate used to measure the total pension liability was 3.80%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

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

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

**HIS Pension Plan (continued)**

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate –

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 3.80%, 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 (2.80%) or 1-percentage-point higher (4.80%) than the current rate:

	1% Decrease (2.8%)	Current Discount Rate (3.80%)	1% Increase (4.80%)
District's proportionate share of net pension liability	\$ 2,423,024	\$ 2,126,479	\$ 1,879,205

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

**FRS – Defined Contribution Pension Plan**

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

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

Allocations to the investment member's accounts during the period from November 4, 2014 to September 30, 2015 were as follows:

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

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

## **NOTE 8 – RETIREMENT PLANS (Continued)**

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

#### **FRS – Defined Contribution Pension Plan (Continued)**

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

The District's Investment Plan pension expense totaled \$438,569 for the period from November 4, 2014 to September 30, 2015.

#### **Firefighters' Pension Plan**

##### Description of Plan

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

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

##### Basis of Accounting

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

##### Method Used to Value Investments

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

##### Plan Administration

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

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

## NOTE 8 – RETIREMENT PLANS (Continued)

### Firefighters' Pension Plan (Continued)

#### Plan Administration (Continued)

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

The Plan issues a stand-alone financial audited report. Copies of the report may be obtained from the District by contacting Director Tara Bishop, Greater Naples Fire Rescue District, 14575 Collier Blvd, Naples, FL 34119. Tel (239) 348-7540.

#### Contributions

Greater Naples Fire Rescue District (Employer and/or District) is required to contribute an actuarially determined amount equal to or greater than the difference between the total contributions from all other sources for the year and the actuarially determined cost including any unfunded past service liability. The District's actuarially determined contributions for the past two years were as follows (information is only available for the years presented):

Fiscal Year	(1) Actuarially Determined Contribution (ADC)	(2) Contributions in relation to the ADC	(3) Difference Between (1) and (2)	Covered Employee Payroll	Column (2) as a Percentage of Covered Payroll
2014	\$ 1,226,090	\$ 1,226,090	\$ -	\$ 3,685,271	33.27%
2015	1,178,777	1,178,777	-	3,787,836	31.12%

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

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

#### Plan Eligibility

All full time firefighters hired by the East Naples Fire Control and Rescue District on or after January 1, 1996, shall be eligible for membership into the Plan on the date of their employment. However, as of November 18, 2014, the Board of Fire Commissioners voted to place all newly hired full-time firefighters in the Florida Retirement System (FRS). This effectively closed the Chapter 175 plan to new participants.

#### Credited Service

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

#### Plan Membership

Employee membership as of October 1, 2015, (the date of the most recent actuarial evaluation) was as follows:

Inactive employees:	
Retirees and beneficiaries currently receiving benefits	3
Deferred vested members	10 *
Active plan participants	45
Total	<u>58</u>

\* non-vested Member awaiting a refund of contributions

#### Vesting

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

## **NOTE 8 – RETIREMENT PLANS (Continued)**

### **Firefighters' Pension Plan (Continued)**

#### Pension Benefits

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

#### Early Retirement

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

#### Late Retirement

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

#### Dollar Limitation

Annual benefits cannot exceed \$160,000.

#### Disability Retirement

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

#### Death Benefits

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

#### Vested Retirement Benefit

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

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

## NOTE 8 – RETIREMENT PLANS (Continued)

### Firefighters' Pension Plan (Continued)

#### Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The District's net pension asset for the Firefighters' pension plan is measured as the total pension liability less the pension plans' fiduciary net position. At September 30, 2015, the District reported a net pension asset of \$4,786,654 related to the plan. The net pension asset was measured as of September 30, 2014, using an annual actuarial valuation as of October 1, 2014 rolled forward to September 30, 2014 using standard update procedures. The District is using the data for 2014 as the information for deferred outflows and inflows of resources for 2015 has not been completed. For period from November 4, 2014 to September 30, 2015, the District recognized pension expense of \$81,403. The changes in the Net Pension Asset follow:

<b>Total pension liability</b>	
Service cost	\$ 1,076,925
Interest	1,073,926
Benefit changes	-
Difference between expected and actual experience	-
Assumption changes	-
Benefit payments and refunds	(62,080)
<b>Net change in total pension liability</b>	<u>2,088,771</u>
<b>Total pension liability - beginning</b>	<u>12,811,228</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 14,899,999</u>
<b>Plan fiduciary net position</b>	
Contributions - Employer	\$ 506,016
Contributions - State	720,074
Contributions - Employee	110,558
Net investment income	1,574,687
Benefits payments and refunds	(62,080)
Administrative expense	(164,656)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>2,684,599</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>17,002,054</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 19,686,653</u>
<b>Net Pension Liability (Asset) - Ending (a) - (b)</b>	<u>\$ (4,786,654)</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	132.13%
<b>Covered Employee Payroll</b>	<u>\$ 3,685,271</u>
<b>Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll</b>	-129.89%

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

**Firefighters' Pension Plan (Continued)**

**Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

At September 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to the Firefighters' pension plan from the following sources:

<b>Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Balance as of September 30, 2014		
Changes due to:		
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ (171,216)
Employer contributions subsequent to the measurement date	517,177	-
Balance as of September 30, 2015	<u>\$ 517,177</u>	<u>\$ (171,216)</u>

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

<b>Year Ending September 30:</b>	<b>Amount</b>
2016	\$ (42,804)
2017	(42,804)
2018	(42,804)
2019	(42,804)
<b>Total</b>	<u>\$ (171,216)</u>

**Actuarial Methods and Significant Assumptions**

The total pension liability was determined by an actuarial valuation as of October 1, 2013 updated to September 30, 2014 using the following actuarial assumptions applied to all measurement periods.

Inflation	3.00%
Salary increases	5.50% - 15%
Investment Rate of Return	7.75%
Mortality	RP 2000 Combined Healthy – Sex Distinct. Disabled lives set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

The actuarial assumptions used in the October 1, 2013 valuation were based on the results of an actuarial experience study for the period 1998-2013.



## NOTE 8 – RETIREMENT PLANS (Continued)

### Firefighters' Pension Plan (Continued)

#### Actuarial Methods and Significant Assumptions

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014, the measurement date, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic equity	35.00%	7.80%
International equity	12.00%	2.20%
Bonds	28.00%	3.70%
High yield bonds	5.00%	5.20%
Convertibles	8.00%	5.30%
Private real estate	5.00%	4.90%
MLPs	5.00%	12.70%
Cash	2.00%	1.20%
	<u>100.00%</u>	

#### Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability to changes in the discount rate, the following presents the District's net pension asset, calculated using a single discount rate of 7.75%, as well as what the plan's net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net pension liability (asset)	\$ (2,388,031)	\$ (4,786,654)	\$ (6,901,082)

#### Defined Contribution Plan

The District maintains a single-employer defined contribution pension plan through Nationwide Insurance for the benefit of District employees who were non-firefighter employees of East Naples Fire Control and Rescue District hired after January 1, 1996. The plan is administered by the District. Changes to the plan may be made by trustees of the plan with cooperation from the Board of Fire Commissioners of the District. The plan is for full-time employees and has certain eligibility provisions. Pension expense related to this plan was for the period from November 4, 2014 to September 30, 2015 was \$210,851. The contribution rates for the period from November 4, 2014 to September 30, 2015 were 6.95% for Commissioners and 10.23% for civilians. Vesting occurs over six years at 20% per year beginning after 2 years of service for all participants except commissioners who are 100% vested upon entering plan. Forfeitures are disposed of in the plan year in which the forfeiture occurs. Forfeitures may first be used to pay administrative expenses. Forfeitures are allocated to all participants eligible to share in the allocations of District contributions or forfeitures in the same proportion that each participant's compensation for the plan year bears to the compensation of all participants for such year.

## NOTE 9 – DEFERRED COMPENSATION PLAN

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

## NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

### Plan Description

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

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

### Funding Policy

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

### Plan Membership

As of September 30, 2015, employee membership data related to the Plan was as follows:

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

### Trend Information

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

	2015	2014	2013
Period OPEB cost	\$ 1,072,000	\$ 1,017,000	\$ 1,307,000
Percentage of OPEB contributed	57.2%	54.5%	35.3%
Net OPEB obligation (asset)	\$ 4,089,332	\$ 3,630,000	\$ 3,167,000

### Actuarial Methods and Assumptions

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

## NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

### Actuarial Methods and Assumptions (Continued)

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

Significant methods and assumptions were as follows:

Actuarial valuation date	10/1/2014
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay
Remaining amortization period	25 year closed
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return	4% per annum*
Healthcare cost trend rate(s):	Based on the Society of Actuaries long term medical trend model. The initial rate is 8.00% decreasing gradually. The rate in 2050 is 5.00%.

\* Includes inflation at 2.9% per annum

The OPEB Cost for the District for the period from November 4, 2014 to September 30, 2015, and the related information is as follows:

Required contribution rates:		Pay-as-you-go
Employer		N/A
Plan members		
Normal cost		\$ 533,500
Interest on Net OPEB obligation		132,917
Amortization		454,667
Adjustment to the ARC		(138,417)
October 4, 2014 to September 30, 2015 OPEB cost		<u>982,667</u>
Contributions made *		<u>561,612</u>
Increase in net OPEB obligation		421,055
Net OPEB obligation - November 3, 2014		<u>3,668,277</u>
Net OPEB obligation - September 30, 2015		<u>\$ 4,089,332</u>

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

### Funded Status and Funding Progress

The funded status of the plan as of October 1, 2015 was as follows:

Actuarial accrued liability	\$ 12,370,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 12,370,000
Funded ratio	0%
Covered payroll	\$ -
UAAL as a percentage of covered payroll	0.0%

## **NOTE 11 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. There have been no claims from these risks that exceeded commercial insurance coverage over the past three years.

## **NOTE 12 – DISCRETELY PRESENTED COMPONENT UNIT**

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

Subsequent to September 30, 2015, the Fire Code Official dissolved. The remaining assets of the Fire Code Official were disbursed amongst the participating entities with a portion retained by the District. The District retained a portion to pay for other post-employment benefits of retirees of the Fire Code Official. Further information can be obtained from the Fire Code Official’s separately audited financial statements.

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

## **NOTE 13 – JOINT VENTURES**

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

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

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

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

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

## **NOTE 14 – LITIGATION AND CLAIMS**

### Certain employee v. East Naples Fire Control and Rescue District (Currently known as Greater Naples Fire Rescue District)

*Nature of the litigation:* Certain employee alleges sexual discrimination, sexual harassment and retaliation for complaining about the purported discrimination harassment. Additionally, certain employee claims unpaid overtime compensation for alleged overtime hours worked.

*Progress of the case:* Certain employee filed a charge of discrimination with the EEOC on or about June 30, 2014. Greater Naples filed its position statement denying the claims on September 12, 2014. The EEOC concluded its investigation and issued a Notice of Right to Sue on May 31, 2016. The EEOC closed the case without making any findings adverse to Greater Naples.

The District intends to vigorously defend the case.

### Collier Professional Firefighters and Paramedics, IAFF, Local 2396 v. East Naples Control & Rescue District, Case No. 2D13-5551. Second District Court of Appeal

This case has been stayed before the Second District Court of Appeals since February 5, 2014, due to the Florida Supreme Court's consideration of Florida's financial urgency statute in Headley v. City of Miami, which is the same statute at issue in the District's case as well as several others pending throughout the state. The Supreme Court heard oral argument in Headley on April 7, 2015, and has not yet issued a written opinion.

As of the report date, the outcome cannot be determined and, therefore, no amounts related to this matter have been reflected in the financial statements.

## **NOTE 15 – SUBSEQUENT EVENTS**

Subsequent to September 30, 2015, the District obtained a term loan from Iberia Bank in the aggregate principal amount of \$6,000,000 to refinance the agreement with Fifth Third Bank.

**GREATER NAPLES FIRE RESCUE DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND  
FOR THE PERIOD FROM NOVEMBER 4, 2014 TO SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Ad valorem taxes	\$ 18,409,522	\$ 18,832,066	\$ 18,835,018	\$ 2,952
Charges for services	967,693	1,122,802	1,177,211	54,409
Interest	27,766	22,616	22,881	265
Rental and lease income	7,535	153,514	146,190	(7,324)
Miscellaneous	251,435	269,665	221,905	(47,760)
Total revenues	19,663,951	20,400,663	20,403,205	2,542
<b>EXPENDITURES</b>				
Current:				
Public safety:				
Personnel service:				
Salaries	9,823,624	11,296,161	10,587,635	708,526
Benefits	4,889,411	4,799,590	4,643,240	156,350
Operating expenditures:				
Professional Services	830,337	876,705	876,697	8
Accounting - auditing	56,500	15,975	35,475	(19,500)
Communications and freight	91,959	97,922	97,881	41
Utility services	135,506	140,133	139,836	297
Rentals and leases	4,364	5,703	5,702	1
Insurance - general	254,529	300,003	242,656	57,347
Repair and maintenance	565,762	574,548	579,079	(4,531)
Office supplies	11,449	11,449	11,273	176
Fuels and lubricants	215,345	156,791	159,008	(2,217)
Operating supplies	133,081	107,361	111,700	(4,339)
Small Equipment	65,127	70,996	73,508	(2,512)
Uniforms	227,826	96,816	96,772	44
Books and dues	121,225	75,630	75,348	282
Other	23,331	28,498	27,753	745
Debt service:	260,601	398,667	398,665	2
Capital outlay:	704,711	2,590,931	2,302,058	288,873
Reserves	1,249,263	-	-	-
Total expenditures	19,663,951	21,643,879	20,464,286	1,179,593
Excess (deficiency) of revenues over (under) expenditures	-	(1,243,216)	(61,081)	1,182,135
<b>OTHER FINANCING SOURCES (USES)</b>				
Use of sources	-	1,243,216	-	(1,243,216)
Total other financing sources (uses)	-	1,243,216	-	(1,243,216)
Net change in fund balances	\$ -	\$ -	(61,081)	\$ (61,081)
Fund balances - beginning			8,356,283	
Fund balances - ending			\$ 8,295,202	

See notes to required supplementary information

**GREATER NAPLES FIRE RESCUE DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE – BUDGET AND ACTUAL – IMPACT FEE FUND  
FOR THE PERIOD FROM NOVEMBER 4, 2014 TO SEPTEMBER 30, 2015**

	Budgeted Amounts Original & Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Impact fees	\$ 658,577	\$ 1,321,691	\$ 663,114
Interest	5,011	6,012	1,001
Miscellaneous	-	121	121
Total revenues	663,588	1,327,824	664,236
<b>EXPENDITURES</b>			
Debt service	273,845	124,349	149,496
Capital outlay	70,000	445,947	(375,947)
Total expenditures	343,845	570,296	(226,451)
Excess (deficiency) of revenues over (under) expenditures	\$ 319,743	757,528	\$ 437,785
Fund balances - beginning		1,999,997	
Fund balances - ending		\$ 2,757,525	

See notes to required supplementary information

**GREATER NAPLES FIRE RESCUE DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Commissioners. The general fund budget for the period from November 4, 2014 to September 30, 2015 was amended to increase revenues by \$736,712, increase other financing sources by \$1,243,216 and increase appropriations by \$1,979,928. Actual general fund expenditures for the period from November 4, 2014 to September 30, 2015 were less than appropriations due primarily to anticipated costs which were not incurred in the current fiscal year.

An operating budget was also adopted for the District's impact fee fund. The variance between budgeted and actual general fund revenues for the current fiscal year is the result of higher than anticipated impact fees due to an increase in new construction activity. Actual impact fee fund expenditures for the period from November 4, 2014 to September 30, 2015 exceeded appropriations by \$226,451.



**GREATER NAPLES FIRE RESCUE DISTRICT  
 FLORIDA RETIREMENT SYSTEM PENSION LIABILITY AND CONTRIBUTION SCHEDULES  
 SEPTEMBER 30, 2015  
 (UNAUDITED)**

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

	2015
District's proportion of the FRS net pension liability	0.03592272%
District's proportionate share of the FRS net pension liability	\$ 4,639,901
District's covered employee payroll	\$ 4,463,836
District's proportionate share of the FRS net pension liability as a percentage of its covered employee payroll	103.94%
FRS plan fiduciary net position as a percentage of the total pension liability	92.00%

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

	2015
District's proportion of the HIS net pension liability	0.020851050%
District's proportionate share of the HIS net pension liability	\$ 2,126,479
District's covered employee payroll	\$ 4,463,836
District's proportionate share of the HIS net pension liability as a percentage of its covered employee payroll	47.64%
HIS plan fiduciary net position as a percentage of the total pension liability	0.50%

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

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

**GREATER NAPLES FIRE RESCUE DISTRICT  
FLORIDA RETIREMENT SYSTEM PENSION LIABILITY AND CONTRIBUTION SCHEDULES  
SEPTEMBER 30, 2015  
(UNAUDITED)**

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

	2015
Contractually required FRS contribution	\$ 824,264
FRS contributions in relation to the contractually required contribution	(824,264)
FRS contribution deficiency (excess)	\$ -
District's covered employee payroll	\$ 4,671,619
FRS contributions as a percentage of covered employee payroll	17.64%

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

	2015
Contractually required HIS contribution	\$ 89,164
HIS contributions in relation to the contractually required contribution	(89,164)
HIS contribution deficiency (excess)	\$ -
District's covered employee payroll	\$ 4,671,619
HIS contributions as a percentage of covered employee payroll	1.91%

- (1) The amounts presented for each fiscal year were determined as of September 30.  
(2) Information is only available for the years presented.

**GREATER NAPLES FIRE RESCUE DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS -  
FIREFIGHTERS' PENSION PLAN  
LAST TEN FISCAL YEARS\*  
(UNAUDITED)**

<u>Measurement year ending September 30,</u>	<u>2014</u>	<u>2015</u>
<b>Total pension liability</b>		
Service cost	\$ 1,076,925	\$ 1,309,059
Interest	1,073,926	1,249,582
Benefit changes	-	-
Difference between expected and actual experience	-	1,408,146
Assumption changes	-	-
Benefit payments and refunds	(62,080)	(170,839)
<b>Net change in total pension liability</b>	<u>2,088,771</u>	<u>3,795,948</u>
<b>Total pension liability - beginning</b>	12,811,228	14,899,999
<b>Total pension liability - ending (a)</b>	<u>\$ 14,899,999</u>	<u>\$ 18,695,947</u>
<b>Plan fiduciary net position</b>		
Contributions - Employer	\$ 506,016	\$ 517,177
Contributions - State	720,074	\$ 661,600
Contributions - Employee	110,558	113,635
Net investment income	1,574,687	(143,909)
Benefits payments and refunds	(62,080)	(170,839)
Administrative expense	(164,656)	(163,984)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>2,684,599</u>	<u>813,680</u>
<b>Plan Fiduciary Net Position - Beginning</b>	17,002,054	19,686,623
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 19,686,653</u>	<u>\$ 20,500,303</u>
<b>Net Pension Liability (Asset) - Ending (a) - (b)</b>	<u>\$ (4,786,654)</u>	<u>\$ (1,804,356)</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	132.13%	109.65%
<b>Covered Employee Payroll</b>	<u>\$ 3,685,271</u>	<u>\$ 3,787,836</u>
<b>Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll</b>	-129.89%	-47.64%

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

**GREATER NAPLES FIRE RESCUE DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF ACTUARIALLY DETERMINED CONTRIBUTIONS -  
FIREFIGHTERS' PENSION PLAN  
LAST TEN FISCAL YEARS\*  
(UNAUDITED)**

Fiscal Year	(1) Actuarially Determined Contribution (ADC)	(2) Contributions in relation to the ADC	(3) Difference Between (1) and (2)	Covered Employee Payroll	Column (2) as a Percentage of Covered Payroll
2014	\$ 1,226,090	\$ 1,226,090	\$ -	\$ 3,685,271	33.27%
2015	1,178,777	1,178,777	-	3,787,836	31.12%

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

**GREATER NAPLES FIRE RESCUE DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS -  
OTHER POST EMPLOYMENT BENEFITS  
SEPTEMBER 30, 2015  
(UNAUDITED)**

**Schedule of Funding Progress**

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

**Schedule of Employer Contributions**

Period Ended	Actual Contribution *	% Contributed
September 30, 2013	\$ 461,000	35.3%
September 30, 2014	554,000	54.5%
September 30, 2015	612,668	57.2%

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



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

To the Board of Commissioners  
Greater Naples Fire Rescue District  
Naples, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund and the remaining fund information of Greater Naples Fire Rescue District, Naples, Florida ("District") as of and for the period from November 4, 2014 to September 30, 2015, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 10, 2016, which includes an emphasis of matter paragraph. Other auditors audited the financial statements of the District's Firefighters' Pension Plan, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

We noted another matter that we reported to management of the District in a separate letter dated June 10, 2016.

The District's response to the finding identified in our audit is described in the accompanying Management Letter. We did not audit the District's response and, accordingly, we express no opinion on it.

**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 10, 2016



**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  
Greater Naples Fire Rescue District  
Naples, Florida

We have examined Greater Naples Fire Rescue District, Naples, Florida ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the period from November 4, 2014 to September 30, 2015. Management is responsible for District's compliance with those requirements. Our responsibility is to express an opinion on District's compliance based on our examination. We were not engaged to audit the financial statements of the District's Firefighters' Pension Plan; accordingly, we did not examine the District's Firefighters' Pension Plan's 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. This report does not include a report on the District's Firefighter's Pension Plan's compliance with the requirements of Section 218.415, Florida Statutes, required by Rule 10.556(10) of the Auditor General of the State of Florida.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the period from November 4, 2014 to September 30, 2015.

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

June 10, 2016





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

To the Board of Commissioners  
Greater Naples Fire Rescue District  
Naples, Florida

**Report on the Financial Statements**

We have audited the accompanying basic financial statements of Greater Naples Fire Rescue District ("District") as of and for the period from November 4, 2014 to September 30, 2015, and have issued our report thereon dated June 10, 2016, which includes an emphasis of matter paragraph. Other auditors audited the financial statements of the District's Firefighters' Pension Plan, as described in our report on the District's financial statements. This report does not include other auditors' management letter reported separately by those auditors.

**Auditor's Responsibility**

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

**Other Reports and Schedule**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 10, 2016, 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 Greater Naples Fire Rescue District and is not intended to be and should not be used by anyone other than these specified parties.

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

June 10, 2016

## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

#### 2015-01 Budget:

Observation: Actual expenditures exceeded appropriations in the impact fee fund for the period from November 4, 2014 to September 30, 2015.

Recommendation: The District should amend the budget during the fiscal year or within statutory guidelines to ensure that all expenditures are properly budgeted.

Reference Number for Prior Year Finding: Not applicable.

Management Response: Going forward the District will ensure that the impact fee budget is amended within the required time frame.

### II. PRIOR YEAR FINDINGS

East Naples Fire Control and Rescue District: 2012-01, 2013-02, and 2014-01 – Fixed Assets - matter has been resolved.

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

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

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

As the District is a newly formed District resulting from the merger of Golden Gate Fire Control and Rescue District and East Naples Fire Control and Rescue District ("the predecessor Districts"), there was no preceding annual financial audit report of the District. In regards to the predecessor Districts there were no significant findings and recommendations made in the preceding annual financial audit reports for the fiscal year ended September 30, 2014, except as noted above.

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the period from November 4, 2014 to September 30, 2015, except as noted above.

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 period from November 4, 2014 to September 30, 2015, except as noted above.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.
5. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the financial audit report for the period from November 4, 2014 to September 30, 2015.
6. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.

## **REPORT TO MANAGEMENT (Continued)**

7. We applied financial condition assessment procedures and no deteriorating financial conditions were noted. 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.