

**GREATER NAPLES FIRE RESCUE DISTRICT
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2017**

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, each major fund and the remaining fund information of Greater Naples Fire Rescue District, Naples, Florida (the "District") as of and for the fiscal year ended September 30, 2017, 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, each major fund, and the remaining fund information of the District as of September 30, 2017, and the respective changes in financial position for the fiscal year ended September 30, 2017, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 May 31, 2018, 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 May 31, 2018, 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.

May 31, 2018

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 fiscal year ended September 30, 2017. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets plus deferred outflows of resources of the District exceeded its liabilities plus deferred inflows of resources at the close of most recent fiscal year resulting in a net position balance of \$11,703,209.
- The change in the District's total net position in comparison with the prior fiscal year was (\$2,473,019), a decrease. 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, 2017, the District's governmental funds reported combined ending fund balances of \$12,344,151, a decrease of (\$1,651,535) 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 and debt service; a portion is committed to the other post-employment benefits ("OPEB") of retirees of the Office of the Fire Code Official Collier County Fire Districts ("Fire Code Official" or "FCO"); 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.

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 deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the 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.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has 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 fund and special revenue/impact fee fund). A budgetary comparison schedule has been provided for the general fund and the impact fee fund to demonstrate compliance with the budgets.

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 most recent fiscal year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	NET POSITION	
	SEPTEMBER 30,	
	Governmental Activities	
	2017	2016
Current and other assets	\$ 13,004,419	\$ 14,668,754
Capital assets, net of depreciation	15,331,878	15,517,305
Net pension asset	2,107,798	1,804,386
Total assets	<u>30,444,095</u>	<u>31,990,445</u>
Deferred outflows of resources	20,452,509	15,913,968
Liabilities:		
Current liabilities	668,427	690,683
Non-current liabilities	32,581,939	27,261,855
Total liabilities	<u>33,250,366</u>	<u>27,952,538</u>
Deferred inflows of resources	5,943,029	5,775,647
Net position:		
Net investment in capital assets	10,062,863	9,439,230
Restricted	5,517,938	4,943,237
Unrestricted	(3,877,592)	(206,239)
Total net position	<u>\$ 11,703,209</u>	<u>\$ 14,176,228</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.

The District's net position decreased during the most recent fiscal year. The majority of the decrease is the result of the recognition of an expense at the government-wide level for the change in the net pension liability and deferred outflows and inflows of resources related to pensions.

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

	CHANGES IN NET POSITION	
	FOR THE FISCAL YEAR ENDED SEPTEMBER 30,	
	Governmental Activities	
	2017	2016
Revenues and transfers:		
General Revenues		
Property taxes	\$ 25,503,046	\$ 21,599,858
Impact Fees	1,383,695	1,113,279
Unrestricted investment earnings	63,694	51,276
Rental and lease income	126,597	138,334
Miscellaneous	639,935	100,849
Gain (Loss) on disposition of capital assets	9,973	(144,308)
Program revenues		
Charges for services	990,317	1,117,682
Transfers	-	668,053
Total revenues and transfers	<u>28,717,257</u>	<u>24,645,023</u>
Expenses:		
Public safety-fire and rescue services	31,014,830	24,623,406
Interest	175,446	165,348
Total expenses	<u>31,190,276</u>	<u>24,788,754</u>
Special Items	-	726,839
Change in net position	(2,473,019)	583,108
Net position - beginning	14,176,228	13,593,120
Net position - ending	<u>\$ 11,703,209</u>	<u>\$ 14,176,228</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2017 was \$31,190,276. The costs of the District's activities were primarily funded by ad valorem taxes. Ad valorem taxes increased in the current year as a result of receipt of additional ad-valorem taxes from the Ochopee Fire Control District interlocal agreement and an increase in the total assessed property value within the District. The remainder of the revenue for the fiscal year ended September 30, 2017 relates primarily to impact fees and charges for services such as inspection and permitting fees. In total, expenses, including depreciation, increased from the prior fiscal year, the majority of the increase was the result of an increase in personnel and benefit costs related to the Ochopee interlocal agreement.

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 fiscal year ended September 30, 2017 was amended to increase revenues by \$3,373,541, increase other financing sources by \$666,287 and increase appropriations by \$4,039,828. Actual general fund expenditures for the fiscal year ended September 30, 2017 exceeded appropriations by \$122,546. The over expenditures were funded by available fund balance.

An operating budget was also adopted for the Districts impact fee fund. The impact fee fund budget for the fiscal year ended September 30, 2017 was amended to increase revenues by \$322,052, increase appropriations by \$85,500, and decrease other financing sources by \$236,552.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2017, the District had \$34,521,932 invested in land, building and improvements, equipment and vehicles for its governmental activities. In the government-wide financial statements depreciation of \$19,190,054 has been taken, which resulted in a net book value of \$15,331,878. More detail information on the capital assets is presented in the notes to the financial statements.

Capital Debt

At September 30, 2017, the District had \$58,779 in capital leases outstanding and \$5,210,236 in a loan outstanding for its governmental activities. 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

The District does not anticipate any major projects for the subsequent fiscal year. In addition, it is anticipated that the general operations of the District will remain fairly constant.

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, 2017**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 6,743,621
Accounts receivable	283,838
Prepays	156,343
Land held for sale	1,000,000
Restricted assets:	
Cash and cash equivalents	4,744,774
Accounts receivable	75,843
Capital assets:	
Non-depreciable	2,331,127
Depreciable, net	13,000,751
Net pension asset	2,107,798
Total assets	30,444,095
 DEFERRED OUTFLOWS OF RESOURCES	
Pension	20,452,509
 LIABILITIES	
Accounts payable	292,457
Accrued expenses	367,811
Accrued interest payable	8,159
Non-current liabilities:	
Due within one year:	
Capital leases	16,794
Loan payable	546,526
Due in more than one year:	
Capital leases	41,985
Loan payable	4,663,710
Compensated absences	2,108,755
Net Other Post Employment Obligation ("OPEB")	4,009,332
Net pension liability	21,171,095
Accrued insurance payable	23,742
Total liabilities	33,250,366
 DEFERRED INFLOWS OF RESOURCES	
Pension	5,943,029
 NET POSITION	
Net investment in capital assets	10,062,863
Restricted for Debt service	697,321
Restricted for capital projects	4,820,617
Unrestricted	(3,877,592)
Total net position	\$ 11,703,209

See notes to the financial statements

**GREATER NAPLES FIRE RESCUE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Charges for Services</u>	<u>Changes in Net Position Primary Government</u>
				<u>Governmental Activities</u>
Primary government:				
Governmental activities:				
Public safety	\$ 31,014,830	\$ 990,317		\$ (30,024,513)
Interest on long-term debt	175,446	-		(175,446)
Total governmental activities	<u>31,190,276</u>	<u>990,317</u>		<u>(30,199,959)</u>
General revenues:				
Property taxes				25,503,046
Impact Fees				1,383,695
Unrestricted investment earnings				63,694
Rental and lease income				126,597
Gain on disposition of capital assets				9,973
Miscellaneous				<u>639,935</u>
Total general revenues				<u>27,726,940</u>
Change in net position				<u>(2,473,019)</u>
Net position - beginning				<u>14,176,228</u>
Net position - ending				<u>\$ 11,703,209</u>

See notes to the financial statements

**GREATER NAPLES FIRE RESCUE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	Major Funds		Non-Major Fund	Total Governmental Funds
	General	Impact Fee	Hydrant Maintenance	
ASSETS				
Cash and cash equivalents	\$ 7,008,745	\$ 4,047,453	\$ 432,197	\$ 11,488,395
Accounts receivable	283,838	75,843	-	359,681
Prepays	156,343	-	-	156,343
Land held for sale	1,000,000	-	-	1,000,000
Total assets	\$ 8,448,926	\$ 4,123,296	\$ 432,197	\$ 13,004,419
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 292,457	\$ -	\$ -	\$ 292,457
Accrued expenses	367,811	-	-	367,811
Total liabilities	660,268	-	-	660,268
Fund balances:				
Nonspendable:				
Land held for sale	1,000,000	-	-	1,000,000
Prepaid expenses	156,343	-	-	156,343
Restricted to:				
Debt service	697,321	-	-	697,321
Capital projects	-	4,123,296	-	4,123,296
Committed to:				
Fire Code Official's OPEB	520,754	-	-	520,754
Assigned to:				
Hydrant repair and maintenance	-	-	432,197	432,197
Subsequent year's expenditures	1,155,474	-	-	1,155,474
Unassigned	4,258,766	-	-	4,258,766
Total fund balances	7,788,658	4,123,296	432,197	12,344,151
Total liabilities and fund balances	\$ 8,448,926	\$ 4,123,296	\$ 432,197	\$ 13,004,419

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, 2017**

Fund balance - governmental funds \$ 12,344,151

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	34,521,932	
Accumulated depreciation	<u>(19,190,054)</u>	15,331,878

A net pension asset is recorded in the statement of net position.		2,107,798
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Deferred outflows of resources related to pensions are recorded in the statement of net position.		20,452,509
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Deferred inflows of resources related to pensions are recorded in the statement of net position.		(5,943,029)
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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		(8,159)
Capital leases		(58,779)
Loan payable		(5,210,236)
Compensated absences		(2,108,755)
Accrued insurance payable		(23,742)
Net pension liability		(21,171,095)

Net other post employment benefit obligations resulting from underfunding are not reported in the funds as they are not payable from current available resources.		(4,009,332)
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Net position of governmental activities		<u>\$ 11,703,209</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 FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Major Funds		Non-Major Fund	Total Governmental Funds
	General	Impact Fee	Hydrant Maintenance	
REVENUES				
Ad valorem taxes	\$ 25,503,046	\$ -	\$ -	\$ 25,503,046
Impact fees	-	1,383,695	-	1,383,695
Charges for services	960,317	-	30,000	990,317
Interest	47,530	14,676	1,488	63,694
Rental and lease income	126,597	-	-	126,597
Miscellaneous	639,935	-	-	639,935
Total revenues	<u>27,277,425</u>	<u>1,398,371</u>	<u>31,488</u>	<u>28,707,284</u>
EXPENDITURES				
Current:				
Public safety				
Personnel service	24,187,233	-	-	24,187,233
Operating expenditures	4,001,286	14,968	1,000	4,017,254
Capital outlay	736,264	447,767	-	1,184,031
Debt service:				
Principal payments	530,433	278,627	-	809,060
Interest expense	102,594	82,308	-	184,902
Total expenditures	<u>29,557,810</u>	<u>823,670</u>	<u>1,000</u>	<u>30,382,480</u>
Excess (deficiency) of revenues over (under) expenditures	(2,280,385)	574,701	30,488	(1,675,196)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	23,661	-	-	23,661
Total other financing sources (uses)	<u>23,661</u>	<u>-</u>	<u>-</u>	<u>23,661</u>
Net change in fund balances	(2,256,724)	574,701	30,488	(1,651,535)
Fund balances - beginning	<u>10,045,382</u>	<u>3,548,595</u>	<u>401,709</u>	<u>13,995,686</u>
Fund balances - ending	<u>\$ 7,788,658</u>	<u>\$ 4,123,296</u>	<u>\$ 432,197</u>	<u>\$ 12,344,151</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 FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Net change in fund balances - total governmental funds	\$ (1,651,535)
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.	1,165,571
Depreciation on capital assets is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.	(1,337,310)
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.	809,060
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:	
Disposal of capital assets	(13,688)
Change in OPEB obligation	548,649
Change in net pension asset, net pension liability, and deferred outflows and inflows of resources related to pensions	(1,698,887)
Change in accrued interest	9,456
Change in compensated absences	(304,335)
Change in net position of governmental activities	\$ (2,473,019)

See notes to the financial statements

**GREATER NAPLES FIRE RESCUE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2017**

ASSETS	
Cash and cash equivalents	\$ 993,948
Receivables:	
Contributions-State of Florida	36,084
Accrued investment income	19,126
Prepaid insurance	1,167
Investments at fair value:	
Equity-type	13,869,070
Real estate	1,378,586
Fixed income	<u>10,777,064</u>
Total assets	<u>27,075,045</u>
 LIABILITIES AND NET POSITION	
Accounts payable	40,356
Unearned revenue (prepaid District contribution)	<u>167,918</u>
Total liabilities	<u>208,274</u>
 NET POSITION HELD IN TRUST FOR PENSION BENEFITS	
	<u><u>\$ 26,866,771</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, 2017**

ADDITIONS

Contributions:	
District	\$ 449,665
Plan members	112,022
State of Florida	<u>699,305</u>
Total contributions	<u>1,260,992</u>
 Net investment income (loss)*	 2,563,788
 Total additions to net position	 <u>3,824,780</u>

DEDUCTIONS

Benefits paid to members	103,281
Share plan distribution	12,900
Refunds of contributions	1,700
Administrative expenses	<u>157,894</u>
Total deductions	<u>275,775</u>
 Change in net position	 3,549,005
 Net position - beginning	 <u>23,317,766</u>
 Net position - ending	 <u><u>\$ 26,866,771</u></u>

* 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.

The District is operated by an seven-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. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment (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.

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 firefighters of the East Naples Fire Control District. On November 18, 2014, the plan was effectively closed to new participants because of the merger.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 3 – BUDGETARY INFORMATION

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

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

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

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

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

Investments

As of September 30, 2017 the fiduciary fund includes the following investments:

	Total Fair Value	Level I	Level II	Level III
<u>Equity investments</u>				
Domestic Equities	\$ 10,069,709	\$ 8,573,196	\$ 1,496,513	\$ -
International Equities	3,799,361	3,799,361	-	-
<u>Private real estate</u>				
American Core Realty	1,378,586	-	-	1,378,586
<u>Fixed income securities</u>				
High Yield Bond ETF	1,310,230	1,310,230	-	-
Convertible Securities ETF	2,156,073	2,156,073	-	-
Aggregate Bond ETF	7,310,761	7,310,761	-	-
Total investments	<u>\$ 26,024,720</u>	<u>\$ 23,149,621</u>	<u>\$ 1,496,513</u>	<u>\$ 1,378,586</u>

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

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

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

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

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.

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.

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 following table.

As of September 30, 2017 the credit ratings of the fixed investments in the fiduciary fund were as follows:

	<u>Rating within Fund</u>
<u>Fixed income mutual funds</u>	
High Yield Bond ETF	Ba1/BB+ or below
Convertible Securities ETF	*
Aggregate Bond ETF	Baa3/BBB- or higher

* Information not available for fund.

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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	\$ 1,310,231	\$ -	\$ -	\$ 1,310,231	\$ -
Convertible Securities ETF	2,156,072	-	-	2,156,072	-
Aggregate Bond ETF	7,310,761	-	-	7,310,761	-
	<u>\$ 10,777,064</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,777,064</u>	<u>\$ -</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, 2017 are as follows:

	<u>Fair Value</u>
Foreign Equity	\$ 438,458
American Europacific	3,360,903
	<u>\$ 3,799,361</u>

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2017 was as follows:

	<u>Beginning</u>			<u>Ending Balance</u>
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 2,331,127	\$ -	\$ -	\$ 2,331,127
Total capital assets, not being depreciated	<u>2,331,127</u>	<u>-</u>	<u>-</u>	<u>2,331,127</u>
Capital assets, being depreciated				
Buildings and improvements	18,142,672	37,866	-	18,180,538
Furniture and equipment	5,213,363	785,213	(281,358)	5,717,218
Vehicles and trucks	8,594,597	342,492	(644,040)	8,293,049
Total capital assets, being depreciated	<u>31,950,632</u>	<u>1,165,571</u>	<u>(925,398)</u>	<u>32,190,805</u>
Less accumulated depreciation for:				
Buildings and improvements	9,440,782	438,309	-	9,879,091
Furniture and equipment	4,151,674	343,313	(268,895)	4,226,092
Vehicles and trucks	5,171,998	555,688	(642,815)	5,084,871
Total accumulated depreciation	<u>18,764,454</u>	<u>1,337,310</u>	<u>(911,710)</u>	<u>19,190,054</u>
Total capital assets, being depreciated, net	<u>13,186,178</u>	<u>(171,739)</u>	<u>(13,688)</u>	<u>13,000,751</u>
Governmental activities capital assets, net	<u>\$ 15,517,305</u>	<u>\$ (171,739)</u>	<u>\$ (13,688)</u>	<u>\$ 15,331,878</u>

Depreciation expense was all charged to public safety in the amount of \$1,337,310.

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 \$58,779 at September 30, 2017. The District agreed to pay a monthly minimum rent of approximately \$1,400 for the facility. The associated asset has a carrying value of \$564,823 with accumulated depreciation \$480,100 of at September 30, 2017.

The Bancorp Bank Firefighter Truck Lease

In fiscal year 2016, the District entered into a capital lease agreement with the Bancorp Bank for the purchase of one Pierce Enforcer 107' Ascendant Aerial Ladder Truck including related equipment totaling \$785,500. Based on the lease agreement, the lease was recorded as a capital lease in the accompanying financial statements and was paid off during the fiscal year ended September 30, 2017. The associated asset has a carrying value of \$785,500 with accumulated depreciation \$177,673 of at September 30, 2017.

Iberiabank Loan

On April 1, 2011, one of the Predecessor Districts 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 an 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. On March 11, 2016, the District entered into a \$6,000,000 loan agreement with Iberiabank to refinance the then outstanding principal and interest balance of \$5,974,477 of the 2011 Fifth Third lease purchase agreement. The Iberiabank loan carries a fixed interest rate of 3.0%. Payments of principal and interest are due quarterly beginning June 11, 2016 until final maturity on March 11, 2026. The District's operating funds and impact fees received each year are used as the source of debt service for such loan.

The Loan agreement established a debt service reserve requirement. The District agreed to establish an account and maintain its balance at \$696,723 for the sole purpose of paying debt service on the Loan to the extent other legally available funds are not available. The District was in compliance with the requirement at September 30, 2017.

Changes in long-term liability activity for the fiscal year ended September 30, 2017 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	\$ 337,406	\$ -	\$ 278,627	\$ 58,779	\$ 16,794
Iberiabank Loan	5,740,669	-	530,433	5,210,236	546,526
Compensated absences	1,804,420	1,672,374	1,368,039	2,108,755	-
Total	<u>\$ 7,882,495</u>	<u>\$ 1,672,374</u>	<u>\$ 2,177,099</u>	<u>\$ 7,377,770</u>	<u>\$ 563,320</u>

At September 30, 2017, the future minimum lease payments on the capital lease obligations were as follows:

	Fiscal year
	2018
	2019
	2020
	2021
Total minimum lease payments	58,779
Less: amounts representing interest	-
Present value of minimum lease payments	<u>\$ 58,779</u>

NOTE 6 – LONG-TERM LIABILITIES (Continued)

At September 30, 2017, the scheduled debt service requirements on the promissory note were as follows:

Fiscal year	Principal	Interest	Total
2018	\$ 546,526	\$ 150,197	\$ 696,723
2019	563,108	133,616	696,724
2020	580,192	116,532	696,724
2021	597,794	98,929	696,723
2022	615,931	80,792	696,723
2023-2026	2,306,685	131,851	2,438,536
Total	\$ 5,210,236	\$ 711,917	\$ 5,922,153

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. Annual rent payment of \$39,398 was received by the District in August 2017.

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 \$3,141 was increased by 2% to \$3,204 in January 2017.

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).

The District's pension expense related to the Florida Retirement System totaled \$4,646,123 for the fiscal year ended September 30, 2017.

FRS Pension Plan

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

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

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

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

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

Contributions – The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the fiscal year ended September 30, 2017 were as follows:

Class	Percent of Gross Salary October 1, 2016 to June 30, 2017		Percent of Gross Salary July 1, 2017 to September 30, 2017	
	Employee	Employer (1)	Employee	Employer (1)
FRS, Regular	3.00	7.52	3.00	7.92
FRS, Special Risk	3.00	22.57	3.00	23.27
FRS, DROP	0.00	12.99	0.00	13.26

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

The District’s contributions to the Plan totaled \$1,511,669 for the fiscal year ended September 30, 2017. This excludes the HIS defined benefit pension plan contributions.

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 – At September 30, 2017, the District reported a liability of \$17,857,998 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The District's proportionate share of the net pension liability was based on the District's contributions for the year ended June 30, 2017 relative to the contributions made during the year ended June 30, 2016 of all participating members. At June 30, 2017, the District's proportionate share was .060%, which was an increase of .013% from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017 the District recognized pension expense of \$3,477,719 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 of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,638,934	\$ (98,924)
Change of assumptions	6,001,548	-
Net difference between projected and actual earnings on FRS pension plan investments	-	(442,566)
Changes in proportion and differences between District FRS contributions and proportionate share of FRS contributions date	6,014,608	(3,297,766)
	530,458	-
Total	<u>\$ 14,185,548</u>	<u>\$ (3,839,256)</u>

The deferred outflows of resources related to pensions, totaling \$530,458, 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, 2018. 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>
2018	\$ 1,429,957
2019	2,966,194
2020	2,305,626
2021	934,151
2022	1,607,267
Thereafter	572,639
Total	<u><u>\$ 9,815,834</u></u>

NOTE 8 – RETIREMENT PLANS (Continued)

Florida Retirement System (FRS) (Continued)

FRS Pension Plan (Continued)

Actuarial Assumptions – The total pension liability in the July 1, 2017 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	7.10%, 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, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

Asset Class	Target Allocation (1)	Arithmetic Return	(Geometric) Return	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.8%
Fixed income	18.0%	4.5%	4.4%	4.2%
Global equity	53.0%	7.8%	6.6%	17.0%
Real estate (property)	10.0%	6.6%	5.9%	12.8%
Private equity	6.0%	11.5%	7.8%	30.0%
Strategic investments	12.0%	6.1%	5.6%	9.7%
Total	100.0%			
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 7.10 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.

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 7.10%, 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 (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of net pension liability	\$ 32,321,897	\$ 17,857,998	\$ 5,849,647

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

NOTE 8 – RETIREMENT PLANS (Continued)

Florida Retirement System (FRS) (Continued)

HIS Pension Plan

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

Benefits Provided – For the fiscal year ended September 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2017, the contribution rate was 1.66% of payroll from October 1, 2016 through September 30, 2017 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 \$133,389 for the fiscal year ended September 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2017, the District reported a net pension liability of \$3,313,097 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The District's proportionate share of the net pension liability was based on the year ended June 30, 2017 contributions relative to the year ended June 30, 2016 contributions of all participating members. At June 30, 2017, the District's proportionate share was .031%, which was an increase of .006% from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017, the District recognized pension expense of \$565,046 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	\$ -	\$ (6,898)
Change of assumptions	465,708	(286,487)
Net difference between projected and actual earnings on HIS pension plan investments	1,837	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	2,053,668	(1,199,997)
District HIS contributions subsequent to the measurement date	51,562	-
Total	<u>\$ 2,572,775</u>	<u>\$ (1,493,382)</u>

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) – The deferred outflows of resources related to pensions, totaling \$51,562, 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30:	Amount
2018	\$ 202,741
2019	202,393
2020	202,226
2021	193,664
2022	155,808
Thereafter	70,999
Total	\$ 1,027,831

Actuarial Assumptions – The total pension liability in the July 1, 2017, 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	3.58%

Mortality rates were based on the Generational RP-2000 with Projected Scale BB. The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Discount Rate – The discount rate used to measure the total pension liability was 3.58%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 3.58%, 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 (2.58%) or 1-percentage-point higher (4.58%) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
District's proportionate share of net pension liability	\$ 3,780,682	\$ 3,313,097	\$ 2,923,624

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

NOTE 8 – RETIREMENT PLANS (Continued)

Florida Retirement System (FRS) (Continued)

FRS – Defined Contribution Pension Plan

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

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

Allocations to the investment member's accounts during the 2017 fiscal year were as follows:

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

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

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

The District's Investment Plan pension expense totaled \$603,358 for the fiscal year ended September 30, 2017.

NOTE 8 – RETIREMENT PLANS (Continued)

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.

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.

NOTE 8 – RETIREMENT PLANS (Continued)

Firefighters' Pension Plan (Continued)

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 three years were as follows:

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
2015	\$ 1,178,777	\$ 1,178,777	\$ -	\$ 3,787,836	31.12%
2016	1,107,172	1,107,172	-	3,583,083	30.90%
2017	1,148,970	1,316,888	(167,918)	3,734,059	35.27%

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, 2017, (the date of the most recent actuarial evaluation) was as follows:

Inactive employees:	
Retirees and beneficiaries currently receiving benefits	3
Deferred vested members	9 *
Active plan participants	43
Total	<u>55</u>

* 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 8 – RETIREMENT PLANS (Continued)

Firefighters' Pension 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.

Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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, 2017, the District reported a net pension asset of \$2,107,798 related to the plan. The net pension asset at September 30, 2017 was measured as of September 30, 2016, using an annual actuarial valuation as of October 1, 2015 rolled forward to September 30, 2016 using standard update procedures. For the fiscal year ended September 30, 2017, the District recognized pension expense of \$1,553,957.

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 changes in the Net Pension Asset of the District for year ended September 30, 2017 follow:

Total pension liability	
Service cost	\$ 1,229,729
Interest	1,538,231
Difference between expected and actual experience	(686,689)
Assumption changes	587,813
Benefit payments and refunds	<u>(155,063)</u>
Net change in total pension liability	2,514,021
Total pension liability - beginning	<u>18,695,947</u>
Total pension liability - ending (a)	<u><u>\$21,209,968</u></u>
Plan fiduciary net position	
Contributions - Employer	\$ 575,788
Contributions - State	531,384
Contributions - Employee	107,493
Net investment income	1,918,305
Benefits payments and refunds	(155,063)
Administrative expense	<u>(160,474)</u>
Net Change in Plan Fiduciary Net Position	2,817,433
Plan Fiduciary Net Position - Beginning	<u>20,500,333</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$23,317,766</u></u>
Net Pension Liability (Asset) - Ending (a) - (b)	<u><u>\$ (2,107,798)</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	109.94%
Covered Employee Payroll	<u><u>\$ 3,583,083</u></u>
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	-58.83%

At September 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to the Firefighters' pension plan from the following sources:

Description	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes due to:		
experience	\$ 1,152,118	\$ (610,391)
Net difference between projected and actual earnings on pension plan investments	702,679	-
Changes of assumptions	522,501	-
Employer contributions subsequent to the measurement date	1,316,888	-
Balance as of September 30, 2017	<u><u>\$ 3,694,186</u></u>	<u><u>\$ (610,391)</u></u>

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 deferred outflows of resources related to pensions, totaling \$1,316,888, resulting from District contributions to the Firefighters' pension plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30:	Amount
2018	\$ 356,633
2019	356,630
2020	399,434
2021	58,089
2022	117,027
Thereafter	479,094
Total	\$ 1,766,907

Actuarial Methods and Significant Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2015 updated to September 30, 2016 using the following actuarial assumptions applied to all measurement periods.

Inflation	2.70%
Salary increases	Service based - 5.50% - 15%
Investment Rate of Return	7.75%
Mortality Rate Healthy Lives	Female: RP2000 Generational, 100% Annuitant White Collar, Scale Male: RP2000 Generational, 10% Annuitant White Collar /90% Annuitant Blue Collar, Scale BB.
Mortality Rate Healthy Lives	Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale. Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

The actuarial assumptions used in the October 1, 2015 valuation were based on the results of an actuarial experience study dated August 4, 2014.

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, 2016, the measurement date, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic equity	35.0%	7.0%
International equity	12.0%	3.7%
Bonds	28.0%	4.0%
High yield bonds	5.0%	5.9%
Convertibles	8.0%	6.0%
Private real estate	5.0%	4.8%
MLPs	5.0%	9.7%
Cash	2.0%	0.8%
	<u>100.0%</u>	

NOTE 8 – RETIREMENT PLANS (Continued)

Firefighters' Pension Plan (Continued)

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	Current Discount Rate	1% Increase
	6.75%	7.75%	8.75%
Net pension liability (asset)	\$ 1,669,202	\$ (2,107,798)	\$ (5,123,819)

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 fiscal year ended September 30, 2017 was \$43,987. The contribution rates for the fiscal year ended September 30, 2017 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.

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

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.

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:

	2017	2016	2015
Period OPEB cost	\$ 755,000	\$ 1,130,000	\$ 1,072,000
Percentage of OPEB contributed	105.3%	58.5%	57.2%
Net OPEB obligation (asset)	\$ 4,009,332	\$ 4,557,981	\$ 4,089,332

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.

Significant methods and assumptions were as follows:

Actuarial valuation date	10/1/2015
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay
Remaining amortization period	30 (as of October 1, 2010) Closed
Asset valuation method	Market value of assets
Actuarial assumptions:	
Discount rate:	4%
Medical trend:	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%.

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

Actuarial Methods and Assumptions (Continued)

The OPEB Cost for the District for the fiscal year ended September 30, 2017, and the related information is as follows:

Required contribution rates:		Pay-as-you-go
Employer	Plan members	N/A
Normal cost		\$ 311,000
Interest on Net OPEB obligation		162,000
Amortization		465,000
Adjustment to the ARC		(183,000)
Annual OPEB cost		<u>755,000</u>
Expected Pay-go benefits		<u>795,000</u>
Increase (Decrease) in net OPEB obligation		(40,000)
Adjustment for redesign of retiree medical benefit program		(508,649)
Net OPEB obligation - October 1, 2016		4,557,981
Net OPEB obligation - September 30, 2017		<u>\$ 4,009,332</u>

Funded Status and Funding Progress

The funded status of the plan as of October 1, 2013 was as follows:

Actuarial accrued liability	\$ 10,352,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 10,352,000
Funded ratio	0%
Covered payroll	\$ -
UAAL as a percentage of covered payroll	0.0%

Plan Membership

Employee membership data related to the Plan was as follows as of October 1, 2013:

Current retirees	38
Active employees	<u>149</u>
Total number of participants:	<u>187</u>

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 – JOINT VENTURES

The District is involved in three joint venture agreements with Collier County and North Collier 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.

NOTE 12 – JOINT VENTURES (Continued)

The second joint venture occurred in 2001 between the District, North Collier Fire Control and Rescue District (North Collier) 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 Collier and Collier County are independent governmental entities and issue independent audited financial statements. Copies of the reports may be obtained from North Collier Fire Control and Rescue District, 1885 Veterans Park Drive, Naples, FL 34109. Tel (239)-597-3222 and Collier County Government, 8075 Lely Cultural Parkway Naples FL 34113. Tel (239)-252-3740.

NOTE 13– LITIGATION AND CLAIMS

Certain employee v. Greater Naples Fire Rescue District

Nature of the litigation: Certain employee filed a seven count complaint alleging 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: Subsequent to September 30, 2017 the case was settled.

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 had 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 issued its opinion on March 2, 2017, remanding the case back to the Second District Court of Appeal. Prior to the deadline for briefs, the court granted the parties' motion for referral to mediation. The parties reached an amicable resolution at mediation and the matter was dismissed on November 28, 2017.

NOTE 14– FUND BALANCE COMMITTED TO FIRE CODE OFFICIAL'S OPEB

In a prior year, the Office of the Fire Code Official Collier County Fire Districts ("the Fire Code Official") dissolved. Prior to dissolution the District reported the Fire Code Official as a discretely presented component unit because the District administered it. Upon dissolution, 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 OPEB of retirees of the Fire Code Official. The portion retained is kept in a separate bank account by the District and recorded in the General Fund. The balance of these funds at September 30, 2017 is \$520,754 and is reported as committed to the fire code official's OPEB.

**GREATER NAPLES FIRE RESCUE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive/(Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 23,296,876	\$ 25,524,775	\$ 25,503,046	\$ (21,729)
Charges for services	616,355	735,155	960,317	225,162
Interest	30,000	45,500	47,530	2,030
Rental and lease income	152,180	156,500	126,597	(29,903)
Miscellaneous	617,586	1,624,608	639,935	(984,673)
Total revenues	24,712,997	28,086,538	27,277,425	(809,113)
EXPENDITURES				
Current:				
Public safety:				
Personnel service				
Salaries	14,041,939	15,548,143	15,843,942	(295,799)
Benefits	6,793,989	8,319,168	8,343,291	(24,123)
Operating expenditures:				
Professional Services	1,179,782	1,223,825	1,143,419	80,406
Accounting - auditing	27,000	28,300	28,300	-
Communications and freight	146,536	181,346	166,759	14,587
Utility services	166,510	193,250	191,648	1,602
Insurance - general	365,106	399,156	466,920	(67,764)
Repair and maintenance	537,779	732,595	781,153	(48,558)
Fuels and lubricants	150,000	235,683	219,841	15,842
Operating supplies	130,500	132,500	132,047	453
Small Equipment	140,707	219,156	219,288	(132)
Uniforms	222,000	276,350	275,466	884
Books and dues	232,585	217,090	158,985	58,105
Other	48,500	104,400	217,460	(113,060)
Capital outlay	369,220	981,250	736,264	244,986
Debt service	843,283	643,052	633,027	10,025
Total expenditures	25,395,436	29,435,264	29,557,810	(122,546)
Excess (deficiency) of revenues over (under) expenditures	(682,439)	(1,348,726)	(2,280,385)	(931,659)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	15,000	15,500	23,661	8,161
Use of sources	667,439	1,333,226	-	(1,333,226)
Total other financing sources (uses)	682,439	1,348,726	23,661	(1,325,065)
Net change in fund balances	\$ -	\$ -	(2,256,724)	\$ (2,256,724)
Fund balances - beginning			10,045,382	
Fund balances - ending			\$ 7,788,658	

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 FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Impact fees	\$ 996,000	\$ 1,308,852	\$ 1,383,695	\$ 74,843
Interest	5,500	14,700	14,676	(24)
Total revenues	1,001,500	1,323,552	1,398,371	74,819
EXPENDITURES				
Debt service	322,370	406,370	360,935	45,435
Capital outlay	1,185,000	1,186,500	447,767	738,733
Total expenditures	1,507,370	1,592,870	808,702	784,168
Excess (deficiency) of revenues over (under) expenditures	(505,870)	(269,318)	589,669	858,987
OTHER FINANCING SOURCES (USES)				
Use of sources	505,870	269,318	-	(269,318)
Total other financing sources	505,870	269,318	-	(269,318)
Net change in fund balances	\$ -	\$ -	589,669	\$ 589,669
Fund balances - beginning			3,548,595	
Fund balances - ending			\$ 4,138,264	

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 fiscal year ended September 30, 2017 was amended to increase revenues by \$3,373,541, increase other financing sources by \$666,287 and increase appropriations by \$4,039,828. Actual general fund expenditures for the fiscal year ended September 30, 2017 exceeded appropriations by \$122,546. The over expenditures were funded by available fund balance.

An operating budget was also adopted for the Districts impact fee fund. The impact fee fund budget for the fiscal year ended September 30, 2017 was amended to increase revenues by \$322,052, increase appropriations by \$85,500, and decrease other financing sources by \$236,552. The actual impact fee fund expenditures for the current fiscal year were lower than budgeted amounts due primarily to anticipated costs which were not incurred in the current fiscal year.

**GREATER NAPLES FIRE RESCUE DISTRICT
FLORIDA RETIREMENT SYSTEM PENSION LIABILITY AND CONTRIBUTION SCHEDULES
SEPTEMBER 30, 2017
(UNAUDITED)**

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

	2017	2016	2015
District's proportion of the FRS net pension liability	0.060%	0.047%	0.036%
District's proportionate share of the FRS net pension liability	\$ 17,857,998	\$ 11,934,891	\$ 4,639,901
District's covered employee payroll	\$ 7,251,035	\$ 5,428,969	\$ 4,463,836
District's proportionate share of the FRS net pension liability as a percentage of its covered employee payroll	246.28%	219.84%	103.94%
FRS plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%

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

	2017	2016	2015
District's proportion of the HIS net pension liability	0.031%	0.025%	0.021%
District's proportionate share of the HIS net pension liability	\$ 3,313,097	\$ 2,862,746	\$ 2,126,479
District's covered employee payroll	\$ 7,251,035	\$ 5,428,969	\$ 4,463,836
District's proportionate share of the HIS net pension liability as a percentage of its covered employee payroll	45.69%	52.73%	47.64%
HIS plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	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, 2017
(UNAUDITED)**

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

	2017	2016	2015
Contractually required FRS contribution	\$ 1,511,669	\$ 1,031,152	\$ 824,264
FRS contributions in relation to the contractually required contribution	<u>(1,511,669)</u>	<u>(1,031,152)</u>	<u>(824,264)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$8,035,384	\$5,783,772	\$4,671,619
FRS contributions as a percentage of covered employee payroll	18.81%	17.83%	17.64%

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

	2017	2016	2015
Contractually required HIS contribution	\$ 133,389	\$ 96,011	\$ 89,164
HIS contributions in relation to the contractually required contribution	<u>(133,389)</u>	<u>(96,011)</u>	<u>(89,164)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$8,035,384	\$5,783,772	\$4,671,619
HIS contributions as a percentage of covered employee payroll	1.66%	1.66%	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)**

Fiscal year ending September 30, Measurement date September 30,	2017 2016	2016 2015	2015 2014
Total pension liability			
Service cost	\$ 1,229,729	\$ 1,309,059	\$ 1,076,925
Interest	1,538,231	1,249,582	1,073,926
Difference between expected and actual experience	(686,689)	1,408,146	-
Assumption changes	587,813	-	-
Benefit payments and refunds	(155,063)	(170,839)	(62,080)
Net change in total pension liability	<u>2,514,021</u>	<u>3,795,948</u>	<u>2,088,771</u>
Total pension liability - beginning	18,695,947	14,899,999	12,811,228
Total pension liability - ending (a)	<u>\$ 21,209,968</u>	<u>\$ 18,695,947</u>	<u>\$ 14,899,999</u>
Plan fiduciary net position			
Contributions - Employer	\$ 575,788	\$ 517,177	\$ 506,016
Contributions - State	531,384	661,600	720,074
Contributions - Employee	107,493	113,635	110,558
Net investment income	1,918,305	(143,909)	1,574,687
Benefits payments and refunds	(155,063)	(170,839)	(62,080)
Administrative expense	(160,474)	(163,984)	(164,656)
Net Change in Plan Fiduciary Net Position	<u>2,817,433</u>	<u>813,680</u>	<u>2,684,599</u>
Plan Fiduciary Net Position - Beginning	20,500,333	19,686,653	17,002,054
Plan Fiduciary Net Position - Ending (b)	<u>\$ 23,317,766</u>	<u>\$ 20,500,333</u>	<u>\$ 19,686,653</u>
Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ (2,107,798)</u>	<u>\$ (1,804,386)</u>	<u>\$ (4,786,654)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	109.94%	109.65%	132.13%
Covered Employee Payroll	<u>\$ 3,583,083</u>	<u>\$ 3,787,836</u>	<u>\$ 3,685,271</u>
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	-58.83%	-47.64%	-129.89%

* 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%
2016	1,107,172	1,107,172	-	3,583,083	30.90%
2017	1,148,970	1,316,888	(167,918)	3,734,059	35.27%

* 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, 2017
(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, 2010	\$ -	\$ 11,216,000	\$ 11,216,000	0%	-	0.0%
October 1, 2013	-	11,482,000	11,482,000	0%	-	0.0%
October 1, 2015	-	10,352,000	10,352,000	0%	-	0.0%



**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, each major fund and the remaining fund information of Greater Naples Fire Rescue District, Naples, Florida ("District") as of and for the fiscal year ended September 30, 2017, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 31, 2018. 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 May 31, 2018.

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.

May 31, 2018



**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 fiscal year ended September 30, 2017. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced in Section 218.415, Florida Statutes. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2017.

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.

May 31, 2018



**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 fiscal year ended September 30, 2017, and have issued our report thereon dated May 31, 2018. 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 Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 31, 2018, 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.

May 31, 2018

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2017-01 Procurement documentation:

Observation: While performing internal control assessment procedures, one out of 25 randomly selected transactions did not have sufficient procurement documentation. The District's purchasing policy states that the District should attempt to obtain at least three quotes for purchases between \$1,000 and \$25,000. There was only documentation to support two attempts for quotes for a purchase that was ultimately made from Above & Beyond Painting and Decorating, LLC during fiscal year 2017.

Recommendation: The District should review its practices for documenting and storing evidence of compliance with its purchasing policy to make sure those practices are appropriate. If a waiver from a particular purchasing requirement is deemed necessary it should be requested from the Board and properly documented and stored.

Management Response: We did not document a verbal no-bid to meet the requirement. We will make sure that it doesn't happen again.

II. PRIOR YEAR FINDINGS

None

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

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

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

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2016.

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2017, 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 fiscal year ended September 30, 2017, 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 September 30, 2017 financial audit report.

REPORT TO MANAGEMENT (Continued)

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 as of September 30, 2017. 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.