

**EAST NAPLES FIRE CONTROL  
AND RESCUE DISTRICT  
FINANCIAL REPORT  
FOR THE PERIOD FROM OCTOBER 1, 2014 TO  
NOVEMBER 3, 2014**

# **EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
East Naples Fire Control and 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 East Naples Fire Control and Rescue District, Naples, Florida (the "District") as of and for the period from October 1, 2014 to November 3, 2014, which collectively comprise the District's basic financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
Discretely Presented Component Unit	Unmodified
General Fund	Unmodified
Impact Fee Fund	Unmodified
Fiduciary Fund	Adverse
Aggregate Remaining Fund Information	Unmodified

## **Basis for Adverse Opinions on Governmental Activities and Fiduciary Fund**

Management has not implemented Governmental Accounting Standards Board ("GASB") Statement 68, Accounting and Financial Reporting for Pensions, and accordingly has not recorded certain net pension liabilities and/or net pension assets in governmental activities. Accounting principles generally accepted in the United States of America require that those assets and/or liabilities, be recorded, which would change the assets, liabilities net position, revenues and/or expenses of the governmental activities. The amount by which this departure would affect the assets, liabilities net position, revenues and/or expenses of the governmental activities has not been determined.

Management has not included the Fiduciary Fund, the firefighters' pension trust fund, in the District's financial statements. Accounting principles generally accepted in the United States of America require the Fiduciary Fund to be presented in the District's financial statements.

## **Adverse Opinions**

In our opinion, because of the significance of the matters described in the "Basis for Adverse Opinions on Governmental Activities and Fiduciary Fund" paragraph, the financial statements referred to above do not present fairly the financial position of the Governmental Activities or the Fiduciary Fund of East Naples Fire Control and Rescue District, Naples, Florida, as of November 3, 2014, or the respective changes in financial position for the period from October 1, 2014 to November 3, 2014, in accordance with accounting principles generally accepted in the United States of America.

## **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of East Naples Fire Control and Rescue District, Naples, Florida, as of November 3, 2014, and the respective changes in financial position for the period from October 1, 2014 to November 3, 2014, in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 15 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.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted management's discussion and analysis, budgetary comparison information and the schedule of funding progress and employer contributions, and money-weighted rate of return that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2015, 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 October 26, 2015, 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.

 *David J. Associates*

October 26, 2015

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT**  
**STATEMENT OF NET POSITION**  
**NOVEMBER 3, 2014**

	Governmental Activities	Component Unit
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,487,062	\$ 448,104
Accounts receivable	251,198	2,494
Prepays	24,272	-
Land held for sale	1,000,000	-
Capital assets:		
Non-depreciable	1,508,138	1,203,857
Depreciable, net	6,450,826	1,675,015
Net pension asset	26,744	-
Total assets	<u>15,748,240</u>	<u>3,329,470</u>
<b>LIABILITIES</b>		
Accounts payable	235,052	-
Accrued expenses	35,137	-
Non-current liabilities:		
Due in more than one year:		
Compensated absences	976,720	-
Net Other Post Employment Obligation ("OPEB")	3,668,277	-
Total liabilities	<u>4,915,186</u>	<u>-</u>
<b>NET POSITION</b>		
Investment in capital assets	7,958,964	2,878,872
Restricted for:		
Capital projects	1,852,172	-
Unrestricted	1,021,918	450,598
Total net position	<u>\$ 10,833,054</u>	<u>\$ 3,329,470</u>

See notes to the financial statements

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE PERIOD FROM OCTOBER 1, 2014 TO NOVEMBER 3, 2014**

Functions/ <u>Programs</u>	Net (Expense)				Component Unit
	Revenue and				
	Changes in				
	Net Position				
	Program Revenues	Charges for Services	Governmental Activities	Primary Government	
	Expenses				
Public safety	\$ 1,306,249	\$ 43,199	\$ (1,263,050)	\$ -	-
Total governmental activities	1,306,249	43,199	(1,263,050)	-	-
Total component unit	19,532	2,494	-	(17,038)	(17,038)
General revenues:					
Property taxes			-	-	-
Unrestricted investment earnings			1,823	128	128
Miscellaneous			-	-	-
Gain on sale of capital assets			-	-	-
Total general revenues			1,823	128	128
Change in net position			(1,261,227)	(16,910)	(16,910)
Net position - beginning			12,094,281	3,346,380	3,346,380
Net position - ending			\$ 10,833,054	\$ 3,329,470	\$ 3,329,470

See notes to the financial statements

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
NOVEMBER 3, 2014**

	Major Funds		Non-Major Fund	Total
	General	Impact Fee	Hydrant Maintenance	Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,117,557	\$ 1,852,172	\$ 517,333	\$ 6,487,062
Accounts receivable	251,198	-	-	251,198
Prepays	24,272	-	-	24,272
Land held for sale	1,000,000	-	-	1,000,000
<b>Total assets</b>	<b>\$ 5,393,027</b>	<b>\$ 1,852,172</b>	<b>\$ 517,333</b>	<b>\$ 7,762,532</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 234,152	\$ -	\$ 900	\$ 235,052
Accrued expenses	35,137	-	-	35,137
<b>Total liabilities</b>	<b>269,289</b>	<b>-</b>	<b>900</b>	<b>270,189</b>
<b>Fund balances:</b>				
<b>Nonspendable:</b>				
Land held for sale	1,000,000	-	-	1,000,000
Prepaid expenses	24,272	-	-	24,272
<b>Restricted to:</b>				
Capital projects	-	1,852,172	-	1,852,172
<b>Assigned to:</b>				
Hydrant repair and maintenance	-	-	516,433	516,433
Unassigned	4,099,466	-	-	4,099,466
<b>Total fund balances</b>	<b>5,123,738</b>	<b>1,852,172</b>	<b>516,433</b>	<b>7,492,343</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,393,027</b>	<b>\$ 1,852,172</b>	<b>\$ 517,333</b>	<b>\$ 7,762,532</b>

See notes to the financial statements



**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
NOVEMBER 3, 2014**

Fund balance - governmental funds \$ 7,492,343

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	13,162,761	
Accumulated depreciation	<u>(5,203,797)</u>	7,958,964

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.

Compensated absences	(976,720)
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Net other post employment benefit obligations resulting from underfunding are not reported in the funds as they are not payable from current available resources.

	(3,668,277)
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Net pension asset, not reported in government funds.

	26,744
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Net position of governmental activities

	<u>\$ 10,833,054</u>
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See notes to the financial statements

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE PERIOD FROM OCTOBER 1, 2014 TO NOVEMBER 3, 2014**

	Major Funds		Non-Major Fund	Total Governmental Funds
	General	Impact Fee	Hydrant Maintenance	
<b>REVENUES</b>				
Interest	\$ 1,211	\$ 477	\$ 135	\$ 1,823
Charges for services	41,524	-	1,675	43,199
Total revenues	42,735	477	1,810	45,022
<b>EXPENDITURES</b>				
Current:				
Public safety				
Personnel service	1,055,426	-	-	1,055,426
Operating expenditures	165,130	-	2,534	167,664
Capital outlay	19,004	-	-	19,004
Total expenditures	1,239,560	-	2,534	1,242,094
Excess (deficiency) of revenues over (under) expenditures	(1,196,825)	477	(724)	(1,197,072)
Fund balances - beginning	6,320,563	1,851,695	517,157	8,689,415
Fund balances - ending	\$ 5,123,738	\$ 1,852,172	\$ 516,433	\$ 7,492,343

See notes to the financial statements

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE PERIOD FROM OCTOBER 1, 2014 TO NOVEMBER 3, 2014**

Net change in fund balances - total governmental funds	\$ (1,197,072)
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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.	19,004
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Depreciation on capital assets is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.	(44,882)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The details of the differences are as follows:

Change in OPEB obligation	<u>(38,277)</u>
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Change in net position of governmental activities	<u><u>\$ (1,261,227)</u></u>
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See notes to the financial statements

## **EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT NOTES TO FINANCIAL STATEMENTS**

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

East Naples Fire Control and 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, and is an independent special district authorized and existing under the State of Florida enabling statute chapter 61-2034, repealed and amended by Chapter 2000-444.

The District is operated by a five-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 11).

### **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.

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

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

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

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.

As the fiscal year 2015 property taxes are not due until March 31, 2015 and no fiscal year 2015 property taxes were received during the period from October 1, 2014 to November 3, 2014, no property taxes have been recorded during the period from October 1, 2014 to November 3, 2014.

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 normally reports the following fiduciary fund; however, it has been excluded from this report because it is only for the period from October 1, 2014 to November 3, 2014:

#### **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.

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

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

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.

#### **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.

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

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

#### Capital Assets (Continued)

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	34.5
Building Improvements	34.5
Fire and Rescue Vehicles	5-15
Fire and Rescue Equipment	5-15
Furniture and Fixtures	12

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.

#### 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 time as the revenue becomes available.

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

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

#### **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.

### **Other Disclosures**

#### **Use of Estimates**

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

## **NOTE 3 – BUDGETARY INFORMATION**

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, 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

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.

#### NOTE 5 – CAPITAL ASSETS

Capital asset activity for the period from October 1, 2014 to November 3, 2014 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 1,508,138	\$ -	\$ -	\$ 1,508,138
Total capital assets, not being depreciated	1,508,138	-	-	1,508,138
Capital assets, being depreciated				
Buildings and improvements	4,642,423	4,213	-	4,646,636
Furniture and equipment	2,850,366	14,791	-	2,865,157
Vehicles and trucks	4,142,830	-	-	4,142,830
Total capital assets, being depreciated	11,635,619	19,004	-	11,654,623
Less accumulated depreciation for:				
Buildings and improvements	1,289,529	11,905	-	1,301,434
Furniture and equipment	1,878,142	18,407	-	1,896,549
Vehicles and trucks	1,991,244	14,570	-	2,005,814
Total accumulated depreciation	5,158,915	44,882	-	5,203,797
Total capital assets, being depreciated, net	6,476,704	(25,878)	-	6,450,826
Governmental activities capital assets, net	\$ 7,984,842	\$ (25,878)	\$ -	\$ 7,958,964

Depreciation expense was all charged to public safety in the amount of \$44,882.

## NOTE 5 – CAPITAL ASSETS (Continued)

### Discretely Presented Component Unit

Activity for the Fire Code Official for the period from October 1, 2014 to November 3, 2014 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	174,518	435	-	174,953
Buildings and improvements	167,387	4,386	-	171,773
Total accumulated depreciation	460,625	4,821	-	465,446
Total capital assets, being depreciated, net	1,679,836	(4,821)	-	1,675,015
Governmental activities capital assets, net	\$ 2,883,693	\$ (4,821)	\$ -	\$ 2,878,872

## NOTE 6 – LONG-TERM LIABILITIES

Changes in long-term liability activity for the period from October 1, 2014 to November 3, 2014 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 976,720	\$ 85,580	\$ 85,580	\$ 976,720	\$ -
Total	\$ 976,720	\$ 85,580	\$ 85,580	\$ 976,720	\$ -

## NOTE 7 – RETIREMENT PLANS

### Multi-Employer Plan

#### Plan Description

All full time District employees hired prior to January 1, 1996 are participants in the State of Florida Retirement System ("System"), a cost-sharing multiple-employer public employee independent retirement system. The primary System is a defined benefit plan for all state, county, district, community college and university employees.

Employees of the District participate in the System as members of the Special Risk and Regular Class. The Special Risk Class was created due to the physical and mental demands placed on fire fighters and emergency medical technicians, which prohibits them from performing their required duties until normal retirement age.

## **NOTE 7 – RETIREMENT PLANS (Continued)**

### **Multi-Employer Plan (Continued)**

#### Plan Description (Continued)

Employees, in the special risk class, may normally retire under several circumstances, including: at 25 years of special risk credited service, regardless of age; or at age 55 with 6 years of special risk credited service; or after 30 years of any creditable service, regardless of age. Regular class employees may normally retire at or after age 62 with 6 years of service or after 30 years of service, regardless of age. Early retirement may be taken after a member has vested and is within 20 years of the member's normal retirement age. Since July 1, 2001, vesting occurs after 6 years of creditable service.

Benefits are payable monthly for life, based on the applicable percentage, times the number of years of credited service, times the average of the member's five highest years of earnings. The applicable benefit percentages for employees in the special risk class and regular employee class are 3% and 1.6%, respectively, for employees who retire normally. For employees who retire under the early retirement provisions above, benefits are reduced by 5% for each year remaining from the employee's normal retirement age. The System also provides death and disability benefits. Benefits are established by Chapter 121, Florida Statutes and Chapter 22B, Florida Administrative Code.

The Deferred Retirement Option Program ("DROP") is a program that provides an alternative method for payment of retirement benefits for a specified and limited period for members of the System, effective July 1, 1998. Under this program, the employee may retire and have their benefits accumulate in the Florida Retirement System Trust Fund earning interest, while continuing to work for a system employer. The participation in the program does not change conditions of employment. When the DROP period ends, maximum of 60 months, employment must be terminated. At the time of termination of employment, the employee will receive payment of the accumulated DROP benefits, and begin receiving their monthly retirement benefit (in the same amount determined at retirement, plus annual cost-of-living increase).

Effective July 1, 2002, the Public Employee Optional Retirement Program (PEORP) was implemented as a defined contribution plan alternative available to all System members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices.

The System publishes an unaudited annual report that provides ten-year historical trend information about progress made in accumulating sufficient assets to pay benefits when due. The most recent available report is for the plan year ended June 30, 2014, which includes additional financial reporting requirements of GASB 67, Financial Reporting for Pension Plans, including the annual money-weighted rate of return on pension plan investments. That report may be obtained by writing to Research Education and Policy Section, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560 or by calling (850) 488-2872, or accessing their Internet site at [www.frs.state.fl.us](http://www.frs.state.fl.us).

#### Basis of Accounting

The System fiduciary financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Member contributions are recognized in the period of time for which the contributions are assessed. Employer contributions are recognized when due in the period in which employee services are performed and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

## **NOTE 7 – RETIREMENT PLANS (Continued)**

### **Multi-Employer Plan (Continued)**

#### Funding Policy and Contributions

Pension contribution rates for the District are as a percentage of covered payroll. The District's contribution rates to the System were amended July 1, 2014. At September 30, 2014, the required contribution rates were:

	Special Risk	Regular	DROP
Contribution Rate	19.82%	7.37%	12.28%

For the fiscal years ended September 30, 2014, 2013 and 2012 the District contributed 100% of the required contributions and those contributions totaled \$249,562, \$186,869, and \$189,664, respectively. Additionally, as of July 2011, employees are required to contribute 3.00% to the plan.

#### Investments

Investments are reported at fair value. Quoted market prices are used when available to value investments. Different methods may be used for determine an investment's fair value if it is not available from quoted market prices, depending on the type of investment. For example, when a portfolio includes securities or instruments for which fair value information is unavailable from its vendor pricing source, a "non-vendor pricing source" may be used. Examples include, but are not limited to, limited partnerships or similar private investment vehicles that do not actively trade through established exchange mechanisms; other private placements where there is limited or no information in the market place; and unique fixed income and equity instruments. Some securities, including U.S. government, municipal bonds, and mortgage-backed and asset backed securities, may be priced using evaluated bid prices. For private market investments, where no readily ascertainable market value exists, fair values for the individual investments are based on the net asset value (capital account balance) at the closest available reporting period.

### **Single Employer Plan**

#### Description of Plan

The following description of East Naples Fire Control and 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 East Naples Fire Control and Rescue District ("Employer and Plan Sponsor"). The Plan was originally adopted on July 29, 1996 by 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 East Naples Fire Control and Rescue 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.

## NOTE 7 – RETIREMENT PLANS (Continued)

### Single Employer Plan (Continued)

#### Plan Administration (Continued)

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.

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

East Naples Fire Control & 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. For the fiscal years ended September 30, 2014, 2013 and 2012, the employer contributions were \$506,016, \$1,099,656, and \$809,935, respectively. The District's actuarially determined contribution was \$506,016 for the fiscal year ended September 30, 2014. The District, however, met its requirement with cash contributions of \$618,044, which increased the prepaid contribution (unearned revenue) by \$112,028 and leaving a balance of \$201,909 in prepaid contributions at September 30, 2014.

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.

#### Annual Pension Cost and Net Pension Obligation (Asset)

The District's pension cost for the plan for the period from October 1, 2014 to November 3, 2014 was as follows:

Period Pension Cost	\$ 13,568
Contributions made	13,568
Increase in net pension (asset)	\$ -
Net pension (asset), beginning of period	(26,744)
Net pension (asset), end of period	<u>\$ (26,744)</u>

The required contributions for the current year were determined by the plan's October 1, 2012 actuarial valuation using the Individual Entry Age Normal Actuarial Cost Method (Level Percent Compensation). The actuarial assumptions for the plan included (a) a 7.75% investment rate of return and (b) projected salary increases between 7.5% and 13% depending on years of service, which also includes inflation at 3.0%. Assets were valued at market value. The Amortization method for the most recent actuarial valuation date of October 1, 2012 for the plan was level dollar, closed.

## NOTE 7 – RETIREMENT PLANS (Continued)

### Single Employer Plan (Continued)

#### Funded Status and Funding Progress

The funded status of the plan as of October 1, 2014 the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (A)-(B)	Funded Ratio (A)/(B)	Active Participant Covered Payroll (C)	Unfunded AAL as Percentage of Active Participant Covered Payroll ((A-B)/C)
10/1/2014	\$ 19,686,653	\$ 16,340,961	\$ 3,345,692	120.47%	\$ 3,685,271	90.79%

The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

#### 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 fiscal years ended September 30, is presented as follows:

	2014	2013	2012
Annual pension cost (APC)	\$ 1,230,937	\$ 1,719,456	\$ 1,513,958
Percentage of APC contributed	1.10%	99.67%	99.56%
Net pension obligation (asset)	\$ (26,744)	\$ (31,591)	\$ (37,249)

Contributions to the Plan are made in accordance with actuarially determined requirements.

#### Plan Eligibility

All full time firefighters hired by the District on or after January 1, 1996, shall be eligible for membership into the Plan on the date of their employment. Subsequent to September 30, 2014, the Plan was closed 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, 2014, (the date of the most recent actuarial evaluation) was as follows:

Inactive employees:	
Retirees and beneficiaries currently receiving benefits	2
Deferred vested members	6 *
Active plan participants	51
Total	59

\* non-vested Member awaiting a refund of contributions

#### Vesting

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

#### 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.

## **NOTE 7 – RETIREMENT PLANS (Continued)**

### **Single Employer Plan (Continued)**

#### 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.

#### Defined Contribution Plan

The District maintains a single-employer defined contribution pension plan through Nationwide Insurance for the benefit of its non-firefighter employees hired after January 1, 1996. The plan is for full-time employees and has certain eligibility provisions with required retirement funding percentages based on the salaries of those participating. Pension expense related to this plan was for the period from October 1, 2014 to November 3, 2014 was \$5,310.

## **NOTE 8 – 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 makes no contribution to this Plan.

## NOTE 9 – 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, 2014, 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:

	2014	2013	2012
Period OPEB cost	\$ 1,017,000	\$ 1,144,000	\$ 1,144,000
Percentage of OPEB contributed	45.2%	32.3%	32.3%
Net OPEB obligation (asset)	\$ 3,630,000	\$ 3,073,000	\$ 2,299,000

### 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.

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.



## NOTE 9 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

### Actuarial Methods and Assumptions (Continued)

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 October 1, 2014 to November 3, 2014, and the related information is as follows:

Required contribution rates:		
Employer	Pay-as-you-go	
Plan members	N/A	
Normal cost	\$	48,500
Interest on Net OPEB obligation		12,083
Amortization		41,333
Adjustment to the ARC		(12,583)
October 1, 2014 to November 3, 2014 OPEB cost		89,333
Contributions made *		51,056
Increase in net OPEB obligation		38,277
Net OPEB obligation - October 1, 2014		3,630,000
Net OPEB obligation - November 3, 2014	\$	3,668,277

\*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, 2014 was as follows:

Actuarial accrued liability	\$	11,935,000
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)	\$	11,935,000
Funded ratio		0%
Covered payroll	\$	-
UAAL as a percentage of covered payroll		0.0%

## NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

#### **NOTE 11 – 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.

The District receives a 1% commission from the Fire Code Official for being the Administrator of the District. For the period from October 1, 2014 to November 3, 2014 the District received \$317 in such fees.

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 12 – JOINT VENTURES**

The District is involved in 3 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 13 – INTERLOCAL AGREEMENT**

On April 23, 2013 the District entered into an interlocal agreement with the Golden Gate Fire Control District ("GGFD") to consolidate certain services provided by each of the respective independent districts in anticipation of a proposed joint merger of the Districts. The agreement states that the Fire Chief of the District be appointed as the Fire Chief of the District and GGFD, and that the Fire Chief of GGFD be appointed as Assistant Fire Chief and second in command of the District and GGFD. Under the agreement, the Chief and Assistant Chief assembled a management team from existing personnel of the District and GGFD. The management team is responsible for providing certain consolidated administrative and operational services. The agreement also specifically keeps separate the governance, accounting and employees of both Districts. See Note 15 for more information about the joint merger subsequent to period end.

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

Collier Professional Firefighters and Paramedics, IAFF, Local 2396 v. Greater Naples Fire Rescue District- RC Petition (Case No. RC-201S-00S)

A Representation-Certification (RC) Petition was filed by Local 2396 (Union) against the District with the Public Employees Relations Commission (PERC) on April 15, 2015. The Petition seeks the certification of a supervisory bargaining unit for the job classification of Battalion Chief - Operations. The District's position is that employees in this position are "managerial" and/or "confidential" pursuant to Section 447.203, Fla. Stat., and therefore cannot form a bargaining unit. An evidentiary hearing was held before the Hearing Officer assigned by PERC on July 7, 2015, and the parties filed their post-hearing briefs on August 10, 2015. The Hearing Officer issued his Recommended Order on August 14, 2015, in favor of the District and concluded that the battalion chiefs should be designated as managerial employees and their petition seeking a bargaining unit should be dismissed. Both parties filed exceptions to the Hearing Officer's Recommended Order and are awaiting a decision from the Public Employee Relations Commission.

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 our 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.

#### **NOTE 15 – SUBSEQUENT EVENTS**

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.



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**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  
East Naples Fire Control and 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 East Naples Fire Control and Rescue District, Naples, Florida ("District") as of and for the period from October 1, 2014 to November 3, 2014, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 26, 2015, which includes adverse opinions on the governmental activities and fiduciary funds opinion units and an emphasis of matter paragraph. We were not engaged to audit the financial statements of the District's Firefighters' Pension Plan; accordingly, this report does not include a report on the District's Firefighter's Pension Plan's 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*.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Bhav & Associates*

October 26, 2015



**Grau & Associates**  
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**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  
East Naples Fire Control and Rescue District  
Naples, Florida

We have examined East Naples Fire Control and 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 October 1, 2014 to November 3, 2014. 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 October 1, 2014 to November 3, 2014.

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 East Naples Fire Control and Rescue District, Naples, Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Grau & Associates*

October 26, 2015



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

To the Board of Commissioners  
East Naples Fire Control and Rescue District  
Naples, Florida

### Report on the Financial Statements

We have audited the accompanying basic financial statements of East Naples Fire Control and Rescue District ("District") as of and for the period from October 1, 2014 to November 3, 2014, and have issued our report thereon dated October 26, 2015, which includes adverse opinions on the governmental activities and fiduciary funds opinion units and an emphasis of matter paragraph.

### 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 October 26, 2015, 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 East Naples Fire Control and Rescue District and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank East Naples Fire Control and 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.

*Grau & Associates*

October 26, 2015

## **REPORT TO MANAGEMENT**

### **I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

None

### **II. PRIOR YEAR FINDINGS**

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.

There were no significant findings and recommendations made in the preceding annual financial audit report 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 October 1, 2014 to November 3, 2014.

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 October 1, 2014 to November 3, 2014.

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 October 1, 2014 to November 3, 2014.
6. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
7. We applied financial condition assessment procedures and no deteriorating financial conditions were noted. 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.