

**FORT MYERS SHORES FIRE PROTECTION  
AND RESCUE SERVICE DISTRICT**

**BASIC FINANCIAL STATEMENTS  
TOGETHER WITH REPORTS OF  
INDEPENDENT AUDITOR**

**YEAR ENDED  
SEPTEMBER 30, 2016**

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Affiliations

Florida Institute of Certified Public Accountants  
 American Institute of Certified Public Accountants  
 Private Companies Practice Section  
 Tax Division

**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
 Fort Myers Shores Fire Protection and Rescue Service District  
 12345 Palm Beach Boulevard  
 Fort Myers, Florida 33905

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Myers Shores Fire Protection and Rescue Service District (the "District") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Florida Retirement Systems Pension Plan (FRS) or Health Insurance Subsidy Pension Plan (HIS) as of and for the year ended June 30, 2016. The District is required to record its proportionate share of the FRS and HIS liability in the District's government-wide financial statements as of September 30, 2016 and for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Fort Myers Shores Fire Protection and Rescue Service District's government-wide financial statements, is based on the report of the other 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 of America. 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 overall presentation of the financial statements.

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

***Summary of Opinions***

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
General Fund	Unmodified
Impact Fee Fund	Unmodified

***Opinions***

***Unmodified 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 and each major fund of Fort Myers Shores Fire Protection and Rescue Service District as of September 30, 2016, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i - vii, Schedule of the District's Proportionate Share of the Net Pension Liability - Florida Retirement System Pension Plan (FRS), Schedule of District Contributions - Florida Retirement System Pension Plan (FRS), Schedule of the District's Proportionate Share of the Net Pension Liability - Health Insurance Subsidy Pension Plan (HIS), Schedule of District Contributions - Health Insurance Subsidy Pension Plan (HIS), and Notes to Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which 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 - management's discussion and analysis (MD&A), Schedule of the District's Proportionate Share of the Net Pension Liability - Florida Retirement System Pension Plan (FRS), Schedule of District Contributions - Florida Retirement System Pension Plan (FRS), Schedule of the District's Proportionate Share of the Net Pension Liability - Health Insurance Subsidy Pension Plan (HIS), Schedule of District Contributions - Health Insurance Subsidy Pension Plan (HIS), and Notes to Required Supplementary Information, as listed in the table of contents, 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 required supplementary information - management's discussion and analysis (MD&A), Schedule of the District's Proportionate Share of the Net Pension Liability - Florida Retirement System Pension Plan (FRS), Schedule of District Contributions - Florida Retirement System Pension Plan (FRS), Schedule of the District's Proportionate Share of the Net Pension Liability - Health Insurance Subsidy Pension Plan (HIS), Schedule of District Contributions - Health Insurance Subsidy Pension Plan (HIS), and Notes to Required Supplementary Information, as listed in the table of contents, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Required Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Fort Myers Shores Fire Protection and Rescue Service District's basic financial statements. The required supplementary information other than MD&A - budgetary comparison information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The required supplementary information other than MD&A - budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the required supplementary information other than MD&A - budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Other Information*

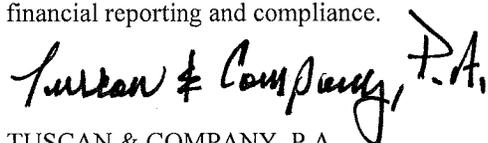
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Exhibit - Management's Response to Independent Auditor's Report to Management is not a required part of the basic financial statements but is required by Government Auditing Standards. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Other Reporting Required by Section 218.415, Florida Statutes*

In accordance with Section 218.415, Florida Statutes, we have also issued a report dated January 24, 2017, on our consideration of Fort Myers Shores Fire Protection and Rescue Service District's compliance with provisions of Section 218.415, Florida Statutes. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and to provide an opinion on compliance with the aforementioned Statute. That report is an integral part of an audit performed in accordance with Sections 218.39 and 218.415, Florida Statutes in considering Fort Myers Shores Fire Protection and Rescue Service District's compliance with Section 218.415, Florida Statutes.

*Other Reporting Required by Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated January 24, 2017, 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, contract and 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 Fort Myers Shores Fire Protection and Rescue Service District's internal control over financial reporting and compliance.



TUSCAN & COMPANY, P.A.  
Fort Myers, Florida  
January 24, 2017

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS  
(MD&A)**

# Fort Myers Shores Fire Protection and Rescue Service District, Florida

## Management's Discussion and Analysis

(Unaudited)

This discussion and analysis of the Fort Myers Shores Fire Protection & Rescue Service District (the "District") financial statements is designed to introduce the basic financial statements and provide an analytical overview of the District's financial activities for the fiscal year ended September 30, 2016.

The basic financial statements are comprised of the government-wide financial statements, governmental fund financial statements, and footnotes. This discussion and analysis will provide an analytical overview of these statements, including comparisons of the District's financial position at September 30, 2016 versus September 30, 2015. We hope this will assist readers in identifying significant financial issues and changes in the District's financial position.

### *District Highlights*

- At the conclusion of fiscal year 2016, the District's assets exceeded its liabilities, resulting in a net position of \$4,267,315, as compared to a net position at September 30, 2015 of \$4,496,343.
- The District's total net position decreased \$229,028 as a result of the increase in the district's actuarially determined portion of the net pension liability required to be recorded in the government-wide financial statements by GASB Statement No. 68.
- At September 30, 2016, the District had \$3,164,724 of unrestricted net assets, as compared to \$3,354,777 at September 30, 2015. This represents a 5.7% decrease or a decrease of \$190,053.
- Total revenues increased \$191,275 or 7.8%, in comparison to the prior year. This was mainly the result of an increase in property values over fiscal year ending September 30, 2015.
- Total expenses increased \$363,013, or 14.6%, in comparison to the prior year. The increase was substantially due to recording the actuarially determined increase in pension liability and related expense.
- On the governmental funds basis the general fund had an increase in revenues of \$148,615, or 6.1%, from fiscal year 2014-2015. The general fund had an increase in expenditures of \$91,886, or 3.7%, over the previous fiscal year.
- On the governmental funds basis the impact fee fund had an increase in revenues and expenditures of \$42,660 from fiscal year 2014-2015. The District used \$42,660 in impact fee unearned revenue in fiscal year ended September 30, 2016 but had no expenditures of impact fee unearned revenue in fiscal year ended September 30, 2015.
- In fiscal year 2009-2010 the District completed the initial Actuary Study for compliance with GASB 45 dealing with the funding of retiree benefits other than pensions, or OPEB. The fiscal year 2015-2016 liability for this obligation was \$100,000, increasing the total liability to \$563,000 which was included on the financial statements as a long-term obligation. The fiscal year 2015-2016 budget includes assigned fund balance of \$675,000 which is intended to fund this liability.
- Effective June 15, 2015, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 68 "*Accounting and Financial Reporting of Pensions*" (Statement No. 68). This accounting standard requires the District to report its actuarially determined net pension liability of \$3,152,704 in the government-wide financial statements of the District as of September 30, 2016.

## *Government-wide Financial Statements*

Government-wide financial statements (Statement of Net Position and Statement of Activities), found on pages 4 & 5, are intended to allow a reader to assess a government's operational accountability. Operational accountability is defined as the extent to which the government has met its operating objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to meet its objectives for the foreseeable future. Government-wide financial statements concentrate on the District as a whole and do not emphasize fund types.

The *Statement of Net Position* (Page 4) presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. The District's capital assets (property, plant (buildings), and equipment) are included in this statement and reported net of their accumulated depreciation.

The *Statement of Activities* (Page 5) presents revenue and expense information showing how the District's net position changed during the fiscal year. Both statements are measured and reported using the economic resource measurement focus (revenues and expenses) and the accrual basis of accounting (revenue recognized when earned and expense recognized when a liability is incurred). The reader may gain advanced understanding of these terms by reviewing Note A: Summary of Significant Accounting Policies in the Notes to the Financial Statements beginning on page 10.

## *Governmental Fund Financial Statements*

The accounts of the District are organized on the basis of governmental funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Governmental fund financial statements (found on pages 6 & 8) are prepared on the modified accrual basis of accounting using the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available as net current assets.

## *Notes to the Financial Statements*

The *notes* to the financial statements explain, in detail, certain of the data contained in the preceding statements and begin on page 10. These notes are essential to a full understanding of the data provided in the government-wide and fund financial statements.

## *Government-wide Financial Analysis*

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

The following is a condensed summary of net assets for the primary government as of September 30, 2016 (FY 16) (found on page 4) in comparison to September 30, 2013, 2014, and 2015.

	<u>FY 2013</u>	<u>FY 2014(*)</u>	<u>FY 2015</u>	<u>FY 2016</u>
	<u>Totals</u>	<u>Totals</u>	<u>Totals</u>	<u>Totals</u>
Assets:				
Current and other assets	\$ 6,227,663	\$ 6,159,004	\$ 6,198,604	\$ 6,297,114
Capital Assets	<u>1,278,974</u>	<u>1,246,806</u>	<u>1,141,566</u>	<u>1,102,591</u>
Total Assets	<u>7,506,637</u>	<u>7,405,810</u>	<u>7,340,170</u>	<u>7,399,705</u>
Deferred outflows	<u>-</u>	<u>203,676</u>	<u>756,484</u>	<u>1,356,108</u>
Liabilities:				
Current liabilities	293,365	306,605	363,860	423,296
Non-current liabilities	<u>415,428</u>	<u>1,486,571</u>	<u>2,262,900</u>	<u>3,846,999</u>
Total liabilities	<u>708,793</u>	<u>1,793,176</u>	<u>2,626,760</u>	<u>4,270,295</u>
Deferred inflows	<u>-</u>	<u>1,262,677</u>	<u>973,551</u>	<u>218,203</u>
Net position:				
Net Investment in capital assets	1,278,974	1,246,806	1,141,566	1,102,591
Restricted	-	-	-	-
Unrestricted	<u>5,518,870</u>	<u>3,306,827</u>	<u>3,354,777</u>	<u>3,164,724</u>
Total net position	<u>\$ 6,797,844</u>	<u>\$ 4,553,633</u>	<u>\$ 4,496,343</u>	<u>\$ 4,267,315</u>

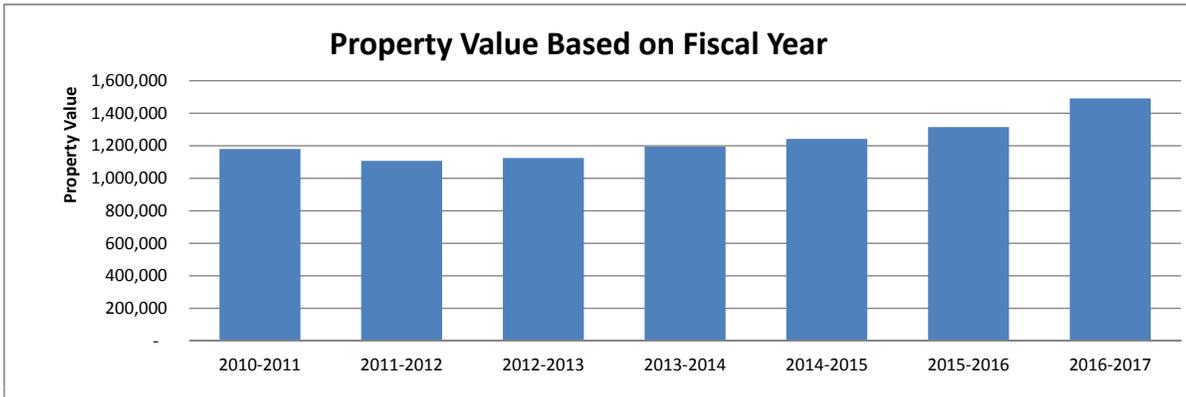
(\*) As restated due to implementation of GASB Statement #68

Current and other assets represent 85.10% of total assets, as compared to 84.44% in fiscal year 2015. Current assets are comprised of cash and cash equivalents of unrestricted and restricted accounts totaling \$6,002,714, accounts receivable of \$726, due from other governments of \$40,146 and prepaid expenses of \$253,528.

The net investment in capital assets represents 25.8% of net assets and is comprised of land, buildings, equipment, and vehicles, net of accumulated depreciation, and the outstanding related debt used to acquire the capital assets.

Current liabilities are comprised of accounts payable and accrued expenses totaling \$65,544 and unearned revenue - impact fees of \$357,752. Non-current liabilities are comprised of accrued compensated absences of \$131,295, accrued OPEB of \$563,000, and net pension liability of 3,152,704.

Comparison of property values for fiscal year 2011 through fiscal year 2017:



Comparison of property values, governmental revenues (including proceeds from debt) and expenditures from fiscal year 2011 through fiscal year 2016:

Fiscal Year	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Property Value	1,180,312,602	1,107,333,566	1,124,765,244	1,194,440,958	1,242,229,481	1,315,118,919
Operating Revenue	2,349,224	2,187,626	2,258,221	2,336,648	2,436,042	2,584,657
Impact Fee Revenue	-	6,267	1,500	38,305	-	42,660
Proceeds from Debt	-	-	-	-	-	-
Total Expenditures	(1,915,284)	(2,076,195)	(2,225,328)	(2,456,852)	(2,453,697)	(2,588,243)
Excess Revenues	433,940	117,698	34,393	(81,899)	(17,655)	39,074

There was \$42,660 in revenue from impact fees recognized as income in the current year. Impact fees can only be used to fund capital improvements, or other items considered to be of a capital nature, necessary to keep up with new growth, and can not be used toward operating costs or replacement equipment. The revenue from impact fees is only recognized as income as it is expended for an approved capital purchase. Otherwise, impact fees are recorded as unearned revenue until the date of expenditure. Unearned revenues for impact fees at September 30, 2015 were \$310,769. Unearned revenues for impact fees at September 30, 2016 were \$357,752, an increase of 15.11%. This amount indicates the amount of money collected from impact fees and unspent at September 30, 2016.

### *Budgetary Highlights*

Budget versus actual comparisons are reported in the required supplementary information other than management's discussion and analysis on pages 45 through 49. The final fiscal year 2016 budget reflected an increase (amendment) in the anticipated carryforward from fiscal year 2015 in the general operating fund. This amendment was made in order to update the estimated carryforward amount to the actual audited fund balance.

The following schedule reports the revenues, expenses, and changes in net position for the District for the fiscal years ending September 30, 2013, September 30, 2014, September 30, 2015, and September 30, 2016:

Revenues:	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
General Revenues	<u>Totals</u>	<u>Totals</u>	<u>Totals</u>	<u>Totals</u>
Ad Valorem Taxes	\$ 2,207,776	\$ 2,317,181	\$ 2,414,321	\$ 2,553,360
Intergovernmental Revenues				
Grants	-	-	-	-
State Firefighter Supplement	2,400	2,400	2,400	2,400
Fees				
Impact Fees	1,500	38,305	-	42,660
Inspection Fees	2,817	1,996	2,111	4,276
Miscellaneous				
Interest	6,323	6,519	8,921	16,375
Proceeds/Loss from sale of capital assets	-	-	-	-
Other	38,905	8,552	8,289	8,246
<b>Total Revenues</b>	<u>2,259,721</u>	<u>2,374,953</u>	<u>2,436,042</u>	<u>2,627,317</u>
Expenses:				
Public Safety - Fire Rescue Service	<u>2,411,189</u>	<u>2,582,560</u>	<u>2,493,332</u>	<u>2,856,345</u>
Increase/decrease in net position	(151,468)	(207,607)	(57,290)	(229,028)
Net position - Beginning of the year	<u>6,949,312</u>	<u>6,797,844</u>	<u>4,553,633</u>	<u>4,496,343</u>
Prior Period Entry	-	(2,036,604)	-	-
Net position, beginning, as restated	<u>6,949,312</u>	<u>4,761,240</u>	<u>4,553,633</u>	<u>4,496,343</u>
<b>Net position</b>	<u>\$ 6,797,844</u>	<u>\$ 4,553,633</u>	<u>\$ 4,496,343</u>	<u>\$ 4,267,315</u>

Total revenue for fiscal year 2016 was \$2,627,317. The increase in total revenue from fiscal year 2015 can be attributed to an increase in the total taxable value of the District which resulted in a corresponding increase in ad valorem revenue.

Property values increased each year from 2013 to 2016 (a total increase of \$207,785,353 or 18.76%) and for fiscal year 2017 they increased again by \$176,240,628 or 13.4%. Due to the current construction and planned development in the District we anticipate that we will continue to see property values increase for the next several years.

## Capital Assets

Non-depreciable capital assets include land and construction in progress. Depreciable assets include buildings, vehicles, and equipment.

The following is a schedule of the District's capital assets as of September 30, 2016 compared with previous years:

<b>Fort Myers Shores Fire Protection and Rescue Service District</b>				
<b>Capital Assets</b>				
<b>CAPITAL ASSETS</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Land	\$ 351,661	\$ 377,484	\$ 377,484	\$ 377,484
Construction in progress	-	-	-	-
Total Capital Assets not depreciated	<u>351,661</u>	<u>377,484</u>	<u>377,484</u>	<u>377,484</u>
Buildings	700,309	700,309	700,309	706,605
Equipment	392,549	438,153	441,641	496,540
Vehicles	814,733	814,733	814,733	826,758
Fixed assets under capital lease	-	-	-	-
Total Capital Assets being depreciated	<u>1,907,591</u>	<u>1,953,195</u>	<u>1,956,683</u>	<u>2,029,903</u>
<b>ACCUMULATED DEPRECIATION</b>				
Buildings	(197,853)	(219,113)	(240,373)	(262,000)
Equipment	(282,848)	(311,011)	(345,292)	(380,669)
Vehicles	(499,577)	(553,749)	(606,936)	(662,127)
Fixed assets under capital lease	-	-	-	-
Total Accumulated depreciation	<u>(980,278)</u>	<u>(1,083,873)</u>	<u>(1,192,601)</u>	<u>(1,304,796)</u>
<b>CAPITAL ASSETS, NET</b>	<b><u>\$ 1,278,974</u></b>	<b><u>\$ 1,246,806</u></b>	<b><u>\$ 1,141,566</u></b>	<b><u>\$ 1,102,591</u></b>

Noteworthy capital asset purchases/projects/deletions that took place in fiscal year 2016 were the following:

- The District purchased Mobile Data Computers (MDCs) for the vehicles, along with the necessary chargers, installation costs and software to link them into our reporting software. The total cost was \$42,660 and the purchase was made out of the Impact Fee Fund.
- The showers in the living quarters were remodeled at a total cost of \$6,296.
- The District purchased 12 new SCBA cylinders. This is the first part of the purchase to replace the cylinders currently in stock that are now expired and can no longer be certified and used. The rest of the cylinders will be purchased in fiscal year 2016-2017. The total cost of the cylinders purchased in fiscal year 2015-2016 was \$10,898.
- Repainted Engine 81 at a cost of \$12,025.
- The District ordered and paid for a new engine from E-One at a cost of \$253,528 but did not take delivery of the engine during fiscal year 2015-2016. The payment was recorded as a prepaid expense and the capital purchase will be recognized in fiscal year 2016-2017 when the engine is put into service.

Additional information on the District's capital assets can be found in Note C on pages 23-24.

## *Long-Term Obligations*

At September 30, 2016, the District's long-term obligations consisted of compensated absences in the amount of \$131,295, net OPEB obligation of \$563,000 and net pension liability of \$3,152,704. Compensated absences represents the total amount the District has due to all of its employees at the termination of their employment. Net OPEB obligation is the amount actuarially determined to be the current years obligation to fund post retirement benefits for current and future retirees.

The following is a schedule of the District's long-term obligations at September 30, 2013, 2014, 2015, and 2016:

<b>Fort Myers Shores Fire Protection and Rescue Service District</b>				
<b>Long-Term Obligations at September 30</b>				
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Net Pension Liability	\$ -	\$ 977,603	\$ 1,644,934	\$ 3,152,704
Net OPEB Obligation	280,000	371,000	154,966	131,295
Compensated Absences	135,428	137,968	463,000	563,000
Total outstanding debt	<u>\$ 415,428</u>	<u>\$ 1,486,571</u>	<u>\$ 2,262,900</u>	<u>\$ 3,846,999</u>

The District currently has no plans to enter into any debt obligations or purchase agreements.

## *Economic Factors and Next Year's Budget*

The following factors were considered when next year's budget (2016-2017) was prepared:

- Property values increased by \$176,240,628 or 13.4% to \$1,491,359,547. Management believes there will continue to be a slow increase in property values for the next few years.
- In fiscal year 2013-2014 the District's fund balance (reserves) decreased, for the first time since fiscal year 2000, by \$81,899 or 1.4%. In fiscal year 2014-2015 the District's fund balance again decreased, but only by \$17,655 or .3%. In fiscal year 2015-2016 the District's fund balance increased by \$39,074 or .6%.
- The actuarial study for GASB 45 was completed and implemented initially for fiscal year 2010, as required. The District will annually review the benefits and costs associated with setting up a separate trust to fund the OPEB obligations. The District will continue to designate reserves to meet this obligation until such time as the Board of Commissioners determines that a trust should be set up. The fiscal year 2015-2016 budget includes assigned fund balance of \$675,000 for this obligation and the 2016-2017 budget includes \$800,000.

## *Implementation of GASB Statement #68*

The District was required to implement GASB Statement #68 for the year ended September 30, 2015 because it offers its employees a retirement plan. As such, it was required to restate the results of the prior year and record its proportionate share of its net liability each year. The pension liability as of September 30, 2016 was \$3,152,704.

## *Request for Information*

This financial report is designed to provide the reader an overview of the District. Questions regarding any information provided in this report should be directed to: Fort Myers Shores Fire Protection and Rescue Service District, Edward Kimball, Treasurer, 12345 Palm Beach Boulevard, Fort Myers, Florida, 33905, phone (239) 694-2833.

**FORT MYERS SHORES FIRE PROTECTION AND  
 RESCUE SERVICE DISTRICT  
 STATEMENT OF NET POSITION  
 September 30, 2016**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents - unrestricted	\$ 5,666,096
Cash and cash equivalents - restricted	336,618
Accounts receivable	726
Due from other governments, including restricted amount of \$21,134	40,146
Prepaid expenses	<u>253,528</u>
Total current assets	<u>6,297,114</u>
Noncurrent assets:	
Capital assets:	
Land	377,484
Depreciable buildings, equipment and vehicles (net of \$1,304,796 accumulated depreciation)	<u>725,107</u>
Total noncurrent assets	<u>1,102,591</u>
<b>TOTAL ASSETS</b>	<u>7,399,705</u>
<b>DEFERRED OUTFLOWS OF RESOURCES - PENSIONS</b>	<u>1,356,108</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	3,482
Other accrued expenses	62,062
Unearned revenue - impact fees - restricted	<u>357,752</u>
Total current liabilities	423,296
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	<u>3,846,999</u>
<b>TOTAL LIABILITIES</b>	<u>4,270,295</u>
<b>DEFERRED INFLOWS OF RESOURCES - PENSIONS</b>	<u>218,203</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,102,591
Restricted for:	
Capital projects	-
Unrestricted	<u>3,164,724</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 4,267,315</u></u>

The accompanying notes are an integral part of this statement.

**FORT MYERS SHORES FIRE PROTECTION AND  
 RESCUE SERVICE DISTRICT  
 STATEMENT OF ACTIVITIES  
 Year Ended September 30, 2016**

	<u>Governmental Activities</u>
<b>EXPENSES</b>	
Governmental Activities	
Public Safety - Fire Protection	
Personnel services	\$ 2,470,953
Operating expenses	273,197
Depreciation	112,195
Interest and fiscal charges	-
TOTAL EXPENSES - GOVERNMENTAL ACTIVITIES	<u>2,856,345</u>
 <b>PROGRAM REVENUES</b>	
Operating grants and contributions	2,400
Charges for services - inspection fees	4,276
NET PROGRAM EXPENSES	<u>2,849,669</u>
 <b>GENERAL REVENUES</b>	
Ad valorem taxes	2,553,360
Impact fees	42,660
Interest	16,375
Loss on disposition of capital assets	-
Other	8,246
TOTAL GENERAL REVENUES	<u>2,620,641</u>
DECREASE IN NET POSITION	(229,028)
 <b>NET POSITION - Beginning of the year</b>	 <u>4,496,343</u>
<b>NET POSITION - End of the year</b>	<b>\$ <u>4,267,315</u></b>

The accompanying notes are an integral part of this statement.

**FORT MYERS SHORES FIRE PROTECTION AND  
RESCUE SERVICE DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
September 30, 2016**

	General Fund	Impact Fee Fund	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,666,096	\$ 336,618	\$ 6,002,714
Accounts receivable	726	-	726
Due from other governments	19,012	21,134	40,146
Prepaid expenditures	<u>253,528</u>	<u>-</u>	<u>253,528</u>
TOTAL ASSETS	<u>\$ 5,939,362</u>	<u>\$ 357,752</u>	<u>\$ 6,297,114</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 3,482	\$ -	\$ 3,482
Accrued expenses	62,062	-	62,062
Unearned revenue	<u>-</u>	<u>357,752</u>	<u>357,752</u>
TOTAL LIABILITIES	<u>65,544</u>	<u>357,752</u>	<u>423,296</u>
 <b>FUND BALANCE</b>			
Nonspendable	253,528	-	253,528
Assigned	4,587,580	-	4,587,580
Unassigned	<u>1,032,710</u>	<u>-</u>	<u>1,032,710</u>
TOTAL FUND BALANCE	<u>5,873,818</u>	<u>-</u>	<u>5,873,818</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 5,939,362</u>	<u>\$ 357,752</u>	<u>\$ 6,297,114</u>

The accompanying notes are an integral part of this statement.

**FORT MYERS SHORES FIRE PROTECTION AND  
RESCUE SERVICE DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION  
September 30, 2016**

	<u>Amount</u>
Total fund balance for governmental funds	\$ 5,873,818
<p>Amounts reported for governmental activities in the  Statement of Net Position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources  and therefore are not reported in the governmental funds.</p>	
<p>Capital assets not being depreciated:</p>	
Land	<u>377,484</u>
	377,484
<p>Governmental capital assets being depreciated:</p>	
Building, equipment and vehicles	2,029,903
Less accumulated depreciation	<u>(1,304,796)</u>
	725,107
<p>Deferred outflows and deferred inflows related to pensions  are applied to future periods and, therefore, are not reported in  the governmental funds.</p>	
Deferred outflows related to pensions	1,356,108
Deferred inflows related to pensions	<u>(218,203)</u>
	1,137,905
<p>Long-term liabilities are not due and payable in the current period  and therefore are not reported in the funds:</p>	
Net pension liability - pension (FRS)	(2,597,573)
Net pension liability - HIS	(555,131)
Compensated absences	(131,295)
Net OPEB obligation	<u>(563,000)</u>
	<u>(3,846,999)</u>
Total net position of governmental activities	<u><u>\$ 4,267,315</u></u>

The accompanying notes are an integral part of this statement.

**FORT MYERS SHORES FIRE PROTECTION AND  
RESCUE SERVICE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
Year Ended September 30, 2016**

	General Fund	Impact Fee Fund	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Ad valorem taxes	\$ 2,553,360	\$ -	\$ 2,553,360
Intergovernmental revenues:			
State firefighter supplement	2,400	-	2,400
Florida fire service	-	-	-
Fees:			
Impact fee	-	42,660	42,660
Inspection fees	4,276	-	4,276
Miscellaneous:			
Interest	16,375	-	16,375
Other	8,246	-	8,246
Proceeds from sale of capital assets	-	-	-
TOTAL REVENUES	<u>2,584,657</u>	<u>42,660</u>	<u>2,627,317</u>
<b>EXPENDITURES</b>			
Current			
Public safety			
Personnel services	2,241,826	-	2,241,826
Operating expenditures	273,197	-	273,197
Capital outlay	30,560	42,660	73,220
Debt service			
Principal reduction	-	-	-
Interest and fiscal charges	-	-	-
TOTAL EXPENDITURES	<u>2,545,583</u>	<u>42,660</u>	<u>2,588,243</u>
EXCESS OF REVENUES OVER EXPENDITURES	39,074	-	39,074
FUND BALANCE - Beginning of the year	<u>5,834,744</u>	<u>-</u>	<u>5,834,744</u>
FUND BALANCE - End of the year	<u>\$ 5,873,818</u>	<u>\$ -</u>	<u>\$ 5,873,818</u>

The accompanying notes are an integral part of this statement.

**FORT MYERS SHORES FIRE PROTECTION AND  
RESCUE SERVICE DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUNDS TO THE STATEMENT  
OF ACTIVITIES  
Year Ended September 30, 2016**

	<u>Amount</u>
Net change (excess of revenues over expenditures) in fund balance - total governmental funds	\$ 39,074
The decrease (change) in net position reported for governmental activities in the Statement of Activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, the loss on disposition of capital assets is recorded on the Statement of Activities but not in the governmental funds.	
Plus: expenditures for capital assets	73,220
Less: proceeds from sale of capital assets	-
Less: loss on disposition of capital assets	-
Less: current year depreciation	<u>(112,195)</u>
	(38,975)
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 the governmental funds.	
(Increase) decrease in net pension liability - pension (FRS)	(1,420,841)
(Increase) decrease in net pension liability - HIS	(86,929)
Increase (decrease) in deferred outflow	599,624
(Increase) decrease in deferred inflow	755,348
(Increase) decrease in compensated absences	23,671
(Increase) decrease in net OPEB obligation	<u>(100,000)</u>
	<u>(229,127)</u>
Decrease in net position of governmental activities	<u>\$ (229,028)</u>

The accompanying notes are an integral part of this statement.

**FORT MYERS SHORES FIRE PROTECTION AND  
RESCUE SERVICE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2016**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Fort Myers Shores Fire Protection and Rescue Service District (the "District") is an independent special district established on June 25, 1976, by Laws of Florida, Chapter 76-409 as amended under the provisions of Florida Statute 633 and as further amended by Laws of Florida, Chapter 97-340. Laws of Florida, Chapter 2000-456 codified, reenacted, amended and repealed its prior enabling acts. The District, also, has the general and special powers prescribed by Florida Statutes Chapters 189, 191 and 633.15. The District was created for the purpose of providing fire control and protection services as well as crash and rescue services for a designated area in eastern Lee County. The District is governed by an at-large elected five (5) member Board of Commissioners serving staggered four (4) year terms. The District has one (1) station house and approximately sixteen (16) employees at September 30, 2016.

**Reporting Entity**

The District adheres to Governmental Accounting Standards Board (GASB) Statement Number 14, "Financial Reporting Entity," as amended by GASB Statement Number 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement Number 61, "The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34". These statements require the basic financial statements of the District (the primary government) to include its component units, if any. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. Based on the criteria established in GASB Statement No. 14, as amended, there are no component units required to be included or included in the District's basic financial statements.

**Summary of Significant Accounting Policies**

The following is a summary of the significant accounting policies used in the preparation of these basic financial statements.

**FORT MYERS SHORES FIRE CONTROL AND  
RESCUE SERVICE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

The basic financial statements of the District are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

**Government-wide 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 activities of the District and do not emphasize fund types. These governmental activities comprise the primary government. General governmental and intergovernmental revenues support the governmental activities. The purpose of the government-wide financial statements is to allow the user to be able to determine if the District is in a better or worse financial position than the prior year. The effect of all interfund activity between governmental funds has been removed from the government-wide financial statements.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33, "Accounting and Financial Reporting for Nonexchange Transactions."

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability in the government-wide financial statements, rather than as expenditures.

**FORT MYERS SHORE FIRE PROTECTION AND  
RESCUE SERVICE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Government-wide Financial Statements, continued**

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

Program revenues are considered to be revenues generated by services performed and/or by fees charged such as inspection fees. Program revenues also included operating and capital grants.

**Fund Financial Statements**

The District adheres to GASB Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions" that required a change in the reporting format of fund balances in the governmental fund statements.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the District's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds, in aggregate, for governmental funds.

**FORT MYERS SHORES FIRE PROTECTION AND  
RESCUE SERVICE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Governmental Funds**

The District's major funds are presented in separate columns on the governmental fund financial statements. The definition of a major fund is one that meets certain criteria set forth in GASB Statement Number 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments". The funds that do not meet the criteria of a major fund are considered non-major funds and are combined into a single column on the governmental fund financial statements.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns on the fund financial statements.

**Measurement Focus and Basis of Accounting**

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period and soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers tax revenues to be available if they are collected within sixty days of the end of the current fiscal period. When both restricted and unrestricted resources are combined in a fund, expenditures are considered to be paid first from restricted resources, as appropriate, and then from unrestricted resources.

**FORT MYERS SHORES FIRE PROTECTION AND  
RESCUE SERVICE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Measurement Focus and Basis of Accounting, continued**

Revenues susceptible to accrual are property taxes, interest on investments, and intergovernmental revenues. Property taxes are recorded as revenues in the fiscal year in which they are levied, provided they are collected in the current period or within sixty days thereafter. Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific purposes or projects are recognized when all eligibility requirements are met.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) principal and interest on the long-term debt, if any, which is recognized when due; (2) actuarially determined net position liability is not recognized until paid; and (3) expenditures are generally not divided between years by the recording of prepaid expenditures.

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

**Noncurrent Government Assets/Liabilities**

GASB 34 requires noncurrent governmental assets, such as land and buildings, and noncurrent governmental liabilities, such as notes payable and capital leases, to be reported in the governmental activities column in the government-wide Statement of Net Position.

**Major Funds**

The District reports the following major governmental funds:

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

The Impact Fee Fund consists of fees imposed and collected by Lee County based on new construction within the District. The fees are restricted and can only be used for certain capital expenditures associated with growth within the District.

**FORT MYERS SHORES FIRE PROTECTION AND  
RESCUE SERVICE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2016**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Budgetary Information**

The District has elected to report budgetary comparison of major funds as required supplementary information (RSI).

**Fair Value of Financial Investments**

The District adheres to GASB Statement No. 72, "Fair Value Measurements and Application ." This Standard applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. This Standard emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability, This Standard establishes a fair value hierarchy which consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the District has the ability to access. At September 30, 2016, the District held no such assets.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices or securities with similar characteristics or discounted cash flows. At September 30, 2016, the District held no such assets.

Level 3 - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. At September 30, 2016, the District held no such assets.

Instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

**FORT MYERS SHORES FIRE PROTECTION AND  
RESCUE SERVICE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2016**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Investments**

The District adheres to the requirements of Governmental Accounting Standards Board (GASB) Statement Number 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," in which all investments are reported at fair value.

The District held no such investments at September 30, 2016.

**Capital Assets**

Capital assets, which include land, construction in progress, buildings, equipment, vehicles and vehicles under capital lease are reported in the government-wide Statement of Net Position.

The District follows a policy which calls for capitalization of all capital assets that have a cost or donated value of \$1,000 or more and have a useful life in excess of one year.

All purchased capital assets are valued at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Public domain (infrastructure) capital assets consisting of certain improvements other than buildings, including curbs, gutters and drainage systems, are not capitalized, as the District generally does not acquire such assets. No debt-related interest expense is capitalized as part of capital assets in accordance with GASB Statement No. 34.

Maintenance, repairs and minor renovations are not capitalized. The acquisition of land and construction projects utilizing resources received from Federal and State agencies are capitalized when the related expenditure is incurred.

Expenditures that materially increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement, the cost is eliminated from the respective accounts as well as the related accumulated depreciation.

**FORT MYERS SHORES FIRE PROTECTION AND  
RESCUE SERVICE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Capital Assets, continued**

Expenditures for capital assets are recorded in the fund statements as current expenditures. However, such expenditures are not reflected as expenditures in the government-wide statements, but rather are capitalized and depreciated.

Depreciable capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	39
Building improvements	10-20
Equipment	5-20
Vehicles	5-20
Vehicles acquired under capital lease	10

**Budgets and Budgetary Accounting**

The District has adopted an annual budget for the General Fund.

The District has also adopted an annual budget for the Special Revenue Fund - Impact Fee Fund.

The District follows these procedures in establishing budgetary data for the General Fund and the Impact Fee Fund:

1. During the summer of each year, the District Fire Chief submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing on the upcoming October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is adopted by approval of the Board of Commissioners.

**FORT MYERS SHORE FIRE PROTECTION AND  
RESCUE SERVICE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Budgets and Budgetary Accounting, continued**

4. Budget amounts, as shown in these financial statements, are as originally adopted or as amended by the Board of Commissioners.
5. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.
6. The level of control for appropriations is exercised at the fund level.
7. Appropriations lapse at year-end.

There were no budget amendments approved by the Board of Commissioners during the year ended September 30, 2016, for the Impact Fee Fund.

There was one (1) budget amendment approved by the Board of Commissioners during the year ended September 30, 2016, for the General Fund. The amendment increased the carryforward amount by \$21,350 and budgeted reserves by \$21,350.

**Impact Fees/Unearned Revenue**

Through an inter-local agreement, the District levies an impact fee on new construction within the District. The intent of the fee is for growth within the District to pay for capital improvements needed due to the growth. The fee is imposed and collected by Lee County and remitted to the District. The fee is refundable if not expended by the District within twenty (20) years from the date of collection. The District, therefore, records this fee as restricted cash and as unearned revenue until the date of expenditure, at which time it is recognized as revenue and charged to capital outlay in the fund financial statements and capital assets in the government-wide financial statements.

**Due To/From Other Funds**

Interfund receivables and payables arise from interfund transactions and are recorded by funds affected in the period in which transactions are executed.

**FORT MYERS SHORES FIRE PROTECT AND  
RESCUE SERVICE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2016**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Due From Other Governments**

No allowance for losses on uncollectible accounts has been recorded since the District considers all amounts to be fully collectible.

**Compensated Absences**

The District's employees accumulate annual leave based on the number of years of continuous service. Upon termination of employment, employees can receive payment of accumulated annual leave if certain criteria are met. The costs of vacation and sick time benefits (compensated absences) are expended in the respective operating funds when payments are made to employees. However, the liability for all accrued vacation and sick time benefits is recorded in the government-wide Statement of Net Position.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District because, at present, it is not necessary in order to assure effective budgetary control or to facilitate effective cash planning and control.

**Management Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**Net Position (Net Assets)**

In the government-wide financial statements no net assets have been identified as restricted. Restricted net assets are those net assets that have constraints as to their use externally imposed by creditors, through debt covenants, by grantors, or by law.

**FORT MYERS SHORES FIRE PROTECTION AND  
RESCUE SERVICE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Fund Balances**

The governmental fund financial statements the District maintains include nonspendable, assigned and unassigned fund balances. Nonspendable fund balances are those that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Criteria include items that are not expected to be converted into cash, for example prepaid expenses.

The District's assigned fund balances are a result of the District's Board approval of actions prior to October 1, 2015. The District's intent is to maintain a minimum assigned fund balance level of six (6) months of prior year total expenditures. This assigned fund balance will serve as the District's operational and capital reserves as well as its disaster reserve. At September 30, 2016, fund balance is also assigned for a variety of specific items by District Board action. Any use of the fund balance requires the District's Board approval and determination as to what fund balance category will be used.

**Interfund Transactions**

The District considers interfund receivables (due from other funds) and interfund liabilities (due to other funds) to be loan transactions to and from other funds to cover temporary (three months or less) cash needs. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing funds and as reduction of expenditures/expenses in the fund to be reimbursed.

**Pensions**

In the government-wide statement of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments, (including refunds of

**FORT MYERS SHORES FIRE PROTECTION AND  
RESCUE SERVICE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Pensions, continued**

employees contributions) are recognized when due and payable in accordance with the benefit terms.

The District's retirement plans and related amounts are described in a subsequent note.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred amount on pensions is reported in the government-wide statement of net position. The deferred outflows of resources related to pensions are discussed in a subsequent note.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The deferred amount on pensions is reported only in the government-wide statement of net position. A deferred amount on pension results from the difference in the expected and actual amounts of experience, earnings, and contributions. This amount is deferred and amortized over the service life of all employees that are provided with pensions through the pension plan except earnings which are amortized over five to seven years.

**Subsequent Events**

Subsequent events have been evaluated through January 24, 2017, which is the date the financial statements were available to be issued.

**FORT MYERS SHORES FIRE PROTECTION AND  
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**NOTE B - CASH**

At September 30, 2016, cash was \$6,002,714, including restricted cash of \$336,618 and cash on hand of \$127. The restricted cash represents unexpended impact fees held in the Impact Fee - Special Revenue Fund.

**Deposits**

The District's deposit policy per Florida Statutes Chapter 218.415(17) allows deposits to be held in demand deposit, money market accounts, or certificates of deposit purchased through the CDARS program. The CDARS program allows the District's qualified public depositories to purchase certificates of deposit in the District's name, from financial institutions in amounts less than \$250,000 per institution to maximize Federal Depository Insurance Corporation (FDIC) coverage. All District deposits were held in banks or savings institutions designated as qualified depositories by the State Treasurer.

At September 30, 2016, the carrying amount of the District's deposits were \$5,665,969 in the General Fund and the bank balance was \$5,711,721. The bank balance consists of \$190,771 in demand deposits and \$5,500,000 in certificates of deposit. At September 30, 2016, the carrying amount and the bank balance of the District's deposits were \$336,618 in the Impact Fee Fund. These deposits were entirely covered by federal depository insurance or by collateral pursuant to the Public Depository Security Act of the State of Florida (Florida Statute 280).

The impact fees account is used to account for the deposit of impact fees received and is restricted for certain capital asset acquisition.

**FORT MYERS SHORES FIRE PROTECTION AND  
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**NOTE C - CAPITAL ASSETS ACTIVITY**

The following is a summary of changes in capital assets activity for the year ended September 30, 2016:

	Balance October 1 2015	Increases/ Additions	Decreases/ Deletions	Adjustments/ Reclassifications	Balance September 30 2016
Capital Assets Not Being Depreciated:					
Land	\$ 377,484	\$ -	\$ -	\$ -	\$ 377,484
Construction in Progress	-	-	-	-	-
Total Capital Assets Not Being Depreciated	-	-	-	-	377,484
Capital Assets Being Depreciated:					
Buildings	700,309	6,296	-	-	706,605
Equipment	441,641	54,899	-	-	496,540
Vehicles	814,733	12,025	-	-	826,758
Total Capital Assets Being Depreciated	1,956,683	73,220	-	-	2,029,903
Less Accumulated Depreciation:					
Buildings	(240,373)	(21,627)	-	-	(262,000)
Equipment	(345,292)	(35,377)	-	-	(380,669)
Vehicles	(606,936)	(55,191)	-	-	(662,127)
Vehicles Under Capital Lease	-	-	-	-	-
Total Accumulated Depreciation	(1,192,601)	(112,195)	-	-	(1,304,796)
Total Capital Assets Being Depreciated, Net	764,082	(38,975)	-	-	725,107
Capital Assets, Net	<u>\$ 1,141,566</u>	<u>\$ (38,975)</u>	<u>\$ -</u>	<u>\$ -</u>	1,102,591
				Related debt	-
			Net investment in capital assets		<u>\$ 1,102,591</u>

**FORT MYERS SHORES FIRE PROTECTION AND  
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**NOTE C - CAPITAL ASSETS ACTIVITY, CONTINUED**

Depreciation expense was charged to the following functions during the year ended September 30, 2016:

	<u>Amount</u>
General Government	\$ 112,195
Total Depreciation Expense	<u>\$ 112,195</u>

**NOTE D - LONG-TERM OBLIGATIONS**

The following is a summary of changes in long-term obligations for the year ended September 30, 2016:

	Balance October 1 2015	Additions	Retirements/ Adjustments	Balance September 30 2016	Amounts Due Within One Year
Net Pension Liability - Pension	\$ 1,176,732	\$ 1,420,841	\$ -	\$ 2,597,573	\$ -
Net Pension Liability - HIS	468,202	86,929	-	555,131	-
Compensated Absences	154,966	-	(23,671)	131,295	-
Net OPEB Obligation	<u>463,000</u>	<u>100,000</u>	<u>-</u>	<u>563,000</u>	<u>-</u>
	<u>\$ 2,262,900</u>	<u>\$ 1,607,770</u>	<u>\$ (23,671)</u>	<u>\$ 3,846,999</u>	<u>\$ -</u>

The following is a summary of the long-term obligations at September 30, 2016:

	<u>Amount</u>
Net pension obligation - FRS pension plan. This amount is actuarially determined through calculation based upon the audited financial statements of the Florida FRS Plan.	\$ 2,597,573
Net pension obligation - HIS plan. This amount is actuarially determined through calculation based upon the audited financial statements of the Florida FRS Plan.	555,131
Noncurrent portion of compensated absences. Employees of the District are entitled to annual leave and sick time based on length of service and job classification.	131,295
Net OPEB obligation. Cumulative difference between annual OPEB cost and District's payments toward the cost of post employment benefits other than pensions since GASB No. 45 transition date (October 1, 2009).	<u>563,000</u>
	<u>\$ 3,846,999</u>

**FORT MYERS SHORES FIRE PROTECTION AND  
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**NOTE E - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN**

**General Information about the Florida Retirement System**

The Florida Retirement System ("FRS") was created in Chapter 121, Florida Statutes. The FRS was created to provide a defined benefit pension plan ("Pension Plan") for participating public employees. All District employees are participants in the Statewide Florida Retirement System (FRS) under authority of Article X, Section 14 of the State Constitution and Florida Statutes, Chapters 112 and 121. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide an integrated 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 separate 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.

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System 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 two cost-sharing, multiple-employer defined benefit plans (Pension and HIS 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 dated June 30, 2016, is available from the Florida Department of Management Services' website ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The District's total pension expense, \$422,843 for the year ended September 30, 2016, is recorded in the government-wide financial statements. Total District retirement actual contribution expenditures were \$270,045, \$246,462 and \$238,792 for the years ended September 30, 2016, 2015 and 2014, respectively. The District contributed 100% of the required contributions.

**FORT MYERS SHORES FIRE PROTECTION AND  
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**NOTE E - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED**

**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 general classes of membership are as follows:

Regular Class - Members of the FRS who do not qualify for membership in the other classes.

Senior Management Service Class (SMSC) - Members in senior management level positions.

Special Risk Class - Members who are employed as certified firefighters and meet the criteria to qualify for this class.

Elected Officials - Members who are elected by the voters within the District boundaries.

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, except for those members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 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 creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of both Plans (Pension and HIS) may include up to 4 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.

**FORT MYERS SHORES FIRE PROTECTION AND  
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**NOTE E - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED**

**FRS Pension Plan, continued**

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

**Benefits Provided.** Benefits under the Plan are computed on the basis of age, and/or years of service, average final compensation, and credit service. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for the members initially enrolled on or after July 1, 2011, the average final compensation 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 retirement plan and/or the 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 of each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>%Value</u>
Regular Class and elected 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 or more years of service	1.68
Regular Class and elected 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 or more years of service	1.68
Special Risk Regular	
Service from December 1, 1970 through September 30, 1974	2.00
Service on or after October 1, 1974	3.00
Senior Management Service Class	2.00

**FORT MYERS SHORES FIRE PROTECTION AND  
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**NOTE E - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED**

**FRS Pension Plan, continued**

As provided in 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 percent 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 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. 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 year ended September 30, 2016 were as follows:

Class	Percent of Gross Salary*			
	Employee	Employer (1)	Employer (3)	Employer (4)
Florida Retirement System, Regular	3.00	7.37	7.26	7.52
Florida Retirement System, Senior Management Service	3.00	21.14	21.43	21.77
Florida Retirement System, Special Risk	3.00	19.82	22.04	22.57
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.28	12.88	12.99
Florida Retirement System, Reemployed Retiree	(2)	(2)	N/A	N/A
Florida Retirement System, Elected Official	3.00	43.24	42.27	42.47

Notes:

- (1) Employer rates include 1.26 percent for the post employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .04 percent for administrative costs for the Investment Plan. Rates for 7/1/14 - 6/30/15.
  - (2) Contribution rates are dependent upon retirement class in which reemployed.
  - (3) Employer rates include 1.66 percent for the post employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .04 percent for administrative costs for the Investment Plan. Rates for 7/1/15 - 6/30/16.
  - (4) Employer rates include 1.66 percent for the post employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .06 percent for administrative costs for the Investment Plan. Rates for 7/1/16 - 6/30/17.
- \* As defined by the Plan.

**FORT MYERS SHORES FIRE PROTECTION AND  
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**NOTE E - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED**

**FRS Pension Plan, continued**

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pension Plan.**

At September 30, 2016, the District reported a net pension liability of \$2,597,573 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District's proportionate share of the net pension liability was based on the District's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At September 30, 2016, the District's proportionate share was .010287382 percent, which was an increase of .001176969 percent from its proportionate share measure as of September 30, 2015.

For the year ended September 30, 2016, the District recognized FRS pension expense of \$389,016. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources at September 30, 2016:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 198,890	\$ 24,185
Change of assumptions	157,145	-
Net difference between projected and actual earnings on pension plan investments	671,441	-
Changes in proportion and differences between District contributions and proportionate share of contributions	139,883	192,753
District contributions subsequent to the measurement date	<u>54,113</u>	<u>-</u>
Total	<u>\$ 1,221,472</u>	<u>\$ 216,938</u>

**FORT MYERS SHORES FIRE PROTECTION AND  
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**NOTE E - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED**

**FRS Pension Plan, continued**

The deferred outflows of resources related to the FRS pension, totaling \$54,113, resulting from District contributions subsequent to the measurement date, will be recognized as a reduction on the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense over the remaining service period of 6.4 years as follows:

Fiscal Year Ending <u>September 30</u>	<u>Amount</u>
2017	\$ (218,765)
2018	(218,765)
2019	(218,765)
2020	(218,765)
2021	(50,905)
Thereafter	<u>(24,456)</u>
Total	<u>\$ (950,421)</u>

**Actuarial Assumptions.** The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Real payroll growth	0.65 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.60 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

**FORT MYERS SHORES FIRE PROTECTION AND  
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**NOTE E - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED**

**FRS Pension Plan, continued**

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	3.0%	3.0%	1.7%
Fixed income	18.00%	4.7%	4.6%	4.6%
Global equity	53.00%	8.1%	6.8%	17.2%
Real estate (property)	10.00%	6.4%	5.8%	12.0%
Private equity	6.00%	11.5%	7.8%	30.0%
Strategic investments	<u>12.00%</u>	6.1%	5.6%	11.1%
Total	<u>100.00%</u>			
Assumed inflation - Mean		2.60%		1.90%

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

**Discount Rate.** The discount rate used to measure the total pension liability was 7.60 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.

**FORT MYERS SHORES FIRE PROTECTION AND  
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**NOTE E - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED**

**FRS Pension Plan, continued**

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.** The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, 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 (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	<u>\$ 4,782,306</u>	<u>\$ 2,597,573</u>	<u>\$ 779,070</u>

**Pension Plan Fiduciary Net Position.** Detailed information about pension plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report (FRS CAFR) dated June 30, 2016.

The FRS CAFR and actuarial reports may also be obtained by contacting the Division of Retirement at:

Department of Management Services  
 Division of Retirement  
 Bureau of Research and Member Communications  
 P.O. Box 9000  
 Tallahassee, FL 32315-9000

850-488-5706 or toll free at 877-377-1737

[http://www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications)

**Payables to the Pension Plan.** At September 30, 2016, the District reported a payable of \$8,156 for the outstanding amount of contributions in the FRS pension plan required for the year ended September 30, 2016.

**NOTE E - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED**

**Health Insurance Subsidy Plan**

**Plan Description.** The Health Insurance Subsidy Plan ("HIS Plan") is a cost-sharing multiple-employer defined benefit pension plan established under section 112.363, Florida Statutes. 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 year ended September 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments are at least \$30 but not more than \$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 can 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 year ended September 30, 2016, the contribution rate ranged between 1.66 percent and 1.66 percent of payroll 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 HIS 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 cancelled.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to the HIS Plan.** At September 30, 2016, the District reported a HIS net pension liability of \$555,131 for its proportionate share of the net HIS Plan's net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability was used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District's proportionate share of the net HIS liability was based on the District's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal

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**NOTE E - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED**

**HIS Plan, continued**

year contributions of all participating members. At September 30, 2016, the District's proportionate share was .004763190 percent, which was an increase of .0002 percent from its proportionate share measured as of September 30, 2015.

For the fiscal year ended September 30, 2016, the District recognized HIS expense of \$33,827. 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	\$ -	\$ 1,265
Change of assumptions	87,114	-
Net difference between projected and actual earnings on HIS pension plan investments	281	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	41,905	-
District contributions subsequent to the measurement date	<u>5,336</u>	<u>-</u>
Total	<u>\$ 134,636</u>	<u>\$ 1,265</u>

The deferred outflows of resources related to HIS, totaling \$5,336, resulting from District contributions subsequent to the measurement date, will be recognized as a reduction on the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense of the remaining service period of 7.2 years as follows:

<u>Fiscal Year Ending September 30</u>	<u>Amount</u>
2017	\$ 20,676
2018	20,676
2019	20,676
2020	20,676
2021	20,606
Thereafter	<u>24,725</u>
Total	<u>\$ 128,035</u>

**FORT MYERS SHORES FIRE PROTECTION AND  
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**NOTE E - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED**

**HIS Plan, continued**

**Actuarial Assumptions.** The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Real Payroll Growth	0.65 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	2.85 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

Because the HIS Plan is funded on a pay-as-you-go basis, no experience study has been completed for this plan.

**Discount Rate.** The discount rate used to measure the total HIS liability was 2.85 percent. In general, the discount rate for calculating the total HIS 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 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 HIS Liability to Changes in the Discount Rate.** The following presents the District's proportionate share of the net HIS liability calculated using the discount rate of 2.85 percent, as well as what the District's proportionate share of the net HIS liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.85 percent) or 1-percentage-point higher (3.85 percent) than the current rate:

	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
District's proportionate share of the net HIS liability	\$ 636,860	\$ 555,131	\$ 487,298

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**NOTE E - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED**

**HIS Plan, continued**

**Pension Plan Fiduciary Net Position.** Detailed information about the HIS plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Comprehensive Annual Financial Report (FRS CAFR) dated June 30, 2016.

The FRS CAFR and actuarial reports may also be obtained by contacting the Division of Retirement at:

Department of Management Services  
Division of Retirement  
Bureau of Research and Member Communications  
P.O. Box 9000  
Tallahassee, FL 32315-9000

850-488-5706 or toll free at 877-377-1737

[http://www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications)

**Payables to the Pension Plan.** At September 30, 2016 the District reported a payable of \$664 for the outstanding amount of contributions to the HIS plan required for the fiscal ended September 30, 2016.

**FRS - Defined Contribution Pension Plan**

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

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 County Officers, etc.), as the FRS defined benefit plan. Contributions

**FORT MYERS SHORES FIRE PROTECTION AND  
RESCUE SERVICE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE E - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED**

**FRS - Defined Contribution Pension Plan, continued**

are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering plan, including FRS Financial Guidance Program, are funded through an employer contribution of .06 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2015-16 fiscal year were as follows:

Class	Percent of Gross Salary*			
	Employee	Employer (1)	Employer (3)	Employer (4)
Florida Retirement System, Regular	3.00	7.37	7.26	7.52
Florida Retirement System, Senior Management Service	3.00	21.14	21.43	21.77
Florida Retirement System, Special Risk	3.00	19.82	22.04	22.57
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.28	12.88	12.99
Florida Retirement System, Reemployed Retiree	(2)	N/A	N/A	N/A
Florida Retirement System, Elected Official	3.00	43.24	42.27	42.47

Notes:

- (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .04 percent for administrative costs of the Investment Plan. Rates for 7/1/14 - 6/30/15.
- (2) Contribution rates are dependent upon retirement class in which reemployed.
- (3) Employer rates include 1.66 percent for the post employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .04 percent for administrative costs for the Investment Plan. Rates for 7/1/15 - 6/30/16.
- (4) Employer rates include 1.66 percent for the post employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .06 percent for administrative costs for the Investment Plan. Rates for 7/1/16 - 6/30/17.

\* As defined by the Plan.

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 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 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5 year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

**FORT MYERS SHORES FIRE PROTECTION AND  
RESCUE SERVICE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE E - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED**

**FRS - Defined Contribution Pension Plan, continued**

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

The District's Investment Plan pension expense (included in the FRS expense) totaled \$4,986 for the fiscal year ended September 30, 2016.

Payables to the Investment Plan. At September 30, 2016, the District reported a payable of \$0 for the outstanding amount of contributions to the Plan required for the fiscal year ended September 30, 2016.

**NOTE F - PROPERTY TAXES**

Property taxes are levied after formal adoption of the District's budget and become due and payable on November 1 of each year and are delinquent on April 1 of the following year. Discounts on property taxes are allowed for payments made prior to the April 1 delinquent date. Tax certificates are sold to the public for the full amount of any unpaid taxes and must be sold no later than June 1 of each year. The billing,

**FORT MYERS SHORES FIRE PROTECTION AND  
RESCUE SERVICE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE F - PROPERTY TAXES, CONTINUED**

collection, and related record keeping of all property taxes is performed for the District by the Lee County Tax Collector. No accrual for the property tax levy becoming due in November 2016 is included in the accompanying financial statements, since such taxes are collected to finance expenditures of the subsequent period.

Procedures for collecting delinquent taxes, including applicable tax certificate sales and tax deed sales, are provided for by Florida Statutes. The enforceable lien date is approximately two years after taxes become delinquent and occurs only upon request of a holder of a delinquent tax certificate. As of September 30, 2016, \$19,012 was due from the Lee County Tax Collector to the District for ad valorem taxes and excess fees.

Important dates in the property tax cycle are as follows:

Assessment roll certified	July 1
Millage resolution approved	No later than 93 days following certification of assessment roll
Taxes due and payable (Levy date)	November (with various discount provisions through March 31)
Property taxes payable - maximum discount (4 percent)	30 days after levy date
Beginning of fiscal year for which taxes have been levied	October 1
Due date	March 31
Taxes become delinquent (lien date)	April 1
Tax certificates sold by the Lee County Tax Collector	Prior to June 1

For the year ended September 30, 2016, the Board of Commissioners of the District levied ad valorem taxes at a millage rate of \$2.00 per \$1,000 (2.0 mills) of the 2015 net taxable value of real property located within the District.

**FORT MYERS SHORES FIRE PROTECTION AND  
RESCUE SERVICE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE G - FUND BALANCE**

Fund balance was noted as nonspendable for the following purposes at September 30, 2016:

<u>Nonspendable fund balance - General Fund</u>	<u>Amount</u>
Prepaid expenses	\$ <u>253,528</u>

Fund balance was assigned for the following purposes at September 30, 2016:

<u>Assigned fund balance - General Fund</u>	<u>Amount</u>
Station #2 Building & Fixtures	\$ 1,525,780
Apparatus	650,000
Tools & Equipment	70,000
Staff/Utility Vehicles	45,000
Protective Clothing	21,800
Disaster Fund	800,000
Three (3) Month Reserve	600,000
Sick and Vacation Payout	200,000
Post Employment Insurance	<u>675,000</u>
Total Assigned Fund Balance	<u>\$ 4,587,580</u>

**NOTE H - IMPACT FEE FUND ACTIVITY**

During the year ended September 30, 2016, the Impact Fee Fund had the following activity:

	<u>Amount</u>
Unearned revenue, October 1, 2015	\$ 310,769
Impact fee receipts	68,509
Due from other governments	21,134
Refund of Impact Fees	-
Capital outlay	<u>(42,660)</u>
Unearned revenue, September 30, 2016	<u>\$ 357,752</u>

**FORT MYERS SHORES FIRE PROTECTION AND  
RESCUE SERVICE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE I - 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; injuries to employees; and natural disasters.

Insurance programs for general/professional liability, automobile, property, and commercial umbrella are covered by commercial insurance. The District retains the risk of loss up to a deductible amount (ranging from \$250 to \$1,000) with the risk of loss in excess of this amount transferred to the insurance carrier with limits of liability of \$1,000,000 per occurrence and \$4,000,000 in the aggregate. The District is third party insured for employee health, dental and vision, as well as workers' compensation.

**NOTE J - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)**

The District's defined benefit OPEB Plan provides the opportunity to obtain insurance (health, dental, life and vision) benefits to its retired employees. The year ended September 30, 2010, was the District's transition year. As such, the District implemented GASB No. 45 on a prospective basis. All retired full-time employees are eligible for OPEB benefits if actively employed by the District immediately before retirement. As of September 30, 2016, there were four (4) retirees receiving these benefits. The benefits are provided both with and without contractual or labor agreements. The benefits may require contribution from the retirees, depending on certain specified criteria and, in particular, length of creditable employment. The District pays 100% of the retiree health only coverage (single) less the FRS health insurance subsidy reimbursement amount until age 65. The District finances the benefits on a pay-as-you-go basis and recognizes expenditures at the time the premiums are due.

The retiree's premiums for these benefits totaled \$40,063 during the year ended September 30, 2016, of which the District paid \$32,904.

**FORT MYERS SHORES FIRE PROTECTION AND  
RESCUE SERVICE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE J - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB),  
CONTINUED**

**Funding Policy**

The District's OPEB benefits are unfunded. The District has not determined if a separate trust fund or equivalent arrangement will be established into which the District would make contributions to advance-fund the obligation. Therefore, no separate financial statement is issued. All required disclosures are presented herein. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The District did, however, assign a portion of its fund balance in the amount of \$675,000 to offset a portion of the OPEB costs. The District obtained an actuarial valuation for OPEB Plan to measure the current year's subsidies and project these subsidies into the future, making an allocation of that cost to different years.

(1) Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
10/01/10	\$ -	\$ 1,283,000	\$ 1,283,000	0.0%	\$ 1,055,287	121.6%
10/01/11	\$ -	\$ 1,350,000	\$ 1,350,000	0.0%	\$ 1,141,575	118.3%
10/01/12	\$ -	\$ 1,630,000	\$ 1,630,000	0.0%	\$ 1,202,535	135.5%
10/01/13	\$ -	\$ 1,717,000	\$ 1,717,000	0.0%	\$ 1,361,296	126.1%
10/01/14	\$ -	\$ 1,800,000	\$ 1,800,000	0.0%	\$ 1,388,343	129.7%
10/01/15	\$ -	\$ 1,520,000	\$ 1,520,000	0.0%	\$ 1,424,613	106.7%

(1) - Initial actuarial valuation dated 10/1/09 (transition year)

**Schedule of Contributions from Employer**

Year Ended	Annual OPEB Cost	Expected Cash Payment	Percentage of Annual OPEB Cost	Net OPEB Obligation
09/30/11	\$ 110,000	\$ 47,000	43%	\$ 123,000
09/30/12	\$ 117,000	\$ 53,000	45%	\$ 187,000
09/30/13	\$ 153,000	\$ 60,000	39%	\$ 280,000
09/30/14	\$ 162,000	\$ 71,000	44%	\$ 371,000
09/30/15	\$ 172,000	\$ 80,000	47%	\$ 463,000
09/30/16	\$ 162,000	\$ 62,000	38%	\$ 563,000

**FORT MYERS SHORES FIRE PROTECTION AND  
 RESCUE SERVICE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2016**

**NOTE J - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB),  
 CONTINUED**

**Annual OPEB Cost and Net OPEB Obligation**

The annual OPEB cost is the amount that was expensed in the current year. Since the District's plan is unfunded, the offset to that expense comes from subsidies paid on behalf of the current retirees and their dependents for the current year. This offset is called the expected cash payment. The cumulative difference between the annual OPEB cost for the year and the expected cash payment is called the net OPEB obligation (NOO). The net OPEB obligation is reflected as a liability in the Statement of Net Assets. The following table shows the components of the District's annual OPEB cost for the year and the net OPEB obligation.

<u>Fiscal year ended September 30, 2016</u>	<u>Amount</u>
Annual required contribution (ARC)	\$ 166,000
Less NOO amortization	(20,000)
Plus interest on NOO	<u>16,000</u>
Annual OPEB cost	162,000
Expected cash payment	<u>(62,000)</u>
Yearly change in OPEB obligation	100,000
Net OPEB obligation - beginning of year	<u>463,000</u>
Net OPEB obligation - end of year	<u><u>\$ 563,000</u></u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funding status of a plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**FORT MYERS SHORES FIRE PROTECTION AND  
RESCUE SERVICE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2016**

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**NOTE J - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB),  
CONTINUED**

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and plan members. The actual methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial valuation of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2011 actuarial valuation, the projected credit unit cost method with linear pro-ratio to assumed benefit commencement was used. The actuarial assumptions included a 3.5 percent investment rate of return. Since there are no invested plan assets held in trust to finance the OPEB obligations, the investment return discount rate is the long-term expectation of investment return on assets held in District funds pursuant to its investment policy. The assumptions also included an annual healthcare cost trend using the Society of Actuaries Long-Run Medical Cost Trend Model baseline assumptions with an initial rate of 4.7% per year trending to 5.07% by 2050. The unfunded actuarial accrued liability, as calculated, is being amortized over a closed period of 30 years (as of October 1, 2009) as a level percent of payroll. The amortization factor is 24 years. The assumed rate of payroll growth is 2.5 percent. The assumed rate of inflation is 2.3 percent.

**NOTE K - COMMITMENT**

The District contracted to purchase a new pumper truck for \$253,056 during the year ended September 30, 2016. The District paid the full amount of the truck and recorded it as prepaid expense. Delivery of the truck is anticipated during the year ended September 30, 2017. Acceptance is subject to inspection upon delivery.

**REQUIRED SUPPLEMENTARY  
INFORMATION  
OTHER THAN MD&A**

**FORT MYERS SHORES FIRE PROTECTION AND  
RESCUE SERVICE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND -  
SUMMARY STATEMENT  
Year Ended September 30, 2016**

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Ad valorem taxes	\$ 2,493,444	\$ 2,493,444	\$ 2,553,360	\$ 59,916
Intergovernmental revenues:				
State firefighter supplement	2,400	2,400	2,400	-
Florida Fire Service	-	-	-	-
Inspection fees	2,500	2,500	4,276	1,776
Miscellaneous:				
Interest	7,500	7,500	16,375	8,875
Other	7,190	7,190	8,246	1,056
Carryforward	5,813,394	5,834,744	-	(5,834,744)
<b>TOTAL REVENUES</b>	<u>8,326,428</u>	<u>8,347,778</u>	<u>2,584,657</u>	<u>(5,763,121)</u>
<b>EXPENDITURES</b>				
Current				
Public safety				
Personnel services	2,322,656	2,322,656	2,241,826	80,830
Operating expenditures	373,600	373,600	273,197	100,403
Capital outlay	310,500	310,500	30,560	279,940
Debt service				
Principal reduction	-	-	-	-
Interest and fiscal charges	-	-	-	-
Reserves				
Budget reserves	5,319,672	5,341,022	-	5,341,022
<b>TOTAL EXPENDITURES</b>	<u>8,326,428</u>	<u>8,347,778</u>	<u>2,545,583</u>	<u>5,802,195</u>
<b>EXCESS REVENUES</b>				
<b>OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	39,074	<u>\$ 39,074</u>
<b>FUND BALANCE - BEGINNING</b>			<u>5,834,744</u>	
<b>FUND BALANCE - ENDING</b>			<u>\$ 5,873,818</u>	

The accompanying notes are an integral part of this statement.

**FORT MYERS SHORES FIRE PROTECTION AND  
RESCUE SERVICE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -  
GENERAL FUND - DETAILED STATEMENT  
Year Ended September 30, 2016**

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Ad valorem taxes	\$ 2,493,444	\$ 2,493,444	\$ 2,553,360	\$ 59,916
Intergovernmental revenues:				
State firefighter supplement	2,400	2,400	2,400	-
Florida Fire Service	-	-	-	-
Inspection fees	2,500	2,500	4,276	1,776
Miscellaneous:				
Interest	7,500	7,500	16,375	8,875
Other	7,190	7,190	8,246	1,056
Carryforward	5,813,394	5,834,744	-	(5,834,744)
<b>TOTAL REVENUES</b>	<u>8,326,428</u>	<u>8,347,778</u>	<u>2,584,657</u>	<u>(5,763,121)</u>
<b>EXPENDITURES</b>				
Current				
Personnel services:				
Salaries & wages	1,494,356	1,494,356	1,479,693	14,663
Special pay	-	-	-	-
Payroll taxes	115,000	115,000	111,148	3,852
Retirement	290,000	290,000	270,045	19,955
Health and life insurance	384,300	384,300	348,946	35,354
Sick/vacation payout	-	-	-	-
Employee physicals	-	-	-	-
Workers compensation	39,000	39,000	31,994	7,006
Subtotal - Personnel services	<u>2,322,656</u>	<u>2,322,656</u>	<u>2,241,826</u>	<u>80,830</u>

The accompanying notes are an integral part of this statement.

**FORT MYERS SHORES FIRE PROTECTION AND  
RESCUE SERVICE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -  
GENERAL FUND - DETAILED STATEMENT, CONTINUED  
Year Ended September 30, 2016**

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Operating expenditures:				
Professional services	31,000	31,000	20,875	10,125
Accounting and audit	20,000	20,000	18,500	1,500
Tax collector fees	51,000	51,000	51,739	(739)
Property appraiser fees	21,000	21,000	17,729	3,271
Contractual services	16,000	16,000	10,660	5,340
Repairs and maintenance	55,000	55,000	34,663	20,337
Operating supplies	14,000	14,000	7,429	6,571
Insurance	28,000	28,000	28,509	(509)
Office supplies	5,000	5,000	2,812	2,188
Uniforms/firefighter gear	5,000	5,000	1,010	3,990
Books, memberships, training	53,600	53,600	9,727	43,873
Utilities	17,000	17,000	13,739	3,261
Communication and freight	17,000	17,000	10,400	6,600
Fuel	17,000	17,000	9,523	7,477
Furniture & Fixtures	-	-	370	(370)
Tools and equipment	12,500	12,500	29,412	(16,912)
Travel and per diem	5,000	5,000	3,841	1,159
Promotions	3,000	3,000	1,241	1,759
Other charges	2,500	2,500	1,018	1,482
Subtotal - Operating expenditures	<u>373,600</u>	<u>373,600</u>	<u>273,197</u>	<u>100,403</u>
Capital outlay:				
Machinery and equipment	40,000	40,000	12,238	27,762
Land	-	-	-	-
Department vehicle	263,000	263,000	12,025	250,975
Station improvement	7,500	7,500	6,297	1,203
Subtotal - Capital outlay	<u>310,500</u>	<u>310,500</u>	<u>30,560</u>	<u>279,940</u>

The accompanying notes are an integral part of this statement.

**FORT MYERS SHORES FIRE PROTECTION AND  
RESCUE SERVICE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -  
GENERAL FUND - DETAILED STATEMENT, CONTINUED  
Year Ended September 30, 2016**

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Debt Service:				
Principal reduction	-	-	-	-
Interest expense	-	-	-	-
Subtotal - Debt service	-	-	-	-
Reserves				
Budget reserves	5,319,672	5,341,022	-	5,341,022
Subtotal - Reserves	5,319,672	5,341,022	-	5,341,022
 TOTAL EXPENDITURES	 8,326,428	 8,347,778	 2,545,583	 5,802,195
 EXCESS OF REVENUES OVER EXPENDITURES	 \$ -	 \$ -	 39,074	 \$ 39,074
 FUND BALANCE - BEGINNING			 5,834,744	
 FUND BALANCE - ENDING			 \$ 5,873,818	

The accompanying notes are an integral part of this statement.

**FORT MYERS SHORES FIRE PROTECTION AND  
RESCUE SERVICE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - IMPACT FEE FUND  
Year Ended September 30, 2016**

Impact Fee Fund				
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Fees:				
Impact fees	\$ 25,000	\$ 25,000	\$ 42,660	\$ 17,660
Impact fee reserves	264,201	264,201	-	(264,201)
Miscellaneous:				
Interest	-	-	-	-
TOTAL REVENUES	<u>289,201</u>	<u>289,201</u>	<u>42,660</u>	<u>(246,541)</u>
<b>EXPENDITURES</b>				
Public safety				
Operating expenditures	-	-	-	-
Capital outlay				
Land	-	-	-	-
Equipment	-	-	42,660	(42,660)
Reserves				
Impact fee reserves	<u>289,201</u>	<u>289,201</u>	<u>-</u>	<u>289,201</u>
TOTAL EXPENDITURES	<u>289,201</u>	<u>289,201</u>	<u>42,660</u>	<u>246,541</u>
<b>EXCESS OF REVENUES OVER</b>				
EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
<b>FUND BALANCE - Beginning</b>			-	
<b>FUND BALANCE - Ending</b>			<u>\$ -</u>	

The accompanying notes are an integral part of this statement.

**FORT MYERS SHORES FIRE PROTECTION AND  
RESCUE SERVICE DISTRICT**

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET  
PENSION LIABILITY - FLORIDA RETIREMENT SYSTEM (FRS) PENSION  
PLAN (1)**

	2016	2015	2014
District's proportion (%) of the net pension liability	0.010287382%	0.009110414%	0.009241454%
District's proportionate share (\$) of the net pension liability	\$ 2,597,573	\$ 1,176,732	\$ 563,865
District's covered-employee payroll	\$ 1,424,613	\$ 1,439,023	\$ 1,388,104
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	182.00%	81.77%	40.62%
Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%

Notes: (1) The amounts presented for each fiscal year were determined as of September 30.

**SCHEDULE OF DISTRICT CONTRIBUTIONS -  
FLORIDA RETIREMENT SYSTEM (FRS) PENSION PLAN (1)**

	2016	2015	2014
Contractually required contribution	\$ 249,706	\$ 227,899	\$ 223,611
Contributions in relation to the contractually required contribution	249,706	227,899	223,611
Contribution deficiency (excess)	-	-	-
District's covered-employee payroll	\$ 1,424,613	\$ 1,439,023	\$ 1,388,105
Contributions as a percentage of covered-employee payroll	17.53%	15.84%	16.11%

Notes: (1) The amounts presented for each fiscal year were determined as of September 30.

GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, governments should present information for only those years for which information is available.

**FORT MYERS SHORES FIRE PROTECTION AND  
RESCUE SERVICE DISTRICT**

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET  
PENSION LIABILITY - HEALTH INSURANCE SUBSIDY (HIS) PENSION  
PLAN (1)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion (%) of the net pension liability	0.004763190%	0.004590919%	0.004424885%
District's proportionate share (\$) of the net pension liability	\$ 555,131	\$ 468,202	\$ 413,738
District's covered-employee payroll	\$ 142,613	\$ 1,439,023	\$ 1,388,104
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	39.00%	32.53%	29.80%
Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%	0.99%

Notes: (1) The amounts presented for each fiscal year were determined as of September 30.

**SCHEDULE OF DISTRICT CONTRIBUTIONS -  
HEALTH INSURANCE SUBSIDY (HIS) PENSION PLAN (1)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 20,339	\$ 18,563	\$ 15,181
Contributions in relation to the contractually required contribution	<u>20,339</u>	<u>18,563</u>	<u>15,181</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,424,613	\$ 1,439,023	\$ 1,388,105
Contributions as a percentage of covered-employee payroll	1.43%	1.29%	1.09%

Notes: (1) The amounts presented for each fiscal year were determined as of September 30.

GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, governments should present information for only those years for which information is available.

**FORT MYERS SHORES FIRE PROTECTION AND  
RESCUE SERVICE DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
September 30, 2016**

**Changes of Assumptions**

Actuarial assumptions for both cost-sharing defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008 through June 30, 2013. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments was reduced from 7.65% to 7.60%. 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.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.85% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

**Florida Retirement System Pension Plan**

There were changes in actuarial assumptions. As of June 30, 2016, the inflation rate assumption remained at 2.60 percent, the real payroll growth assumption was .65 percent, and the overall payroll growth rate assumption remained at 3.25 percent. The long-term expected rate of return was reduced from 7.65 percent to 7.60 percent.

**Health Insurance Subsidy Pension Plan**

The municipal rate used to determine total pension liability decreases from 3.80 percent to 2.85 percent.

**Pension Expense and Deferred Outflows/Inflows of Resources**

In accordance with GASB 68, paragraphs 54 and 71, changes in the net pension liability are recognized in pension expense in the current measurement period, except as indicated below. For each of the following, a portion is recognized in pension expense in the current reporting period, and the balance is amortized as deferred outflows or deferred inflows of resources using a systematic and rational method over a closed period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors - amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees)
- Changes of assumptions or other inputs - amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees)
- Changes in proportion and differences between contributions and proportionate share of contributions - amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees)
- Differences between expected and actual earnings on pension plan investments - amortized over five years

Contributions to the pension plans from employers are not included in collective pension expense. However, employee contributions are used to reduce pension expense.

The average expected remaining service life of all employees provided with pensions through the pension plans at September 30, 2016, was 6.4 years (6.3 for FY 15) for FRS and 7.2 years for HIS.

## **ADDITIONAL REPORTS**



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

Board of Commissioners  
Fort Myers Shores Fire Protection and Rescue Service District  
12345 Palm Beach Boulevard  
Fort Myers, Florida 33905

We have audited, 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 of America, the basic financial statements of the governmental activities and each major fund of Fort Myers Shores Fire Protection and Rescue Service District (the "District") as of and for the year ended September 30, 2016, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents and have issued our report thereon dated January 24, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the basic financial statements will not be prevented or detected and

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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.

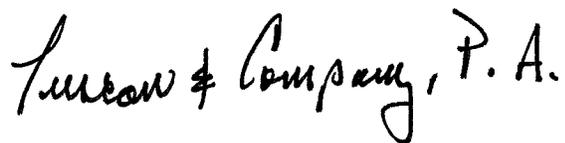
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

#### Compliance and Other Matters

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

#### Purpose of This Report

The purpose of this report is solely to describe the scope of our testing internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Tuscan & Company, P.A." The signature is written in a cursive, flowing style.

TUSCAN & COMPANY, P.A.

Fort Myers, Florida

January 24, 2017



**TUSCAN**  
& Company, PA

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Private Companies Practice Section

Tax Division

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE  
WITH SECTION 218.415, FLORIDA STATUTES**

Board of Commissioners  
Fort Myers Shores Fire Protection and Rescue Service District  
12345 Palm Beach Boulevard  
Fort Myers, Florida 33905

We have examined Fort Myers Shores Fire Protection and Rescue Service District's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2016. Management is responsible for Fort Myers Shores Fire Protection and Rescue Service District's compliance with those requirements. Our responsibility is to express an opinion on Fort Myers Shores Fire Protection and Rescue Service District's compliance based on our examination.

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

In our opinion, Fort Myers Shores Fire Protection and Rescue Service District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

This report is intended solely for the information and use of the Fort Myers Shores Fire Protection and Rescue Service District and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

TUSCAN & COMPANY, P.A.

Fort Myers, Florida

January 24, 2017

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**INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT**

Board of Commissioners  
Fort Myers Shores Fire Protection and Rescue Service District  
12345 Palm Beach Boulevard  
Fort Myers, Florida 33905

We have audited the accompanying basic financial statements of Fort Myers Shores Fire Protection and Rescue Service District (the "District") as of and for the year ended September 30, 2016 and have issued our report thereon dated January 24, 2017.

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 of America and Chapter 10.550, Rules of the Florida Auditor General. 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 Chapter 10.550, Rules of the Florida Auditor General. Disclosures in those reports, which are dated January 24, 2017, should be considered in conjunction with this report to management.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no financially significant prior year comments noted.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. No such recommendations were noted to improve financial management.

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- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The District discloses this information in the notes to the financial statements.
- Section 10.554(1)(i)5.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the District for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a) Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)5.c. and 10.556(7), Rules of the Auditor General, we have applied financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.
- Pursuant to Section 10.554(1)(i)5.d., Rules of the Auditor General, requires a statement indicating a failure, if any, of a component unit Special District to provide financial information necessary to a proper reporting of the component unit within the audited financial statements of this entity (F.S. Section 218.39(3)(b)). There are no known component special districts required to report within these financial statements.
- Section 10.556(10)(a), Rules of the Auditor General, requires that the scope of our audit to determine the District's compliance with the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes as reported in our Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes.

**PRIOR YEAR COMMENTS:**

No financially significant comments noted.

**CURRENT YEAR COMMENTS:**

No financially significant comments noted.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Board of Commissioners, management, the Auditor General of the State of Florida and other federal and state agencies. This report is not intended to be and should not be used by anyone other than these specified parties.

*Tuscan & Company, P.A.*

TUSCAN & COMPANY, P.A.  
Fort Myers, Florida  
January 24, 2017

**EXHIBIT**

**FORT MYERS SHORES FIRE PROTECTION & RESCUE SERVICE  
DISTRICT  
12345 PALM BEACH BOULEVARD S.E.  
FT. MYERS, FL. 33905  
(239)694-2833 Fax (239)694-3355**

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March 9, 2017

Jeff Tuscan  
Tuscan & Company, P.A.

Dear Mr. Tuscan:

We are in agreement with the basic financial statements and have noted that there were no current year comments for our response.

Respectfully,



David D. Duncan  
Fire Chief