

**PALM HARBOR SPECIAL FIRE CONTROL
AND RESCUE DISTRICT**

ANNUAL FINANCIAL REPORT
FOR THE FISCAL
YEAR ENDED SEPTEMBER 30, 2016



Davidson, Jamieson & Cristini, P.L.
Certified Public Accountants

ANNUAL FINANCIAL REPORT
OF
PALM HARBOR SPECIAL FIRE CONTROL
AND RESCUE DISTRICT
FOR THE
FISCAL YEAR ENDED SEPTEMBER 30, 2016

PREPARED BY THE
OFFICE MANAGER

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

BOARD OF FIRE COMMISSIONERS

Julie A. Peluso, Chairman

Norman G. Atherton,
Vice Chairman

James Nelson,
Secretary - Treasurer

Debra Buschman,
Fire Commissioner

Joseph Petrillo,
Fire Commissioner

Fire Chief

Office Manager/Accountant

Craig M. Maciuba

Eileen M. Brown

INTRODUCTORY SECTION

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

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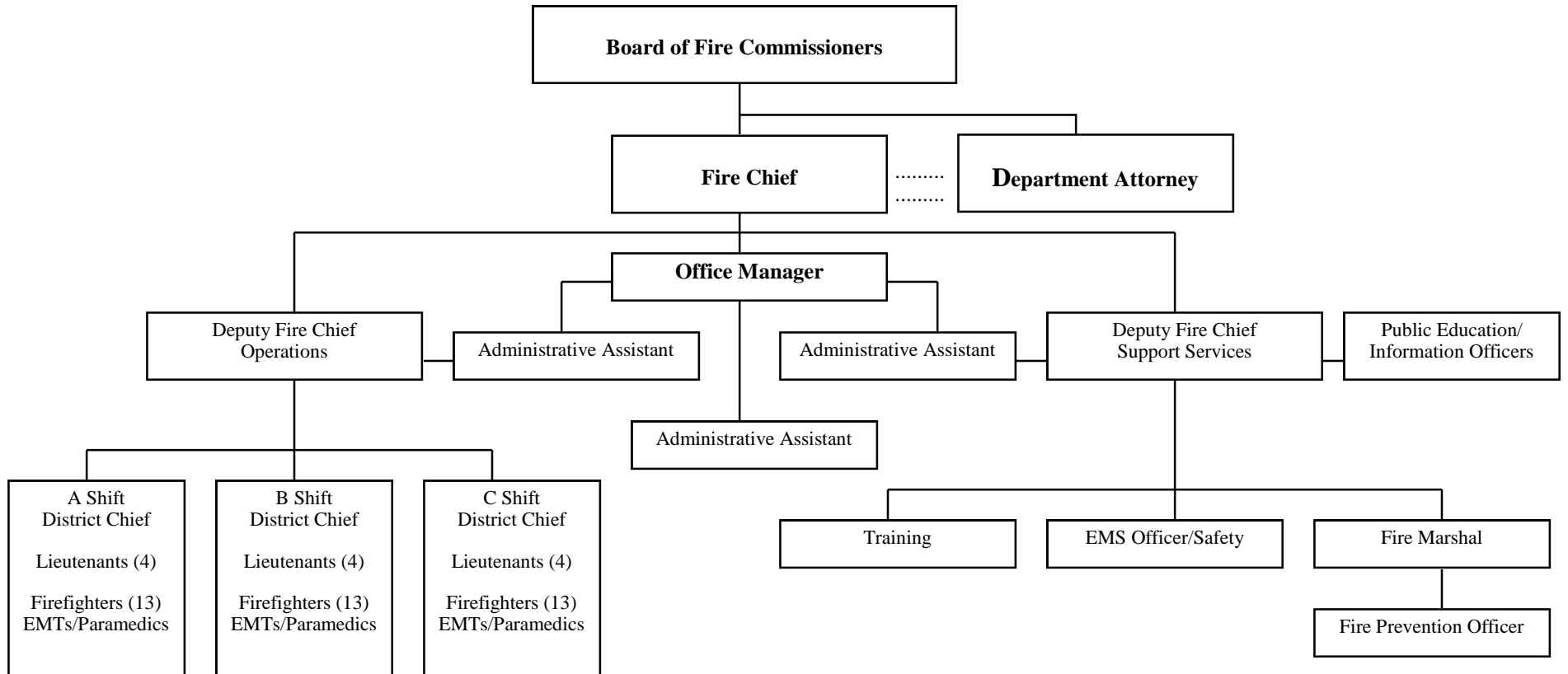
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PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

ORGANIZATIONAL CHART

September 30, 2016



PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

LISTING OF DISTRICT OFFICIALS

ELECTED OFFICIALS

Commissioner	Julie A. Peluso
Commissioner	Norman G. Atherton
Commissioner	James P. Nelson
Commissioner	Joseph Petrillo
Commissioner	Debra Buschman

APPOINTED OFFICIALS

Fire Chief	Craig M. Maciuba
Attorney	Andrew J. Salzman

DISTRICT OFFICERS

Chad Pittman, Deputy Fire Chief Operations
Brent Breuer, Training Chief
Robert Markford, Deputy Fire Chief Support Services
Frank Lowman, Acting Fire Marshall
Thomas Greear, District Chief
Scott Sanford, District Chief
Rodney Malpass, District Chief

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FINANCIAL SECTION

This section contains the following subsections:

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

Notes to Financial Statements

INDEPENDENT AUDITOR'S REPORT

Davidson, Jamieson & Cristini, P.L.
Certified Public Accountants

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American Institute of
Certified Public Accountants
Florida Institute of
Certified Public Accountants

Board of Fire Commissioners
Palm Harbor Special Fire Control and Rescue District
Palm Harbor, Florida

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, the budgetary comparisons for the general fund, and the aggregate remaining fund information of Palm Harbor Special Fire Control and Rescue 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the AICPA Professional Standards, at Sections 601.55 and 601.56. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Board of Fire Commissioners
Palm Harbor Special Fire Control and Rescue District
Palm Harbor, Florida

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Palm Harbor Special Fire Control and Rescue District as of September 30, 2016, and the respective changes in financial position and the respective budgetary comparison for the General Fund 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 4-12 and the schedule of net pension liabilities, ratios for the 175 pension plan, contributions and investment returns for the 175 pension plan, and the schedule of the District's net pension liability and the District's contributions for the FRS pension and HIS program on pages 82-88 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of

Board of Fire Commissioners
Palm Harbor Special Fire Control and Rescue District
Palm Harbor, Florida

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 statement, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Palm Harbor Special Fire Control and Rescue District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The individual fund financial statement is the responsibility of management and was derived from and relate 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 individual fund financial statement is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section 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.

Davidson, Jamieson & Crestino, P.L.

May 18, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis September 30, 2016

As management of the Palm Harbor Special Fire Control and Rescue District (District), we offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the fiscal year ended September 30, 2016.

FINANCIAL HIGHLIGHTS

- (A) The assets of the District exceeded its liabilities at the close of the 2016 fiscal year by \$8,607,479 (*net position*).
- (B) The District's net position increased by \$899,878 during the current fiscal year due to increased reserve funding, and the sale of 2001 E-1 Heavy Rescue.
- (C) As of the close of the 2016 fiscal year, the District's governmental funds (general and capital projects funds) reported an ending fund balance of \$4,291,701, an increase of \$920,759 in comparison with the prior year. Approximately \$4,162,224 is available for spending at the District's discretion.
- (D) Outstanding debt, which includes compensated absences, OPEB obligations, pension plan liabilities, and capital leases at the end of fiscal year 2016 is \$5,895,137.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, using accounting methods similar to a private-sector business. These statements include all assets and liabilities on the accrual basis of accounting. All current year revenues and expenses are taken into account regardless of when the cash is received or paid.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis September 30, 2016

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

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

The government-wide financial statements should distinguish functions of the Palm Harbor Special Fire Control and Rescue District (District) that are principally supported by the District's residents and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). All of the District's activities are governmental. The District is the *primary government*.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund Financial Statements

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The fund financial statements provide more information about the District's general fund - not the District as a whole.

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

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

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis September 30, 2016

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

The District maintains two governmental funds, its general fund and its capital projects fund. These funds are presented in the governmental fund balance sheets and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 15 through 21 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reflected in the government-wide financial statements because resources of those funds are *not* available to support the District's own programs. Accounting used for fiduciary funds is much like that used for the government-wide financial statements.

The basic fiduciary fund financial statements can be found beginning on pages 22 and 23 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 81 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) concerning the District's progress in funding its obligation to provide pension benefits to its firefighters. Required supplementary information can be found on pages 82 through 88 of this report.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis
September 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the District's case, assets exceeded liabilities by \$8,607,479 and \$7,707,601 at the fiscal years ended on September 30, 2016 and 2015.

The District's capital assets represent investments in land, buildings and improvements and equipment. Approximately 65% of the total net assets are capital assets. The District uses these capital assets to provide services to its citizens and property owners, consequently, these assets are not available for future spending. The District's investment in its capital assets is reported net of related debt and the capital assets themselves cannot be used to liquidate general operating liabilities.

The *unrestricted* category of net position, with a balance of \$584,597 and (\$864,168) at years ended September 30, 2016 and 2015, may be used to meet the District's ongoing obligations to citizens and creditors and is shown in the following schedule:

	Governmental Activities	
	2016	2015
Cash	\$ 1,141,600	\$ 1,712,483
Other current assets	3,471,676	1,944,904
Capital assets, net	8,448,045	9,126,496
Total Assets	13,061,321	12,783,883
Deferred outflows	2,500,308	2,776,535
Long-term liabilities	5,633,103	5,416,748
Other liabilities	591,007	546,415
Total liabilities	6,224,110	5,963,163
Deferred inflows	730,040	1,889,654
Net Position:		
Capital assets net of related debt	7,894,589	8,462,850
Restricted for capital projects	128,293	108,919
Unrestricted	584,597	(864,168)
Total Net Position	\$ 8,607,479	\$ 7,707,601

The District's net position increased by \$889,878 during the current fiscal year primarily from increased reserve funding, and the sale of the 2001 E-1 Heavy Rescue. The District's net position decreased by (\$1,500,806) during the prior fiscal year, primarily from GASB 68 changes requiring the pension plan to be included in the AFR along with the unfunded liabilities of each plan, and the increase in depreciation of new apparatus.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis
September 30, 2016

Palm Harbor Special Fire Control and Rescue District's Change in Net Position

	Governmental Activities	
	2016	2015
Revenues:		
Program Revenues:		
Charge for services	\$ 2,507,483	\$ 2,275,394
Impact fees	38,906	28,599
Total Program Revenues	2,546,389	2,303,993
General Revenues:		
Property taxes	7,084,050	6,681,247
Investment earnings	21,590	11,398
Intergovernmental	131,431	5,000
Other	299,488	613,625
Total General Revenues	7,536,559	7,311,270
Total Program and General Revenues	10,082,948	9,615,263
Expenses:		
Public Safety – EMS and Fire Protection	9,183,070	11,116,069
Total Expenses	9,183,070	11,116,069
Change in net position	899,878	(1,500,806)
Net position, beginning of year	7,707,601	9,208,407*
Net position, end of year	\$ 8,607,479	\$ 7,707,601

*Restatement of Net Position due to prior period adjustment.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis September 30, 2016

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the District's chief operating fund. At the end of the current fiscal year, the total fund balance of the general fund was \$4,163,408. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The total and unreserved fund balance represents 45.0% of total general fund expenditures.

The fund balance for the general fund increased \$901,385 during the current fiscal year. The key factor in this increase was higher than anticipated ad valorem, the sale of apparatus and vehicles, and increased reserves.

General Fund Budgetary Highlights

An annual budget is legally adopted for the general fund and was not amended during either 2016 or 2015. Revenues exceeded the budget by \$433,761 in 2016. Property taxes, representing 72.5% and 73.3% of the District's revenue increased by \$116,980 and \$107,443 over the current and prior year's budget.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis
September 30, 2016

	2016			2015		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:						
Property Taxes	\$ 6,967,070	\$ 7,084,050	\$ 116,980	\$ 6,573,804	\$ 6,681,247	\$ 107,443
Other	2,642,146	2,958,927	316,781	2,395,427	2,734,545	339,118
Total Revenues	9,609,216	10,042,977	433,761	8,969,231	9,415,792	446,561
Expenditures:						
General government:						
Debt service	\$ 269,197	\$ 135,581	133,616	135,583	\$ 135,581	2
Capital outlay	503,372	425,459	77,913	161,500	220,012	(58,512)
Public Safety-						
EMS and Fire Protection	8,838,647	8,686,568	152,079	8,325,805	8,813,694	(487,889)
Total Expenditures	9,611,216	9,247,608	363,608	8,622,888	9,169,287	(546,399)
Other financing sources						
and (uses)	2,000	106,016	104,016	(329,465)	171,695	501,160
Net change in fund balance	\$ -	\$ 901,385	\$ 901,385	\$ 16,878	\$ 418,200	\$ 401,322

Capital Assets

At the end of 2016 and 2015, the District's investment in capital assets for its governmental activities was \$8,448,045 and \$9,126,496 (net of accumulated depreciation,). This investment in capital assets includes land, buildings and improvements and equipment.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis
September 30, 2016

Changes in Capital Assets - Governmental Activities

	2016			2015		
	Beginning Balance	Additions/ (Deletions)	Ending Balance	Beginning Balance	Additions/ (Deletions)	Ending Balance
Land	\$ 939,530	\$ -	\$ 939,530	\$ 939,530	\$ -	\$ 939,530
Construction in progress	-	-	-	-	-	-
Buildings and improvements	6,553,215	-	6,553,215	6,553,215	-	6,553,215
Equipment	<u>5,214,079</u>	<u>(31,794)</u>	<u>5,182,285</u>	<u>6,126,085</u>	<u>(912,006)</u>	<u>5,214,079</u>
Total capital assets	12,706,824	(31,794)	12,675,030	13,618,830	(912,006)	12,706,824
Less accumulated depreciation	<u>3,580,328</u>	<u>(646,657)</u>	<u>4,226,985</u>	<u>4,152,610</u>	<u>(572,282)</u>	<u>3,580,328</u>
Capital assets, net	<u>\$ 9,126,496</u>	<u>\$ (678,451)</u>	<u>\$ 8,448,045</u>	<u>\$ 9,466,220</u>	<u>\$ (339,724)</u>	<u>\$ 9,126,496</u>

Total Capital Assets

Additional information on the District's capital assets can be found in note 6 on page 47 of this report.

LONG-TERM DEBT

At the end of 2016 and 2015, the District had total long-term debt outstanding made up of accrued sick and vacation payable, postemployment health care obligation, and capital improvement revenue note payable of \$1,311,058 and \$1,301,008, respectively. As of September 30, 2016, the District's net pension liability was \$4,584,069.

More detailed information about the District's long-term debt can be found in note 7 on pages 48 through 51 of this report.

ECONOMIC FACTORS

The District's board of commissioners approved \$9,611,216 and \$8,981,231 budgets for the 2016 and 2015 fiscal years. This is an increase of 7.01% for FY 2016 and a decrease of 14% for FY 2015.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis
September 30, 2016

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for the District's residents and creditors. Questions concerning this report or requests for additional financial information should be directed to:

Chief Craig M. Maciuba
250 West Lake Road
Palm Harbor, Florida 34684

For information about services, visit the District's website at www.palmharborfd.com

BASIC FINANCIAL STATEMENTS

This section contains the following subsections:

Government-Wide Financial Statements

Statement of Net Positions
Statement of Activities

Fund Financial Statements

Governmental Fund Financial Statements

Balance Sheet - Governmental Funds
Reconciliation of the Balance Sheet to the Statement of
Net Position - Governmental Activities
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balance of the Governmental Funds to the Statement of
Activities
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual:
General Fund

Fiduciary Fund Financial Statement

Statement of Fiduciary Net Position- Fiduciary Fund
Statement of Changes in Fiduciary Net Position - Fiduciary Fund

Notes to Financial Statements

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

STATEMENT OF NET POSITION

SEPTEMBER 30, 2016

<u>ASSETS</u>	<u>Primary Government</u>
Cash	\$ 1,141,600
Investments	3,417,055
Receivables, net of allowance for uncollectibles	53,437
Prepaid items	1,184
Capital Assets:	
Land	939,530
Buildings and improvements	6,553,215
Equipment	5,182,285
Accumulated depreciation	<u>(4,226,985)</u>
Total capital assets, net	<u>8,448,045</u>
TOTAL ASSETS	13,061,321
Deferred Outflows of Resources:	
Deferred outflows of resources related to pension plans	2,500,308
<u>LIABILITIES</u>	
Accounts payable	78,605
Accrued salaries and benefits payable	242,970
Accrued interest payable	7,398
Noncurrent liabilities:	
Due within one year	262,034
Due in more than one year	<u>5,633,103</u>
TOTAL LIABILITIES	<u>6,224,110</u>
Deferred Inflows of Resources:	
Deferred inflows of resources related to pension plans	730,040
<u>NET POSITION</u>	
Invested in capital assets, net of related debt	7,894,589
Restricted for capital projects	128,293
Unrestricted	<u>584,597</u>
TOTAL NET POSITION	<u>\$ 8,607,479</u>

See Notes to Financial Statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Primary Government
EXPENSES - PUBLIC SAFETY:	
Personal services:	
Salaries	\$ 5,056,935
Retirement	247,916
Insurance - employee	1,481,020
Payroll taxes	<u>370,891</u>
Total personal services expense	7,156,762
Other operating:	
Contractual services	11,400
Professional services	31,112
Insurance - property/liability	129,317
Office supplies	30,587
Operating supplies/equipment	21,623
Miscellaneous	46,603
Vehicle maintenance/fuel	169,318
Building/equipment maintenance	411,184
Training, education, travel	93,125
Telephone	11,886
Utilities	56,510
Fire prevention	15,358
Incentive program	21,943
Uniforms/clothing and bunker gear	76,931
Fees	207,652
Depreciation	670,410
Interest on long-term debt	<u>21,349</u>
Total other operating expense	<u>2,026,308</u>
TOTAL PROGRAM EXPENSES	9,183,070
PROGRAM REVENUES:	
Charges for services	2,507,483
Impact fees	<u>38,906</u>
Total program revenues	<u>2,546,389</u>
Net program expenses	6,636,681
GENERAL REVENUES:	
Property taxes	7,084,050
Intergovernmental	131,431
Tax collector fee rebate	43,911
Tower rental	41,690
Firefighters' educational incentive	14,619
Investment earnings	21,590
Hazmet reimbursement	64,777
Donations	1,145
Miscellaneous	<u>133,346</u>
TOTAL GENERAL REVENUES	<u>7,536,559</u>
CHANGE IN NET POSITION	899,878
NET POSITION - BEGINNING	<u>7,707,601</u>
NET POSITION - ENDING	\$ <u><u>8,607,479</u></u>

See Notes to Financial Statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2016

ASSETS	Total		
	General	Capital Projects	Governmental Funds
Cash	\$ 1,083,812	\$ 57,788	\$ 1,141,600
Investments	3,346,550	70,505	3,417,055
Receivables (net of allowance for uncollectibles):			
Intergovernmental:			
State	7,560	-	7,560
County	22,549	-	22,549
Accounts	23,328	-	23,328
Prepaid item	1,184	-	1,184
TOTAL ASSETS	\$ 4,484,983	\$ 128,293	\$ 4,612,092
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 78,605	\$ -	\$ 78,605
Accrued salaries and benefits payable	242,970	-	242,970
Total liabilities	321,575	-	321,575
Fund balance:			
Restricted	1,184	128,293	129,477
Committed	794,000	-	794,000
Unassigned	3,368,224	-	3,368,224
Total fund balance	4,163,408	128,293	4,291,701
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,484,983	\$ 128,293	\$ 4,613,276

See Notes to Financial Statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES

SEPTEMBER 30, 2016

Fund balance - total governmental funds	\$	4,291,701
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund.		
Governmental capital assets	\$	12,675,030
Less accumulated depreciation		<u>(4,226,985)</u>
		8,448,045
Certain deferred outflows of resources are not available to pay current period and therefore are not reported in the fund.		
Deferred outflows of resources related to pension plan		2,500,308
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.		
Accrued interest	7,398	
Capital improvement revenue note	553,456	
Post-employment health care obligation	168,000	
Compensated absences	<u>589,612</u>	
		(1,318,466)
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds		
Net Pension Liability	4,584,069	
Deferred inflows of resources related to pension plans	<u>730,040</u>	
		<u>(5,314,109)</u>
Net position of governmental activities	\$	<u><u>8,607,479</u></u>

See Notes to Financial Statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	General	Capital Projects	Totals Governmental Funds
REVENUES:			
Property taxes	\$ 7,084,050	\$ -	\$ 7,084,050
EMS services	2,479,944	-	2,479,944
Tax collector fee rebate	43,911	-	43,911
Hazmat reimbursement	64,777	-	64,777
Firefighters' educational incentive	14,619	-	14,619
Grants	131,431	-	131,431
Impact fees	-	38,906	38,906
Interest	21,122	468	21,590
Tower rental	41,690	-	41,690
Donations	1,145	-	1,145
Charges for services	27,539	-	27,539
Miscellaneous	132,748	-	132,748
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	10,042,976	39,374	10,082,350
EXPENDITURES - PUBLIC SAFETY:			
Personal services:			
Salaries	4,936,685	-	4,936,685
Retirement	911,504	-	911,504
Insurance - employee	1,481,020	-	1,481,020
Payroll taxes	370,891	-	370,891
	<hr/>	<hr/>	<hr/>
Total personal services	7,700,100	-	7,700,100
Other operating:			
Contractual services	11,400	-	11,400
Professional services	31,112	-	31,112
Insurance - property/liability	129,317	-	129,317
Office supplies	30,587	-	30,587
Operating supplies/equipment	21,623	-	21,623
Miscellaneous	19,883	20,000	39,883
Vehicle maintenance/fuel	169,318	-	169,318
Building/equipment maintenance	83,102	-	83,102
Training, education, travel	93,125	-	93,125
Telephone	11,886	-	11,886
Utilities	56,510	-	56,510
Fire prevention	15,358	-	15,358
Incentive program	21,943	-	21,943
Uniforms/clothing and bunker gear	76,931	-	76,931
Commissions	6,720	-	6,720
Fees	207,652	-	207,652
	<hr/>	<hr/>	<hr/>
Total other operating	986,467	20,000	1,006,467
Capital outlay	425,459	-	425,459
Debt service:			
Principal	110,190	-	110,190
Interest and fiscal charges	25,391	-	25,391
	<hr/>	<hr/>	<hr/>
Total debt service	135,581	-	135,581
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	9,247,607	20,000	9,267,607
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES CARRIED FORWARD	\$ 795,369	\$ 19,374	\$ 814,743

See Notes to Financial Statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Totals Governmental Funds</u>
EXCESS REVENUES OVER EXPENDITURES BROUGHT FORWARD	\$ 795,369	\$ 19,374	\$ 814,743
OTHER FINANCING SOURCES (USES):			
Proceeds from insurance	598	-	598
Sale of surplus property	<u>105,418</u>	<u>-</u>	<u>105,418</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>106,016</u>	<u>-</u>	<u>106,016</u>
EXCESS OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES AND OTHER SOURCES	901,385	19,374	920,759
FUND BALANCE, OCTOBER 1	<u>3,262,023</u>	<u>108,919</u>	<u>3,370,942</u>
FUND BALANCE, SEPTEMBER 30	<u>\$ 4,163,408</u>	<u>\$ 128,293</u>	<u>\$ 4,291,701</u>

See Notes to Financial Statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

Net change in fund balance - total governmental funds		\$	920,759
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.			
Expenditures for capital assets	\$	289,577	
Less current year depreciation		<u>(670,410)</u>	
			(380,833)
Deferred outflows of resources related to pension plans			(276,227)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental fund:			
Accrued interest expense		4,042	
Debt payments		110,190	
Post-employment health care obligation		(84,000)	
Net pension liabilities		(219,799)	
Loss on disposal of fixed assets		(192,200)	
Change in compensated absences		<u>(36,250)</u>	
		(418,017)	(418,017)
Deferred inflows of resources related to pension plan			<u>1,054,196</u>
Change in net position of governmental activities		\$	<u>899,878</u>

See Notes to Financial Statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL AND FINAL</u>	<u>ACTUAL AMOUNTS</u>		
REVENUES:				
Property taxes	\$ 6,967,070	\$ 7,084,050	\$	116,980
EMS services	2,478,358	2,479,944		1,586
Grant	-	131,431		131,431
Tax collector fee rebate	45,000	43,911		(1,089)
Hazmat reimbursement	-	64,777		64,777
Firefighters' educational incentive	-	14,619		14,619
Interest	12,000	21,122		9,122
Tower rental	41,788	41,690		(98)
Donations	-	1,145		1,145
Charges for services	20,000	27,539		7,539
Miscellaneous	45,000	132,749		87,749
	<hr/>	<hr/>		<hr/>
TOTAL REVENUES	9,609,216	10,042,977		433,761
EXPENDITURES:				
Personal services:				
Salaries	4,804,659	4,936,685		(132,026)
Retirement	895,223	911,504		(16,281)
Insurance - employee	1,651,651	1,481,020		170,631
Payroll taxes	367,556	370,891		(3,335)
	<hr/>	<hr/>		<hr/>
Total personal services	7,719,089	7,700,100		
Other operating:				
Building/equipment maintenance	80,000	83,102		(3,102)
Commissions	135,582	6,720		
Contractual services	15,750	11,400		4,350
Fees	205,255	207,652		(2,397)
Fire prevention	9,800	15,358		(5,558)
Insurance-property/liability	126,808	129,317		(2,509)
Miscellaneous	12,500	19,884		(7,384)
Office supplies	24,945	30,587		(5,642)
Operating supplies/equipment	29,700	21,623		8,077
Professional services	39,200	31,112		8,088
Telephone	12,600	11,886		714
Training, education, travel	77,500	93,125		(15,625)
Incentive program	24,000	21,943		2,057
Uniforms/clothing and bunker gear	55,000	76,931		(21,931)
Utilities	63,168	56,510		6,658
Vehicle maintenance/fuel	207,750	169,318		38,432
	<hr/>	<hr/>		<hr/>
Total other operating	1,119,558	986,468		133,090
Capital outlay	503,372	425,459		77,913
	<hr/>	<hr/>		<hr/>
Subtotal, carried forward	9,342,019	9,112,027		211,003

See Notes to Financial Statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

(CONTINUED)

	<u>BUDGETED</u> <u>AMOUNTS</u>		
	<u>ORIGINAL</u>		VARIANCE
	AND	ACTUAL	FAVORABLE
	<u>FINAL</u>	<u>AMOUNTS</u>	<u>(UNFAVORABLE)</u>
SUBTOTAL BROUGHT FORWARD	\$ 9,342,019	\$ 9,112,027	\$ 211,003
Debt service:			
Principal	269,197	110,190	159,007
Interest and fiscal charges	-	25,391	(25,391)
	<u>269,197</u>	<u>135,581</u>	<u>133,616</u>
TOTAL EXPENDITURES	<u>9,611,216</u>	<u>9,247,608</u>	<u>344,619</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,000)	795,369	797,369
OTHER FINANCING SOURCES (USES):			
Sale of surplus property	2,000	105,418	103,418
Proceeds from insurance	-	598	598
Contingency reserve	-	-	-
SCBA bottle reserve	-	-	-
Capital reserves	-	-	-
Sick leave and vacation reserve	-	-	-
	<u>2,000</u>	<u>106,016</u>	<u>104,016</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,000</u>	<u>106,016</u>	<u>104,016</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	-	901,385	901,385
FUND BALANCES, OCTOBER 1	<u>3,262,023</u>	<u>3,262,023</u>	<u>-</u>
FUND BALANCES, SEPTEMBER 30	<u>\$ 3,262,023</u>	<u>\$ 4,163,408</u>	<u>\$ 901,385</u>

See Notes to Financial Statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUND

SEPTEMBER 30, 2016

ASSETS

	<u>Public Safety Pension Fund</u>
Receivables:	
Employer	\$ 46,029
Intergovernmental revenue - State Excise Tax Rebate Supplement	77,875
Interest and dividends	<u>33,147</u>
Total receivables	157,051
Prepaid expenses	2,106
Investments at fair value:	
U.S. Government and agency securities	660,789
Corporate bonds	4,017,641
Municipal bonds	325,608
Domestic stock	11,191,315
International stocks	1,213,453
Temporary investment funds	<u>791,178</u>
Total investments	<u>18,199,984</u>
Total assets	18,359,141

LIABILITIES

Accounts payable	<u>21,151</u>
Total liabilities	<u>21,151</u>
Net position restricted for pensions	\$ <u><u>18,337,990</u></u>

See Notes to Financial Statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSIITON

FIDUCIARY FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	<u>Public Safety Pension Fund</u>
Additions:	
Contributions:	
Employer	\$ 578,401
Plan members	<u>217,200</u>
Total contributions	795,601
Intergovernmental:	
State Excise Tax Rebate	309,146
State Excise Tax Rebate Supplement	<u>77,875</u>
Total intergovernmental	387,021
Investment income:	
Net appreciation (depreciation) in fair value of investments	1,644,466
Interest income	84,687
Dividend income	200,612
Other	<u>207</u>
Total investment income (loss)	1,929,972
Less investment expenses	<u>86,487</u>
Net investment income (loss)	<u>1,843,485</u>
Total additions	3,026,107
Deductions:	
Pension benefits	229,069
Share plan payments	50,474
Refund of contributions	-
Administrative expenses	<u>52,876</u>
Total deductions	332,419
Net increase in net position	2,693,688
Net position restricted for pensions:	
Beginning of year	<u>15,644,302</u>
End of year	\$ <u><u>18,337,990</u></u>

See Notes to Financial Statements.

NOTES TO
FINANCIAL STATEMENTS

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

1. **General Statement And Summary of
Significant Accounting Policies**

General Statement

The Palm Harbor Special Fire Control and Rescue District (District) was created under the Laws of the State of Florida Chapter 61-2661 as amended by House Bill 795 as an independent fire control district. It operates under the control of a Board of five Commissioners elected by the voters living within the District boundaries. It was established in 1961 to provide fire protection services for the unincorporated area of Pinellas County Florida known as Palm Harbor. The basic operations of the District are financed by ad valorem taxes which the District is empowered to levy on real property within its geographically defined district boundaries. In 1997 the District entered into an agreement with the Pinellas County Emergency Medical Services Authority to provide emergency medical service. In 1986 an ordinance was established allowing the District to impose a public safety construction fee on all new development and construction in the district. These funds are designated for capital improvements for fire fighting and fire protection services related to new development and construction and are reflected in the Capital Projects Fund of the financial statements.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described as follows:

Reporting Entity

The District's general purpose financial statements include the accounts of all of the District's operations and potential component units in providing fire protection and emergency medical services to all residents and property located within its defined boundaries. The decision to include a potential component in the reporting entity was made by applying the criteria set forth on GASB Statement No. 14.

This governmental accounting standard requires that this financial statement present the District (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria: the primary government is accountable for the potential component unit (i.e., the primary government appoints the voting majority of its

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

1. **General Statement And Summary of Significant Accounting Policies (Continued)**

board) and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government. The firefighters' pension fund is included in these financial statements as a pension trust fund as disclosed below.

District Pension Fund

The District's Firefighters participate in the Palm Harbor Special Fire Control and Rescue District Pension Plan. The plan functions for the benefit of these employees and is governed by a five-member pension board. Two firefighters, two district residents and a fifth member elected by the other four members constitute the pension board. The District and the Plan participants are obligated to fund all Plan costs based upon actuarial valuations. The District is authorized to establish benefit levels and the Pension Board of Trustees approves the actuarial assumptions used in the determination of contribution levels.

Complete financial statements of the above pension plan can be obtained from: PHSFCRD, Office Manager, 250 West Lake Road, Palm Harbor, Florida 34686.

Defined Benefit Pension Plan - During the fiscal year ended September 30, 2014 the Governmental Standards Board (GASB) adopted GASB 67, Financial Reporting for Pension Plans which became effective for the fiscal year ended September 30, 2014 (Note 9). In addition, GASB 68, Accounting and Financial Reporting for Pensions, was also effective for the fiscal year ended September 30, 2015 (Note 8). Thus, disclosures for both of those standards have been included in these financial statements.

Government-wide and fund financial statements - The District has adopted the provisions of GASB Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." The government-wide financial statements required under this statement (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are supported by taxes and intergovernmental revenues, continue to be reported separately from fiduciary funds.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

1. **General Statement And Summary of Significant Accounting Policies (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds (general and capital projects funds) and fiduciary funds. Fiduciary funds are excluded from the government-wide financial statements. The major individual governmental funds are reported as separate columns in the fund financial statements.

Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to reconcile the fund based financial statements to the governmental activities column of the government-wide presentation.

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

Measurement focus, basis of accounting, and financial statement presentation- The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. 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 imposed by the provider have been met.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

1. **General Statement And Summary of Significant Accounting Policies (Continued)**

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

The only revenue that is susceptible to accrual is interest revenue. EMS and impact fee revenues collected and held by Pinellas County, Florida at year end on behalf of the District also are recognized as revenue of the current fiscal period. Plan and inspection fees are not susceptible to accrual because generally they are not measurable until received in cash. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

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

The *capital projects fund* accounts for revenues generated under the Public Safety Construction Fee Ordinance which are designated for acquisition and construction of capital improvements.

Additionally, the District reports the following fiduciary fund type:

Pension fund - accounts for the activities of the public safety employees' pension plans, which accumulates resources for pension benefit payments to qualified (sworn) public safety employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

1. General Statement And Summary of Significant Accounting Policies (Continued)

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all property taxes.

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.

Assets, Liabilities, and Net Assets or Equity:

Deposits and investments - The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The District's investment policy is to maintain funds in investments which yield the highest possible efficiency and return within the limitations established by Florida Statutes, Chapter 166.261. Provisions of those statutes authorize the District to invest in:

- a) Florida State Board of Administration Local Government Pooled Investment Fund.
- b) Bonds, notes or other obligations of the United States or for which the credit of the United States is pledged for the payment thereof.
- c) Interest-bearing time deposits, savings accounts or collective investment funds in banks or savings and loan associations organized under the laws of the United States.
- d) Obligations of the federal farm credit banks and the Federal Home Loan Mortgage Corporation.
- e) Obligations of the Federal National Mortgage Association and the Government National Mortgage Association.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

1. General Statement And Summary of Significant Accounting Policies (Continued)

Investments in fixed income securities are stated at fair value. Fair value is the amount at which an investment could be exchanged in a current transaction between market participants, other than in a forced or liquidation sale.

The Florida State Board of Administration Local Government Pooled Investment Fund has met the criteria to be considered a “2A-7 like” Investment Fund as defined by GASB Statement No. 3. Therefore, amortized cost may be used for valuation. The fair value of the District’s investment in this pool is determined by the pool’s share price (account balance).

Investments held by the District’s pension trust funds are reported at fair value. Short-term investments are reported at amortized cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair values with the advice of professional investment advisors.

The Plan and the District invests in a variety of investment funds. Investments in general are exposed to various risks, such as interest rate, credit, and overall volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

Receivables and payables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e, the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All accounts and intergovernmental receivables, are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

1. **General Statement And Summary of Significant Accounting Policies (Continued)**

Compensated absences - It is the District's policy to permit employees to accumulate earned but unused vacation, holiday and sick pay benefits.

Budgets and Budgetary Accounting - As empowered by State Statute the District Board of Commissioners adopts an annual budget ordinance for the general fund to assist in planning and analyzing financial activity for the fiscal period. The amounts authorized by the annual budget ordinance for the period are reported in the budget column of the financial statement. Any revision that alters the total expenditures of the fund must be approved by the District commission. In instances where budget appropriations and estimated revenues have been revised during the year, budget data presented in these financial statements present the initial as well as the final authorized amounts.

Expenditures may not legally exceed budgeted appropriations at the division level within the general fund. During the year, there were no supplementary appropriations.

Finance-Related Legal and Contractual Provisions - The District is not in violation of any finance-related legal and contractual provisions.

Establishment/Elimination of Funds - During the fiscal year ended September 30, 2016, the District did not establish or eliminate any funds.

Property Taxes - Property taxes represent the major source of operating revenue for the District and are recognized as revenue when they become measurable and available. The budget for the fiscal year ended September 30, 2016 was adopted by the Board of Commissioners in September 2015. At that time a millage rate of 2.0000 per thousand of assessed valuation was approved. Taxes are assessed for the District on January 1 of each year by the Pinellas County Property Appraiser. Taxes are collected for the District by the Pinellas County Tax Collector and are payable from November of the current year through March of the following year. A 1% discount is offered for each month paid in advance beginning with November and ending with February. Taxes become delinquent after April 1 and attach as an enforceable lien on the property.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

1. General Statement And Summary of Significant Accounting Policies (Continued)

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred, if any, during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 - 50
Equipment	5 - 30

Long-term obligations - Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

In the government-wide financial statements, capital lease obligations, capital improvement revenue debt and compensated absences and other long-term obligations are reported as liabilities in the governmental activities statement.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

1. General Statement And Summary of Significant Accounting Policies (Continued)

Net Position - Net position of the government-wide fund represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and the outstanding balance on any borrowing spent for acquisition, construction or improvements of those assets. Net position is are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors or laws or regulations of other government.

Nature and Purpose of Classifications of Fund Equity - In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Amounts that are restricted to specific purposes either by

- a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or
- b) imposed by law through constitutional provisions or enabling legislation are classified as restricted fund balances.

Amounts that can only be used for specific purposes pursuant to constraints imposed by the District Commission through a resolution are classified as committed fund balances. Amounts that are constrained by the District's intent to be used for specific purposes but are not restricted nor committed are classified as assigned fund balances. Assignments are made by the District management based on Commission direction. Non-spendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the governmental funds.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

1. **General Statement And Summary of Significant Accounting Policies (Continued)**

Minimum Fund Balance Policy - It is the desire of the District to maintain adequate General Fund balance to maintain liquidity and in anticipation of economic downturns or natural disasters. The Commission has adopted a financial policy standard to maintain a General Fund minimum fund balance of 60 days of budgeted expenditures.

Fund balance created as a result of actual revenue and expenditure deviations from the budget will be used to achieve and maintain the District's minimum fund balance goals and to meet the next year's budget expenditure requirements.

Deferred Outflows of Resources/Deferred Inflows of Resources - Government Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities" establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflow of resources, certain items that were previously reported as assets and liabilities.

Deferred Outflows of Resources is a consumption of net assets by the government that is applicable to a future reporting period.

Deferred Inflows of Resources is an acquisition of net assets by the government that is applicable to a future reporting period.

Government Accounting Standards Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" provide financial reporting guidance for Deferred Outflows of Resources and Deferred Inflows of Resources and also identifies Net Position (replacing Net Assets) as the residual of all the elements (Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflow of Resources) presented in a statement of financial position.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

1. Summary of Significant Accounting Policies (Continued)

In implementing GASB Statement No. 65, the District established the following items that qualify for reporting in this category:

- A. Pension contributions after measurement date - These contributions are deferred and recognized in the following fiscal year.
- B. Difference in projected and actual earnings on pension assets - This difference is deferred and amortized over a closed five year period.

Cost-Sharing Pension Plan - For purposes of measuring the net pension liability, pension related deferred outflows and deferred inflows of resources, and pension expense, the District's specific information from the Florida Retirement System (FRS) and additions to/deductions from the District's Fiduciary Net Position have been determined on the same basis as they are reported by FRS. Information regarding the District's total pension liability for the pension plan and the Health Insurance Subsidy (HIS) program is obtained from FRS through a report prepared for the Town by the FRS consulting actuary, Milliman, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

Net Position - The government-wide and business-type fund financial statements utilize a net position presentation. Net position is presented in three components - net investment in capital assets, restricted and unrestricted.

Fair Value Measurement and Application - Government Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application" requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported in certain entities that calculate net asset value per share (or its equivalent). This statement has been implemented in these financial statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

2 Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds and net position - governmental activities* as reported in the government-wide statement of net position. The detail of this \$4,315,778 difference is as follows:

Capital assets, net of accumulated depreciation	\$ 8,448,045
Deferred outflows of resources related to pension plans	2,500,308
Capital improvement revenue note	(553,456)
Accrued interest on long-term debt	(7,398)
Post-employment health care obligation	(168,000)
Compensated absences	(589,612)
Net pension liability	(4,584,069)
Deferred inflows of resources related to pension plans	<u>(730,040)</u>
Net adjustment to increase <i>fund balance - total Governmental funds</i> to arrive at <i>net position - Governmental activities</i>	<u>\$ 4,315,778</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

2. Reconciliation of Government-wide and Fund Financial Statements (Continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “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 expenses.” The details of this \$(657,060) difference are as follows:

Capital outlay	\$ 289,577
Depreciation expense	(670,410)
Deferred outflows of resources related to pension plans	<u>(276,227)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at changes in net position of governmental activities	\$ <u>(657,060)</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$636,179 difference are as follows:

Compensated absences	\$ (36,250)
Post-employment health care obligation	(84,000)
Change in accrued interest expense	4,042
Principal debt payments	110,190
Gain on sale of capital assets	(192,200)
Net pension liabilities	(219,799)
Deferred inflows of resources related to pension plans	<u>1,054,196</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at changes in net position of governmental activities	\$ <u>636,179</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

3. Deposits and Investments

Deposits

At year-end the carrying amount of the District's deposits was \$1,141,600 and the bank balance was \$1,202,295 . The bank balance was covered by federal depository insurance and, for the amount in excess of such federal depository insurance, by the State of Florida's Security for Public Deposits Act. Provisions of the Act require that public deposits may only be made at qualified public depositories. The Act requires each qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral as determined by the provisions of the Act. In the event of a failure by a qualified public depository, losses in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

3. Deposits and Investments (Continued)

Investments (continued)

Investments as of September 30, 2016 are presented as follows:

	Bond Rating	Fair Value	Weighted Average Duration (Years)
Domestic Stocks	N/A	\$ 11,191,315	N/A
International Stocks	N/A	1,213,453	N/A
U.S. Government and agency securities	A-AA	660,789	4.9
Corporate Bonds	A-AA	4,017,641	5.9
Municipal Bonds	A-AA	325,608	3.2
Temporary investment	N/A	791,178	N/A
Money Market Accounts	Not Rated	1,014,997	Open-Ended
Certificate of Deposit, 0.55% (matures August 29, 2017)	N/A	712,521	N/A
Certificate of Deposit, 1.00%, (matures March 18, 2017)	N/A	252,146	N/A
Certificate of Deposit, 0.75%, (matures August 1, 2017)	N/A	901,219	N/A
Certificate of Deposit, 0.45%, (matures October 18, 2016)	N/A	250,465	N/A
Certificate of Deposit, 1.00%, (matures January 29, 2017)	N/A	215,202	N/A
Certificate of Deposit, 1.00%, (matures March 18, 2017)	N/A	<u>70,505</u>	N/A
Total investments		\$ <u><u>21,617,039</u></u>	

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

3. **Deposits and Investments (Continued)**

Investments (continued)

The domestic stocks, international stocks, U.S. Government and agency securities, corporate bonds, municipal bonds, certificates of deposit, and Money Market Accounts are assets of the District's Pension Trust Fund. The fair value of these publicly traded investments was determined by the stock share or bond prices as of September 30, 2016.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. Through its investment policies, the pension trust fund manages its exposure to fair value losses arising from increasing interest rates. The fund limits the effective duration of its investment portfolio through the adoption of nationally accepted risk measure benchmarks.

Credit Risk: Credit risk is the risk that a debt issuer will not fulfill its obligations. Consistent with state law, it is the Pension fund's policy to limit its debt investments to the A rating or higher issued by nationally recognized statistical rating organizations.

Custodial Credit Risk: Custodial credit risk is defined as the risk that the Pension Plan (Plan) may not recover cash and investments held by another party in the event of a financial failure. The Plan requires all securities to be held by a third party custodian in the name of the Plan. Securities transactions between a broker-dealer and the custodian involving the purchase or sale of securities must be made on a "delivery vs. payment" basis to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. The investments in mutual funds and investment partnerships are considered *unclassified* pursuant to the custodial credit risk categories of GASB Statement No.3, because they are not evidenced by securities that exist in physical or book-entry form.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

3. Deposits and Investments (Continued)

Investments (continued)

The State Board of Administration (Board) was established on June 21, 1928, pursuant to Chapter 14486, 1929, laws of Florida. The Board was subsequently created as a constitutional body corporate on January 1, 1943, under the provisions of Senate Joint Resolution No. 324, 1941; approved by the electorate in November 1942. The Board is composed of the Governor, as Chairman, the State's Chief Financial Officer as Treasurer, and the State's Attorney General, as Secretary, and provides the following services by law: (1) investment of funds of the Florida Retirement System (FRS); (2) administration of debt service funds; (3) investment of trust and agency funds; and (4) distribution of the "Second Gas Tax."

The Local Government Pooled Investment Fund is governed by Ch. 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Pooled Investment Fund. Additionally, the office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration.

Since the Florida State Board of Administration (SBA) Local Government Pooled Investment Fund (Fund) typically owns a substantial amount of treasury bills and notes, the Fund has utilized security lending programs to generate supplemental income. This income is used to pay a significant portion of the fees associated with the Fund which otherwise would have to be paid from regular Fund earnings. Any residual is used to build the Fund's reserve on behalf of participants. Both of these goals have been accomplished without impacting the regular earnings in the Fund with no change in the Fund's investment strategy. The investment in the Florida SBA pool is carried at the pool's share price at September 30, 2016.

As of September 30, 2016, the District no longer participates in the Florida State Board of Administration.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

4. Investment Measurement at Fair Value

Fair Value Hierarchy

The accounting standards break down the fair value hierarchy into three levels based on how observable the inputs are that make up the valuation. The most observable inputs are classified as Level 1 where the unobservable inputs are classified as Level 3.

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

As a general rule, any asset that has a daily closing price and is actively traded will be classified as a Level 1 input.

Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly. Inputs to the valuation methodology include: (1) quoted market prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in active markets, (3) inputs other than quoted prices that are observable for the asset or liability, and (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

As a general rule, if an asset or liability does not fall into the requirements of a Level 1 or Level 3 input, it would default to Level 2. With Level 2 inputs, there is usually data that can be easily obtained to support the valuation, even though it is not as easily obtained as a Level 1 input would be.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As a general rule, Level 3 inputs are those that are difficult to obtain on a regular basis and require verification from an outside party, such as an auditor or an appraisal, to validate the valuation.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

4. Investment Measurement at Fair Value (Continued)

Fair Value Hierarchy (Continued)

Net asset value (NAV) is a common measurement of fair value for Level 1, Level 2, and Level 3 investments. A fund's NAV is simply its assets less its liabilities, and is often reported as a per share amount for fair value measurement purposes. The Plan would multiply the NAV per share owned to arrive at fair value. Level 1 investment in funds such as mutual funds report at a daily NAV per share and are actively traded. NAV also comes in to play for Level 2 and 3 investments. As a matter of convenience (or referred to in accounting literature as a "practical expedient"), a Plan can use the NAV per share for investments in a nongovernmental entity that does not have a readily determined fair value, such as an alternative investment. Investments measured at NAV as a practical expedient would be excluded from the fair value hierarchy because the valuation is not based on actual market inputs but rather is quantified using the fund's reported NAV as a matter of convenience.

The Plan categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following total recurring fair value measurements as of September 30, 2016 and 2015:

- *Debt securities* - Debt securities classified in Level 1 or Level 2 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used by International Data Pricing and Reference Data, LLC to value securities based on the securities' relationship to benchmark quoted prices.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

4. **Investment Measurement at Fair Value (Continued)**

Fair Value Hierarchy (Continued)

- *Mutual funds* - The rationale for inclusion in Level 1 or Level 2 points to the unobservable inputs involved in mutual fund pricing. Mutual funds do not trade using bid and ask, as with ETF's or common stock. Instead, the prices are determined by the net asset value of the underlying investments at the close of business for the next day's open. The underlying assets themselves may include a variety of Level 1 and Level 2 securities and some may be valued using matrix pricing which interpolates the price of a security based on the price of similar securities.
- *Fixed income funds* - Valued using pricing models maximizing the use of observable input for similar securities. This includes basing value on yield currently available on comparable securities of issues with similar credit ratings.
- *Equity funds* - Valued at market prices for similar assets in active markets.
- *Common stock* - Valued at quoted market prices for identical assets in active markets.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

4. Investment Measurement at Fair Value (Continued)

Fair Value Hierarchy (Continued)

	September 30, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government and agency securities	\$ 660,789	\$ -	\$ 660,789	\$ -
Certificates of deposit	2,402,058	2,402,058	-	-
Money market	1,014,997	1,014,997	-	-
Corporate bonds	4,017,641	-	4,017,641	-
Municipal bonds	325,608	-	325,608	-
Domestic stocks	11,191,315	11,191,315	-	-
International stocks	1,213,453	1,213,453	-	-
Temporary investments	791,178	791,178	-	-
Total investments measured at fair value	\$ 21,617,039	\$ 16,613,001	\$ 5,004,038	\$ -

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

4. Investment Measurement at Fair Value (Continued)

Fair Value Hierarchy (Continued)

	September 30, 2015	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government and agency securities	\$ 666,350	\$ -	\$ 666,350	\$ -
Certificates of deposit	2,075,196	2,075,196	-	-
Corporate bonds	3,274,648	-	3,274,648	-
Municipal bonds	330,310	-	330,310	-
Domestic stocks	9,385,261	9,385,261	-	-
International stocks	1,036,179	1,036,179	-	-
Temporary investments	334,974	334,974	-	-
Total investments measured at fair value level	\$ <u>17,102,918</u>	\$ <u>12,831,610</u>	\$ <u>4,271,308</u>	\$ <u>-</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

5. Receivables

Receivables at September 30, 2016, consist of the following:

	<u>General Fund</u>
Receivables:	
Intergovernmental:	
State	\$ 7,560
County	22,549
Accounts	<u>23,328</u>
 Gross receivables	 53,437
 Less: Allowance for uncollectibles	 <u>-</u>
 Net total receivables	 <u>\$ 53,437</u>

The receivables in the General Fund are due from state and county agencies and taxpayers within the District.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

6. Capital Assets

Capital asset activity for the year ended September 30, 2016 was as follows:

	Balance October 1, 2015	Increases	Decreases	Balance September 30, 2016
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 939,530	\$ -	\$ -	\$ 939,530
Total capital assets, not being depreciated	939,530	-	-	939,530
Capital assets, being depreciated:				
Buildings and improvements	6,553,215	-	-	6,553,215
Equipment	<u>5,214,079</u>	<u>289,577</u>	<u>(321,371)</u>	<u>5,182,285</u>
Total capital assets, being depreciated	11,767,294	289,577	(321,371)	11,735,500
Less accumulated depreciation for:				
Buildings and improvements	(1,803,765)	(147,413)	-	(1,951,178)
Equipment	<u>(1,776,563)</u>	<u>(522,997)</u>	<u>23,753</u>	<u>(2,275,807)</u>
Total accumulated depreciation	<u>(3,580,328)</u>	<u>(670,410)</u>	<u>23,753</u>	<u>(4,226,985)</u>
Total capital assets, being depreciated, net	<u>8,186,966</u>	<u>(380,833)</u>	<u>(297,618)</u>	<u>7,508,515</u>
Governmental activities capital assets, net	<u>\$ 9,126,496</u>	<u>\$ (380,833)</u>	<u>\$ (297,618)</u>	<u>\$ 8,448,045</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

7. **General Long-Term Debt**

Capital Improvement Revenue Note

During the fiscal year ended September 30, 2006 the District issued a capital improvement revenue note, series 2005 to finance the cost of the renovation and equipping Station 65. Semi-annual principal and interest payments of \$67,791 are due through December 2020 with interest at 3.99%.

The District pledged all ad valorem revenues which are lawfully available to pay the debt service on the above notes and lease.

Long-term debt is summarized as follows:

<u>Description</u>	<u>Balance</u> <u>October 1,</u> <u>2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>September 30,</u> <u>2016</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Capital improvement revenue note, 3.99%	\$ 663,646	\$ -	\$ 110,190	\$ 553,456	\$ 114,631
Post-employment health care obligation (Note 16)	84,000	84,000	-	168,000	-
Compensated absences	553,362	61,738	25,488	589,612	147,403
Net pension liability	4,364,270	1,265,236	1,045,437	4,584,069	-
	<u>\$ 5,665,278</u>	<u>\$ 1,410,974</u>	<u>\$ 1,181,115</u>	<u>\$ 5,895,137</u>	<u>\$ 262,034</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

7. General Long Term Debt (Continued)

The following table presents a summary of note and capital lease maturities and interest requirements:

Year ending September 30,	Capital Improvement Revenue Note
2017	% 135,581
2018	135,581
2019	135,581
2020	135,581
2021	67,793
Total payments due	610,117
Less interest	(56,661)
Outstanding principal	<u>\$ 553,456</u>

Compensated Absences

The District allows employees to accumulate unlimited sick leave. It has been the policy of the District that sick leave is to be used for illness or injury only.

Employees, in good standing, who resign or retire after five (5) or more years of continuous service, are eligible to convert a portion of their earned accumulated sick leave at the rate of 2% each year up to a maximum of 50% after 25 years as per example below or 2.5% each year up to a maximum of 62.5% after 25 years as per example below:

	CASH OUT	PEEP
Example: 5 years of continuous service - 10%		12.5%
6 years of continuous service - 12%		15.0%
7 years of continuous service - 14.0%		17.5%
10 years of continuous service - 20.0%		25.0%
15 years of continuous service - 30.0%		37.5%

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

7. General Long Term Debt (Continued)

Annual leave earned is generally required to be used within the period earned. Employees entitled to earn more than two weeks annual leave may elect to receive cash payment for any annual leave in excess of two weeks provided a minimum of two weeks leave will have been taken and no vacation time carried over from prior years shall be converted into pay. A maximum of four weeks of annual leave may be accrued without being forfeited and shall be paid upon termination of employment. Accrued annual leave in excess of four weeks may be accrued only with approval of the District.

The total liability as of September 30, 2016 for accrued annual leave is recorded as the liability entitled “compensated absences.”

	<u>Vacation Leave</u>	<u>Sick Leave</u>	<u>Total Compensated Absences</u>
September 30, 2016	\$ <u>298,822</u>	\$ <u>290,790</u>	\$ <u>589,612</u>

Vested or accumulated annual sick and vacation leave that is expected to be liquidated with available financial resources is reported as an expenditure and a fund liability of the general fund in the government-wide financial statements.

8. Deferred Compensation Plan

Employees of the District may elect to participate in a deferred compensation plan which the Board adopted on September 16, 1992 under the provisions of Internal Revenue Code Section 457. Deferred Accounts are not available for withdrawal by the employee until termination, retirement, death or hardship.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

8. Deferred Compensation Plan (Continued)

Funds invested in the plan (U.S. Conference of Mayors Deferred Compensation Program) are managed by the independent third party plan administrator Nationwide Retirement Systems, Inc. In its fiduciary role, the District has the obligation of due care in selecting the third party administrator. Various investment options are available from which employees can choose to direct their funds.

Under the terms of IRS Section 457 IRC the deferred compensation and all investment income earned on such funds, are held in trust for the exclusive benefit of the Plan Participants and their beneficiaries. Although District Board is the trustee of the Plan, the District has no administrative involvement, and performs no investing function for the Plan and has therefore not reported the Plan in this financial report.

9. Defined Benefit 175 Pension Plan

The District maintains a single employer defined benefit pension plan (Palm Harbor Special Fire Control and Rescue Firefighters' District Pension Plan) (Plan) covering all Firefighters hired on or after January 1, 1996, as a condition of employment.

During the fiscal year ended September 30, 2014 the District adopted Governmental Accounting Standards Board (GASB) Statement 67, Financial Reporting for Pension Plans. During the fiscal year ended September 30, 2015 the District adopted (GASB) Statement 68, Accounting and Financial Reporting for Pensions. Since separate trust financial statements have not been issued for this fire pension plan and are only reported as a fiduciary fund in these statements all of the disclosures required by GASB 67 and 68 have been reported in these statements. Further, the District has chosen to use September 30, 2015 as the measurement date for GASB 68 reporting purposes.

Plan Description:

The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees comprised of:

- a. Two commission appointees,
- b. Two members of the Plan elected by the membership, and a
- c. Fifth member elected by the other 4 and appointed by the Commission.

Employees classified as full-time certified Firefighters who are hired on or after January 1, 1996.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

9. Defined Benefit 175 Pension Plan (Continued)

Plan Membership as of October 1, 2015:

Inactive Plan members or beneficiaries currently receiving benefits	6
Inactive Plan members entitled to but not yet receiving benefit	1
Active Plan members	<u>35</u>
 Total	 <u>42</u>

Benefits Provided:

The Plan provides retirement, termination, disability and death benefits.

Norman Retirement:

Date: Earlier of age 55 and 6 years of credited service or 25 years of credited service, regardless of age.

Benefit: 3.7% of average final compensation per year of credited service up to September 30, 2003, plus, depending on level of member contribution, either 3.0%, 3.5% or 4.0% for each year after September 30, 2003. Benefit is paid for life with first 120 monthly payments guaranteed (options available).

Early Retirement:

Eligibility: 6 years of credited service

Benefit: Accrued benefit, reduced 3% for each year prior to normal retirement.

Vesting:

Schedule: 100% after 6 years of credited service

Benefit Amount: Non-vested members receive a refund of contributions. Vested members receive the accrued benefit at normal retirement or a reduced benefit payable at any time prior to normal retirement.

Disability:

Eligibility Service Incurred: covered from date of employment. Non-Service Incurred: 8 years of credited service.

Benefit accrued to date of disability, but if the disability is service incurred, the benefit is not less than 42% of Average Final Compensation (65% if the member is unable to perform another type of work).

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

9. Defined Benefit 175 Pension Plan (Continued)

Death Benefits Not in Line of Duty:

Vested: Beneficiary elects either 1) refund of member contributions, or 2) an immediate or deferred monthly benefit based on the assumption that the member retired on the date of death and elected the 100% joint and survivor annuity.

Non-Vested: Refund of member contributions.

Death Benefits in Line of Duty:

Non-Vested: Spouse or dependent child receives 50% of member's last monthly salary for life (spouse) or until age 18 (dependent child/children).

Vested: Spouse may elect either non-vested line of duty benefit or vested not in line of duty benefit.

Cost of Living Adjustments:

Each July 1 following normal retirement date the monthly benefit amount is increased by 3%.

Supplemental Monthly Benefit:

\$5.00 for each year of credited service (minimum \$30.00, maximum \$150.00) for all normal early or disability retirees, and vested terminated members, but not to beneficiaries or joint pensioners.

Chapter 175 Share Accounts:

Allocation: Each year commencing October 1, 2005, premium tax monies received pursuant to Chapter 175, Florida Statutes in excess of the 1998 base amount plus improvements will be allocated to individual member share accounts based on days employed for the respective calendar year.

Investment Earnings: Net rate of investment return, based on days worked.

Vesting Schedule: Same as for other benefits (see above).

Contributions

Member Contributions:

1.0% of Salary (3.0% Benefit Accrued Rate)

4.3% of Salary (3.5% Benefit Accrued Rate)

7.6% of Salary (4.0% Benefit Accrued Rate)

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

9. Defined Benefit 175 Pension Plan (Continued)

District and State Contributions:

Remaining amounts required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Part VII of Chapter 112, Florida Statutes.

Net Pension Liability:

The measurement date is September 30, 2016.

The measurement period for the pension expense was October 1, 2015 to September 30, 2016.

The reporting period is October 1, 2015 through September 30, 2016.

The District's pension liability was measured as of September 30, 2016.

The total pension liability used to calculate the net pension liability was determined as of that date.

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2015 updated to September 30, 2016 using the following actuarial assumptions:

Inflation	3.00%
Salary Increases	4.00% - 14.00%
Discount Rate	7.50%
Investment Rate of Return	7.50%

Mortality Rate Healthy Lives

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

Male: RP200 Generational, 20% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB.

Mortality Rate Disabled Lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

The actuarial assumption used in the October 1, 2015 valuation were based on the results of an actuarial experience study performed on July 11, 2016, for the period 2005 - 2015.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

9. Defined Benefit 175 Pension Plan (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's asset allocation as of September 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	50%	5.32%
International Equity	15%	8.00%
Intermediate Fixed	<u>35%</u>	1.80%
Total	<u>100%</u>	

Discount Rate:

The Discount Rate used to measure the total pension liability was 7.50 percent.

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

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

9. Defined Benefit 175 Pension Plan (Continued)

A portion of the plan net position is designated for benefits that accrue in relation to the Share accounts. Allocations to the Share plan accounts for the year ended September 30, 2016 are presented below as determined in the most recent annual valuation available for the year ended September 30, 2016:

Designated for Share accounts (fully funded)	\$ <u>2,009,936</u>
Total designated plan net position	2,009,936
Undesignated plan net position	<u>16,328,054</u>
Total plan net position	\$ <u><u>18,337,990</u></u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

10. Changes in the 175 Net Pension Liability of the District

CHANGES IN NET PENSION LIABILITY OF THE DISTRICT

September 30, 2016

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2015	\$ 17,456,945	\$ 15,644,302	\$ 1,812,643
Changes for a year:			
Service cost	958,896	-	958,896
Interest	1,224,257	-	1,224,257
Difference between expected and actual experience	(450,681)	-	(450,681)
Changes of assumptions	195,322	-	195,322
Changes of benefit terms	-	-	-
Contributions - Employer	-	578,401	(578,401)
Contributions - State	-	387,021	(387,021)
Contributions - Employees	-	217,200	(217,200)
Net Investment Income	-	1,843,485	(1,843,485)
Benefit Payments, including			
Refunds of Employee Contributions	(279,543)	(279,543)	-
Administration expense	-	(52,876)	52,876
Net changes	1,648,251	2,693,688	(1,045,437)
Balances at September 30, 2016	\$ 19,105,196	\$ 18,337,990	\$ 767,206

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

10. Changes in the 175 Net Pension Liability of the District (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
District's Net Pension Liability	\$ <u>3,887,055</u>	\$ <u>767,206</u>	\$ <u>(1,712,610)</u>

Pension Plan Fiduciary Net Position.

Detailed information about the pension Plan's Fiduciary Net Position is available in a separately issued Plan financial report.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

10. Changes in the 175 Net Pension Liability of the District (Continued)

**PENSION EXPENSE AND DEFERRED OUTFLOWS
OF RESOURCES AND DEFERRED INFLOWS OF
RESOURCES RELATED TO PENSION**

For the year ended September 30, 2016, the District will recognize a pension expense of \$684,924. On September 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 536,708
Changes of assumptions	175,788	-
Net difference between projected and actual earnings on Pension plan investments	<u>763,425</u>	<u>-</u>
Total	<u>\$ 939,213</u>	<u>\$ 536,708</u>

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

Year ended September 30:

2017	\$ 253,111
2018	\$ 253,110
2019	\$ 253,110
2020	\$ (172,962)
2021	\$ (44,264)
Thereafter	\$ (139,600)

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

10. Changes in the 175 Net Pension Liability of the District (Continued)

SCHEDULE OF INVESTMENT RETURNS

Last Three Fiscal Years

	September 30, 2016	September 30, 2015	September 30, 2014
Annual money-weighted rate of return net of investment expenses	<u>11.75%</u>	<u>-5.83%</u>	<u>12.60%</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

**11. Schedule of Investment and Administrative Expenses -
175 Pension Plan**

The schedule of investment and administrative expenses, investment income and investment cost and fair value of the Firefighters' Pension Trust Fund for the fiscal year ended September 30, 2016 is as follows:

	Investment Expenses	Administrative Expenses
Legal fees	\$ -	\$ 5,662
Actuary fees	-	28,196
Seminars and travel	-	3,747
Dues and subscriptions	-	850
Insurance	-	2,756
Custodial fees	6,833	-
Investment management fees - BH	66,654	-
Performance monitor fees	13,000	-
Administrator	-	11,665
	<u> </u>	<u> </u>
Total	\$ <u>86,487</u>	\$ <u>52,876</u>

Appreciation (Depreciation) in Fair Value
of Investments

<u>Investment Type</u>	<u>Realized Appreciation (Depreciation)</u>	<u>Unrealized Appreciation (Depreciation)</u>	<u>Total</u>
U.S. Government and agencies	\$ (1,281)	\$ 21,918	\$ 20,637
Corporate bonds	10,253	52,808	63,061
Municipal obligations	-	(4,702)	(4,702)
Certificate of deposit	(232)	-	(232)
International stock	(130,002)	261,030	131,028
Domestic stock	<u>332,248</u>	<u>1,102,426</u>	<u>1,434,674</u>
Total	\$ <u>210,986</u>	\$ <u>1,433,480</u>	\$ <u>1,644,466</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

**11. Schedule of Investment and Administrative Expenses -
175 Pension Plan (Continued)**

The Plan's investments at both fair value or adjusted cost as of September 30, 2016 are summarized as follows:

<u>Investment</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. Government and agency securities	\$ 617,083	\$ 660,789
Corporate bonds	3,973,983	4,017,641
Municipal obligations	297,225	325,608
Domestic stocks	8,887,653	11,191,315
International stocks	995,269	1,213,453
Temporary investments	<u>791,178</u>	<u>791,178</u>
Total	<u>\$ 15,562,391</u>	<u>\$ 18,199,984</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

12. Employee Retirement Systems

The District maintains a defined contribution 401(a) plan which covers the District's general employees hired on or after January 1, 1996. General employees hired prior to January 1, 1996 participate in the Florida Retirement System (System), a contributory cost-sharing multiple-employer public employee retirement system (PERS).

Florida Retirement System

Plan Description:

Many of the District's employees participate in the Florida Retirement System (FRS), a non-contributory cost-sharing, multiple-employer public employee retirement system.

The District contributes to the FRS which is administered by the Florida Department of Management Services, Division of Retirement. FRS provides retirement (pension) plan, health insurance subsidy program (HIS), disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Chapter 121 of the Florida Statutes, which may be amended by the Florida Legislature, assigns the authority to establish and amend benefit provisions to the Department of Management Services through the Division of Retirement. The FRS issues a publicly available financial report that includes financial statements and required supplementary information for FRS. That report may be obtained by writing to:

State of Florida
Division of Retirement
3639-C North Monroe Street
Tallahassee, Florida 32399-1560

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

12. Employee Retirement Systems (Continued)

The five classes of members are as follows:

1. *Regular Class* - Members of the FRS who do not qualify for membership in the other classes.
2. *Senior Management Service Class (SMSC)* - Members in senior management level positions in state and local governments as well as assistant state attorneys, assistant statewide prosecutors, assistant public defenders, assistant attorneys general, deputy court administrators, assistant capital collateral representatives, and judges of compensation claims. Members of the Elected Officers' Class may elect to withdraw from the FRS or participate in the SMSC in lieu of the Elected Officers' Class.
3. *Special Risk Class* - Members who are employed as law enforcement officers, firefighters, firefighter trainers, fire prevention officers, state fixed-wing pilots for aerial firefighting surveillance, correctional officers, emergency medical technicians, paramedics, community-based correctional probation officers, youth custody officers (from July 1, 2001, through June 30, 2014), certain health-care related positions within state forensic or correctional facilities, or specified forensic employees of a medical examiner's office or a law enforcement agency, and meet the criteria to qualify for this class.
4. *Special Risk Administrative Support Class* - Former Special Risk Class members who are transferred or reassigned to nonspecial risk, law enforcement, firefighting, emergency medical care, or correctional administrative support positions within an FRS special risk-employing agency.
5. *Elected Officers Class (EOC)* - Members who are elected state and county officers, firefighters, and the elected officers of cities and special districts that choose to place their elected officials in this class.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

12. Employee Retirement Systems (Continued)

Beginning July 1, 2001, through June 30, 2011, the FRS Pension Plan provided for vesting benefits after six-years of creditable service for members initially enrolled during this period. Members not actively working in a position covered by the FRS on July 1, 2001 must return to covered employment for up to one work year to be eligible to vest with less service than was required under the law in effect before July 1, 2001. Members initially enrolled on or after July 1, 2011, vest after eight years of creditable service. Members are eligible for normal retirement when they have met the requirements listed below. Early retirement may be taken any time after vesting within 20 years of normal retirement age; however, there is a 5 percent benefit reduction for each year prior to the normal retirement age.

Regular Class, Senior Management Service Class, and Elected Officers' Class Members - For members initially enrolled in the FRS before July 1, 2011, six or more years of creditable service and age 62, or the age after completing six years of creditable service if after age 62. Thirty years of creditable service regardless of age before age 62.

For members initially enrolled in the FRS on or after July 1, 2011, eight or more years of creditable service and age 65, or the age after completing eight years of creditable service if after age 65. Thirty-three years of creditable service regardless of age before age 65.

Special Risk Class and Special Risk Administrative Support Class Members - For members initially enrolled in the FRS before July 1, 2011, six or more years of Special Risk Class service and age 55, or the age after completing six years of Special Risk Class service if after age 55. Twenty-five years of special risk service regardless of age before age 55. A total of 25 years of service including special risk service and up to four years of active duty wartime service and age 52. Without six years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class.

For members initially enrolled in the FRS or after July 1, 2011, eight or more years of Special Risk Class service and age 60, or the age after completing eight years of Special Risk Class service if after age 60. Thirty years of special risk service regardless of age before age 60. Without eight years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

12. Employee Retirement Systems (Continued)

Per State Statutes, contribution requirements of the active employees and the participating employers are established and may be amended by the FRS Board. Employees are required to contribute 3.00 percent of their annual pay. The District’s contractually required contribution rates for the year ended June 30, 2016 and September 30, 2016, was 5.56 and 7.52 percent, respectively, of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan and HIS program from the District were \$332,880 for the year ended September 30, 2016.

Funding Policy:

The FRS funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates, established by state law, are determined using the entry-age actuarial funding method. Future plan benefit changes, assumption changes, and methodology changes are amortized within 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount.

Retirement benefits and the District’s contribution rates are summarized as follows:

Membership Category	Retirement Benefit	Vesting	District Contributions Rate Actuarially Determined	
			Employer Contribution Rates through June 30, 2016	Employer Contribution Rates Beginning July 1, 2016
Regular	1.6% times years of service times average compensation (5 highest years) if age 62 or 30 years of service at any age.	After 6 years of creditable service.	5.56% of covered payroll	7.52% of covered payroll
Drop from FRS	-	-	11.22% of covered payroll	12.99% of covered payroll

Participants in FRS contribute 3% of salary.

The District’s contributions include 1.66% for a post-retirement health insurance subsidy, (HIS).

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

12. Employee Retirement Systems (Continued)

Deferred Retirement Option Program:

The FRS Deferred Retirement Option Program (DROP) is available to a member when the member first reaches eligibility for normal retirement. DROP allows a member to retire while continuing employment for up to 60 months. During DROP participation, the member's retirement benefits (increased by a cost-of-living adjustment each July) accumulate in the FRS Trust Fund and earn monthly interest equivalent to an annual rate of 6.5%. (The DROP interest rate is reduced to 1.3% for members who enter DROP on or after 7/1/11.) The member must cease employment after a maximum of 60 months, must satisfy the termination requirements for retirement, and is subject to reemployment restrictions thereafter. The member's DROP accumulation may be paid out as a lump sum payment, a rollover, or a combination partial lump sum payment and rollover. Employers must pay contributions at a rate of 12.99% of salary for all DROP participants. FRS also provides disability and survivors benefits. Benefits are established by Florida State Statute.

The contribution requirements of employers for the pension plan and the HIS program are established and may be amended by the Division of Retirement. The District's contributions and its required contributions for the prior two fiscal years are summarized as follows:

<u>Year Ended</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
September 30, 2014	\$ 384,351	100.0%
September 30, 2015	369,707	100.0
September 30, 2016	332,880	100.0

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

12. **Employee Retirement Systems (Continued)**

Florida Retirement System (Continued)

Funding Policy (Continued):

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions and HIS Program

At September 30, 2016, the District reported a liability of \$3,067,652 for its proportionate share of the net pension liability and \$749,211 for the net pension HIS liability. The net pension liability was measured as of June 30, 2016, and the total pension and HIS liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan and the HIS program relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2016, the District's proportion was .012149081 percent for the pension plan and .006428462 for the HIS program.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

12. Employee Retirement Systems (Continued)

Florida Retirement System (Continued)

Funding Policy (Continued):

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions and HIS Program (Continued)

For the year ended September 30, 2016, the District recognized pension expense of \$467,752 and \$62,250 for the HIS program. At September 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to the pension plan and the HIS program coverage from the following sources:

	<u>FRS Pension Plan</u>		<u>FRS HIS Program</u>		<u>Total</u>	
	<u>Deferred Outflows Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows Resources</u>	<u>Deferred Inflows Resource</u>	<u>Deferred Outflows Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and experience	\$ 234,883	\$ (28,562)	\$ -	\$ (1,707)	\$ 234,883	\$ (30,269)
Changes in assumptions	185,584	-	117,570	-	303,154	-
Net difference between projected and actual on pension plan	792,951	-	379	-	793,330	-
Changes in proportion and difference between contribution and share of contributions	141,839	(141,839)	21,224	(21,224)	163,063	(163,063)
District contributions to the measurement date	<u>59,674</u>	<u>-</u>	<u>6,991</u>	<u>-</u>	<u>66,665</u>	<u>-</u>
Total	<u>\$ 1,414,931</u>	<u>(170,401)</u>	<u>\$ 146,164</u>	<u>\$ (22,931)</u>	<u>\$ 1,561,095</u>	<u>\$ (193,332)</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

12. Employee Retirement Systems (Continued)

Florida Retirement System (Continued)

Funding Policy (Continued):

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions and HIS Program (Continued)

\$59,674 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as net deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Pension Plan	HIS Program	Total
2017	\$ 193,046	\$ 24,311	\$ 217,357
2018	193,045	24,310	217,355
2019	472,349	20,743	493,092
2020	323,272	20,708	343,980
2021	47,549	17,916	65,465
Thereafter	15,269	15,245	30,514

Actuarial Assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Pension Plan	HIS Program
Inflation	2.60 percent	2.60 percent
Salary increases	3.25 percent, average, including inflation	3.25 percent, average, including inflation
Investment rate of return	7.60 percent, net of plan investment expense, including inflation	2.85 percent, net of HIS investment expense,
Discount rate of return	7.60 percent	2.85 percent

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

12. Employee Retirement Systems (Continued)

Florida Retirement System (Continued)

Funding Policy (Continued):

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions and HIS Program (Continued)

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB for both the pension plan and the HIS program..

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013 for the pension plan. Because the HIS program is funded on a pay as you go basis, no experience study has been completed for the program.

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2016 the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for the pension plan and the HIS Program for each of the asset classes in which the plan invested at that time based on the long-term target asset allocation. 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. These assumptions are not based on historical returns, but instead on a forward-looking capital market economic model.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

12. **Employee Retirement Systems (Continued)**

Florida Retirement System (Continued)

Funding Policy (Continued):

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

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	3.0%	3.0%	1.7%
Fixed income	18%	4.7%	4.6%	4.6%
Global equity	53%	8.1%	6.8%	17.2%
Real estate (property)	10%	6.4%	5.8%	12.0%
Private equity	6%	11.5%	7.8%	30.0%
Strategic investments	12%	6.1%	5.6%	11.1%
Assumed Inflation - Mean		2.6%		1.9%

Calculation of Money-Weighted Rate of Return - For the year ended June 30, 2016, the annual money-weighted rate of return on FRS pension plan investments, net of pension plan investment expense, was 0.57 percent. The money-weighted rate of return considers the changing amounts estimated as invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. Cash flows are estimated on a monthly basis and are assumed to occur at the beginning of each month. Cash inflows are netted with cash outflows, resulting in a net cash flow in each month. The money-weighted rate of return is calculated net of investment expense.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

12. Employee Retirement Systems (Continued)

Florida Retirement System (Continued)

Funding Policy (Continued):

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions and HIS Program (Continued)

Discount rate. The discount rate used to measure the total pension plan liability was 7.60 percent and 2.85 percent for the HIS program. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods for projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate shares 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 plan liability and the HIS program would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>Pension Plan</u>		
1%	Current	1%
Decrease	Discount Rate	Increase
<u>(6.60%)</u>	<u>(7.60%)</u>	<u>(8.60%)</u>

District's proportionate share

of the net pension liability \$ 5,647,745 \$ 3,067,652 \$ 2,134,965

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

12. Employee Retirement Systems (Continued)

Florida Retirement System (Continued)

Funding Policy (Continued):

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

	<u>HIS Program</u>		
	<u>1%</u>	<u>Current</u>	<u>1%</u>
	<u>Decrease</u>	<u>Discount Rate</u>	<u>Increase</u>
	<u>(1.85%)</u>	<u>(2.85%)</u>	<u>(3.85%)</u>
District's proportionate share of the net pension liability	\$ <u>859,515</u>	\$ <u>749,211</u>	\$ <u>657,664</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

13. Restricted Net Position

Pension Trust Funds - The net position in the Pension Trust Fund is reserved to indicate fund equity is restricted for future benefits to members of the District's Chapter 175 pension plan is summarized as follows as of September 30, 2016:

Firefighters' Pension Fund	\$	<u>18,337,990</u>
Net position restricted for pensions	\$	<u><u>18,337,990</u></u>

14. Details of Constraints on Fund Balances of Governmental Funds

The District has recognized that adequate unassigned fund balance is needed to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates.

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Fund Balances:			
Restricted for:			
Prepaid item	\$ 1,184	\$ -	\$ 1,184
Equipment and improvements	-	128,293	128,293
Committed to:			
Vacation and special pay	25,000	-	25,000
Capital improvements	500,000	-	500,000
Station No. 68	40,000	-	40,000
SCBA	229,000	-	229,000
Unassigned	<u>3,368,224</u>	<u>-</u>	<u>3,368,224</u>
Total fund balance	\$ <u><u>4,163,408</u></u>	\$ <u><u>128,293</u></u>	\$ <u><u>4,291,701</u></u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

15. Contingent Liabilities

The District did not receive federal grant funds during the year ended September 30, 2015 and is not, therefore, subject to the program compliance audit by the grantee under the Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations."

The District is exposed to various risks of loss related to torts; theft of, damage to, and distribution of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases all of its insurance coverage from commercial insurance carriers.

The District also carries commercial insurance for all other risks of loss including health and employee accident insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The district has not had any significant coverage reductions under these policies from the prior year.

16. Tower Rental Income

The District currently leases certain property under the terms of two land lease agreements expiring variously through 2016. The leases require monthly payments of \$2,622 to the District. These leases are automatically extended for four additional five year periods unless terminated by the leasee at the end of any five year term. Revenues received during the year ended September 30, 2016 under these leases were \$41,690. The annual rent will increase at 3% of the previous year's annual rental.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

17. Post-Employment Health Care Benefits

Postemployment health care benefits are made available to the District's terminated employees in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). Under COBRA, the District is required to offer an election to deceased or terminated participants, their spouses or dependents, to continue coverage in the health plan provided by the District. The cost of coverage which the District may charge the participant may not exceed 102% of the applicable premium.

GASB Statement No. 45: *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (OPEB), established new accounting standards for postretirement benefits. The new standard does not require funding of OPEB expense, but any difference between the annual required contribution (ARC) and the amount funded during the year is required to be recorded in the employer's financial statement as an increase (or decrease) in the net OPEB obligation. The effective date for implementation of GASB 45 by the District is October 1, 2009. Accordingly, the District did obtain an actuarial valuation in accordance with GASB 45 standards as of October 1, 2009, and discloses the following:

Plan Description and Funding Policy

Employees who retire from the District (District), and eligible dependents and survivors, are eligible to continue to participate in the District's health insurance programs at the "blended" employee group rate which is determined annually by the District and approved by the District Trustees. Retirees have 31 days to elect to enroll in the District's health insurance plan in which they were participating at the time of retirement unless otherwise stated in a plan document or collective bargaining agreement. As of September 30, 2016, a total of four eligible retirees and dependents were participating in the District's health program.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

17. Post-Employment Health Care Benefits (Continued)

The District provides no funding for any portion of the premiums after retirement. However, the District recognizes that there is an “implicit subsidy” arising as a result of the blended rate premium since retiree health care costs, on average, are higher than active employee healthcare costs. The plan is not accounted for as a trust fund and an irrevocable trust has not been established to fund the plan. The plan does not issue a separate financial report.

Annual OPEB Cost and Net OPEB Obligation

The District’s annual other post-employment benefits (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The District’s annual OPEB cost for its plan for the current year is as follows:

	Annual OPEB Cost
	<u>9/30/16</u>
Annual required contribution (ARC)	\$ 44,000
Interest on net OPEB obligation	5,000
Adjustment to ARC	<u>(6,000)</u>
Annual OPEB cost	43,000
Contributions made (pay-as-you-go basis)	<u>(22,000)</u>
Increase in net OPEB obligation	21,000
Net OPEB obligation, beginning of year	<u>147,000</u>
Net OPEB obligation, end of year	<u>\$ 168,000</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

17. Post-Employment Health Care Benefits (Continued)

Required Supplementary Information

Funded Status and Funding Progress

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

	<u>9/30/16</u>
Actuarial accrued liability	\$ 604,000
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability	\$ <u><u>604,000</u></u>
Funded ratio	<u>0%</u>
Covered payroll	\$ <u><u>4,035,222</u></u>
Unfunded actuarial accrued liability as a percentage of covered payroll	<u>14%</u>

<u>Year</u> <u>Ended</u> <u>September 30,</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Actual</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2015	\$ 29,000	\$ 6,000	20.7%	\$ 147,000
2016	43,000	22,000	51.2	168,000
2017	45,000	23,000	51.1	190,000

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

17. Post-Employment Health Care Benefits (Continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the status of the plan and the annual required contributions of the District are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projection of benefits are based on the substantive plan and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the District and the plan members at that point. Actuarial calculations reflect a long term perspective and employ methods and assumptions that are designed to reduce the short term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions used for this valuation are as follows:

Measurement Date	October 1, 2015
Actuarial Cost Method	Projected Unit Credit
Amortization method	Closed
Amortization period	24 years (as of October 1, 2015)
Discount rate	3.50%
Asset Valuation Method	Market Value of Assets
CPI	3.20%
Health Cost Trend Rate	Pre-medicare: 4.70% (grading down to 3.96% in 2086) Post-medicare: 4.70% (grading down to 3.96% in 2086)
Payroll Growth Rate	3.5% annually

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

18. Recently Issued and Implemented Accounting Pronouncements

Effective October 1, 2014, the District adopted Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions (“GASB 68”). GASB 68 changes the accounting and financial reporting of pensions that are provided through pension plans administered as trusts. The standards require local governments to recognize as a liability, for the first time, their long-term obligation for these pension benefits. This liability is measured as the difference between the present value of projected benefit payments to be provided through the pension plan for the past periods of service and the amount of the pension plan’s net position.

Government Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application” requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported in certain entities that calculate net asset value per share (or its equivalent). This statement has been implemented by the District in these financial statements.

GASB has issued the following statements which will become effective in future years.

Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pension” - This statement changes the focus of accounting for postemployment benefits other than pensions from whether they are responsibly funding benefits over time to a point-in-time liability that is reflected on the employer’s financial statements for any actuarially unfunded portion of benefits earned to date. This statement will become effective for the District in fiscal year 2018.

Statement No. 77, “Tax Abatement Disclosures” - This statements requires governments that enter into tax abatement agreements to provide certain disclosures regarding these commitments. This statement will not be effective for the District.

REQUIRED SUPPLEMENTARY

INFORMATION FOR

SINGLE EMPLOYER FIREFIGHTERS' 175

DEFINED BENEFIT PENSION PLAN

UNDER GASB 68

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS' 175 PLAN

	Last Three Fiscal Years		
	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Total Pension Liability:			
Service cost	\$ 958,896	\$ 808,434	\$ 835,842
Interest	1,224,258	1,268,794	1,097,202
Share Plan allocation	-	-	39,749
Differences between expected and actual	(450,681)	(168,553)	-
Changes of assumptions	195,321	-	-
Benefit payments, including refunds of employee contributions	<u>(279,543)</u>	<u>(182,698)</u>	<u>(549,173)</u>
Net Change in Total Pension Liability	1,648,251	1,725,977	1,423,620
Total Pension Liability - Beginning	<u>17,456,945</u>	<u>15,730,968</u>	<u>14,307,348</u>
Total Pension Liability - Ending (a)	<u>\$ 19,105,196</u>	<u>\$ 17,456,945</u>	<u>\$ 15,730,968</u>
Plan Fiduciary Net Position:			
Contributions - Employer	\$ 578,401	\$ 561,334	\$ 550,197
Contributions - State	387,021	407,277	451,972
Contributions - Employee	217,200	182,236	164,272
Net investment income (loss)	1,843,485	(912,196)	1,439,727
Benefit payments, including refunds of employee contributions	<u>(279,543)</u>	<u>(182,698)</u>	<u>(549,173)</u>
Administrative expense	<u>(52,876)</u>	<u>(36,213)</u>	<u>(27,118)</u>
Net Change in Plan Fiduciary Net Position	2,693,688	19,740	2,029,877
Plan Fiduciary Net Position - Beginning	<u>15,644,302</u>	<u>15,624,562</u>	<u>13,594,685</u>
Plan Fiduciary Net Position - - Ending (b)	<u>\$ 18,337,990</u>	<u>\$ 15,644,302</u>	<u>\$ 15,624,562</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 767,206</u>	<u>\$ 1,812,643</u>	<u>\$ 106,406</u>
Plan Fiduciary Net Position as			
a percentage of the Total Pension Liability	95.98%	89.61%	99.32%
Covered Employee Payroll*	\$ 2,934,578	\$ 2,564,927	\$ 2,223,147
Net Pension Liability as a percentage of Covered Employee Payroll	26.14%	70.67%	4.76%

Notes to Schedule:

**For the Fiscal years 2013 and 2014 reported Covered Employee Payroll figures were based on Pensionable Salary.*

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS 175 PLAN

Last Three Fiscal Years

	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Actuarially Determined Contribution	\$ 1,101,640	\$ 946,461	962,421
Contributions in relation to the			
Actuarially Determined Contributions	<u>1,101,640</u>	<u>946,461</u>	<u>962,421</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll*	\$ 2,934,578	\$ 2,564,927	2,237,147
Contributions as a percentage			
of Covered Employee Payroll	37.54%	36.90%	43.02%

*The covered employee payroll numbers shown are in compliance with GASB 82, except for the measurement period.

Notes to Schedule

Valuation Date: 10/01/2014

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method: Entry age normal actuarial cost method.
Amortization Method: Level percentage of pay, closed.
Remaining Amortization Period: 27 Years (as of 10/01/2014).
Mortality Rate: RP-2000 Table with no projection. Disabled lives are set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvement.
Retirement Age: Earlier of age 55 and 6 years of service or 25 years of service regardless of age. Also, any member eligible to retire on the valuation date is assumed to continue service for one additional year.
Early Retirement: Commencing at age 45 with 6 years of service, Members are assumed to retire with an immediate, subsidized benefit at the rate of 2% per year.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS 175 PLAN

Last Three Fiscal Years

Notes to Schedule (Continued)

Inflation: 3.0% per year.
 Interest Rate: 7.5% per year, compounded annually, net of investment related expenses.

Salary Increases:	<u>Credited Service</u>	<u>Salary Increase</u>
	1	14%
	2-3	9%
	4	8%
	5-6	7%
	7-9	6%
	10+	4%

Projected salary in the year of termination is increased based on individual accruals to account for non-regular compensation

Payroll Growth: 6% per year.
 Post-Retirement COLA: Annual 3% adjustments beginning July 1st after normal retirement date.

Actuarial Asset Method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric four-year average market value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below market value of assets.

Termination Rates: See table below.

Disability Rates: See table below. It is assumed that 75% of disablements and active Member deaths are service related.

Termination and Disability
 Rate Table:

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>
20	10.00%	0.14%
30	7.50%	0.18%
40	2.30%	0.30%
50	0.00%	1.00%

REQUIRED SUPPLEMENTARY
INFORMATION FOR
FIREFIGHTERS' COST SHARING
DEFINED BENEFIT PENSION PLAN
UNDER GASB 68

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE FLORIDA RETIREMENT SYSTEM
PENSION PLAN NET PENSION LIABILITY

Last Two Fiscal Years

	September 30, 2016	September 30, 2015
District's proportion of the net pension liability (asset)	0.00012149081	0.0135686
District's proportionate share of the net pension liability (asset)	\$ 3,067,652	\$ 1,752,572
District's covered employee payroll	\$ 4,035,222	\$ 4,874,122
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	76.02%	36.0%
Plan fiduciary net position as a percentage of the total pension liability	84.88%	91.99%

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
TO THE FLORIDA RETIREMENT SYSTEM PENSION PLAN**

Last Two Fiscal Years

	September 30, 2016	September 30, 2015
Actuarially required contribution	\$ 296,275	\$ 303,169
Contributions in relation to the actuarially required contribution	<u>296,275</u>	<u>303,169</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 4,035,222	\$ 4,874,122
Contributions as a percentage of covered-employee payroll	7.34%	6.22%

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE FLORIDA RETIREMENT SYSTEM
HIS PROGRAM NET PENSION LIABILITY

Last Two Fiscal Years

	<u>September 30,</u> <u>2016</u>	<u>September 30,</u> <u>2015</u>
District's proportion of the net pension liability (asset)	0.006428462%	0.007735524%
District's proportionate share of the net pension liability (asset)	\$ 749,21 1	\$ 799,100
District's covered employee payroll	\$ 4,035, 222	\$ 4,874,12 2
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	18.57%	16.39%
Plan fiduciary net position as a percentage of the total pension liability	0.98%	0.49%

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
TO THE FLORIDA RETIREMENT SYSTEM HIS PROGRAM**

Last Two Fiscal Years

	September 30, 2016	September 30, 2015
	<hr/>	<hr/>
Actuarially required contribution	\$ 66,985	\$ 66,548
Contributions in relation to the actuarially required contribution	<hr/> 66,985	<hr/> 66,548
Contribution deficiency (excess)	<hr/> <hr/> \$ -	<hr/> <hr/> \$ -
District's covered employee payroll	\$ 4,035,222	\$ 4,874,122
Contributions as a percentage of covered-employee payroll	1.66%	1.36%

OTHER REPORTS

REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
September 30, 2016

AND

MANAGEMENT LETTER

AND

ATTESTATION LETTER

MANAGEMENT MEMORANDUM
ON REVIEW OF INTERNAL CONTROL STRUCTURE

**REPORT ON INTERNAL CONTROL
AND COMPLIANCE AND OTHER MATTERS**

Davidson, Jamieson & Cristini, P.L.

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Board of Commissioners
Palm Harbor Special Fire Control and Rescue District
Palm Harbor, Florida

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparisons for the general fund and the aggregate remaining fund information of the Palm Harbor Special Fire Control and Rescue District, Florida, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Palm Harbor Special Fire Control and Rescue District, Florida's (District) basic financial statements, and have issued our report thereon dated May 18, 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 District's internal control.

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

Board of Commissioners
Palm Harbor Special Fire Control and Rescue District
Palm Harbor, Florida

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Davidson, Jamieson & Cristie, P.L.

May 18, 2017

MANAGEMENT LETTER

Davidson, Jamieson & Cristini, P.L.
Certified Public Accountants

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Board of Commissioners
Palm Harbor Special Fire Control and Rescue District
Palm Harbor, Florida

Report on the Financial Statements

We have audited the financial statements of the Palm Harbor Special Fire Control and Rescue District, Florida as of and for the fiscal year ended September 30, 2016 and have issued our report thereon dated May 18, 2017.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditors Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General Disclosures in those reports and schedule, which are dated May 18, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, require that we determine whether or not corrective actions have been taken to address finding and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. There were no findings or recommendations made on internal control and compliance issues during the preceding annual financial audit.

Board of Commissioners
Palm Harbor Special Fire Control and Rescue District
Palm Harbor, Florida

Official Title and Legal Authority

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 this management letter, unless disclosed in the notes to the financial statements. This disclosure has been included in the District's Comprehensive Annual Financial Report for the fiscal year ended September 30, 2016.

Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7) Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the Palm Harbor Special Fire Control and Rescue District 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.

Pursuant to Section 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Palm Harbor Special Fire Control and Rescue 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.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to 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.

Board of Commissioners
Palm Harbor Special Fire Control and Rescue District
Palm Harbor, Florida

Other Matters

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. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, require that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

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

Davidson, Jamieson & Creative, P.L.

May 18, 2017

ATTESTATION REPORT

Davidson, Jamieson & Cristini, P.L.

Certified Public Accountants

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INDEPENDENT ACCOUNTANT'S REPORT

Board of Commissioners
Palm Harbor Special Fire Control and Rescue District
Palm Harbor, Florida

We have examined the Palm Harbor Special Fire Control and Rescue 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 the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test bases, evidence about the 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 the District's compliance with specified requirements.

In our opinion, the 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 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.

Davidson, Jamieson & Cristini, P.L.

May 18, 2017

MEMORANDUM ON REVIEW
OF INTERNAL CONTROL STRUCTURE

Davidson, Jamieson & Cristini, P.L.
Certified Public Accountants

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May 18, 2017

The Board of Commissioners
Palm Harbor Special Fire Control and Rescue District
Palm Harbor, Florida

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparisons for the general fund and the aggregate remaining fund information which collectively comprise the basic financial statements of the Palm Harbor Special Fire Control and Rescue District as of and for the year ended September 30, 2016, and have issued our report thereon dated May 18, 2017.

We have issued our Report on Compliance and Internal Accounting Controls in Accordance with *Government Auditing Standards* dated May 18, 2017. Disclosures in that report, if any, should be considered in conjunction with this management memorandum.

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

In planning and performing our audit of the financial statements of Palm Harbor Special Fire Control and Rescue District we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we observed a matter that is an opportunity for strengthening internal control and operating efficiency.

2015-2016

No Comments

2014-2015

- A. Implementation of New GASB Statements
- B. Capitalization Policy

2015-2016

There are no current year comments.

2014-2015

A. Implementation of New GASB Statements

Last year we recommended that the Finance Director and the Chief become familiar with the following new GASB Statements:

GASB Statement No. 82 Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73

GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

GASB Statement No. 74 Financial Reporting for Postemployment Benefits Other Than Pension Plans

GASB Statement No. 73 Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68

GASB Statement No. 72 Fair Value Measurement and Application

This recommendation has been implemented.

B. Capitalization Policy

Last year we recommended that the District change the threshold for capitalization of fixed assets. The current policy for capitalization is \$1,000. It was our recommendation that the threshold be increased to at least \$3,000.

This recommendation coincides with the current GFOA guidelines.

This recommendation has been implemented.

* * * * *

This memorandum is intended solely for the use of the District's Board of Commissioners, the District's management, and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the courtesy and assistance provided to us by the District's personnel during our audit. We will review the status of the above comments during our next audit engagement. We have already discussed many of these comments and suggestions with District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

DAVIDSON, JAMIESON & CRISTINI, P.L.