

MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT

BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
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YEAR ENDED SEPTEMBER 30, 2015**

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Matlacha/Pine Island Fire Control District
Bokeelia, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Matlacha/Pine Island Fire Control District (the District), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the entity'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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of September 30, 2015, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

During the fiscal year ended September 30, 2015, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASBS) No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and Governmental Accounting Standards Board Statement (GASBS) No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result of the implementation of GASBS No. 68 and 71, the District reported a restatement for the change in accounting principle (see Note 1.) Our opinion was not modified with respect to the restatement.

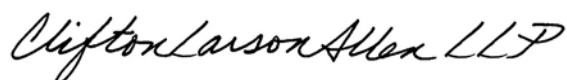
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion, schedule of funding progress for the District’s other postemployment benefit plan, the schedules of the District’s proportionate share of net pension liability and the schedules of District contributions on pages 3 through 8, page 41, and pages 42 through 45 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2016, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Fort Myers, Florida
June 21, 2016

Matlacha/Pine Island Fire Control District

Management's Discussion and Analysis

(unaudited)

This discussion and analysis of the Matlacha/Pine Island Fire Control District (the "District") financial statements is designed to introduce the basic financial statements and provide an analytical overview of the District's financial activities for the fiscal year ended September 30, 2015. The basic financial statements are comprised of the government-wide financial statements, governmental fund financial statements, and notes. We hope this will assist readers in identifying significant financial issues and changes in the District's financial position.

District Highlights

- At the close of fiscal year 2015, the District's assets and deferred outflows exceeded its liabilities and deferred inflows, resulting in net position of \$1,149,668.
- The District's total net position increased \$238,475 or 26.2 percent, in comparison to the prior year, as restated. See Note 1 on page 22.
- Total revenues increased \$211,723 or 5.8 percent, in comparison to the prior year.
- Total expenses decreased \$423,840 or 10.4 percent, in comparison to the prior year.
- At the close of fiscal year 2015, governmental funds reported ending fund balance of \$921,836, an increase of \$111,561. \$614,124 of the fund balance is available for spending at the District's discretion (unassigned fund balance).

Government-Wide Financial Statements

Government-wide financial statements (Statement of Net Position and Statement of Activities) found on page 9 and 10 are intended to allow a reader to assess a government's operational accountability. Operational accountability is defined as the extent to which the government has met its operating objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to meet its objectives for the foreseeable future. Government-wide financial statements concentrate on the District as a whole and do not emphasize fund types.

The Statement of Net Position (page 9) presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. The District's capital assets (property, plant, and equipment) are included in this statement and reported net of their accumulated depreciation.

The Statement of Activities (page 10) presents revenue and expense information showing how the District's net position changed during the fiscal year. Both statements are measured and reported using the economic resource measurement focus (revenues and expenses) and the accrual basis of accounting (revenue recognized when earned and expense recognized when a liability is incurred).

Governmental Fund Financial Statements

The District accounts for its services in a general governmental fund. A fund is a grouping of related accounts that is being used to maintain control over resources that have been segregated for specific activities or objectives. Governmental funds are used to account for the sources, uses, and balances of a government's expendable general government financial resources (and the current liabilities). The main focus is on how money flows into and out of the general fund and the balances left at year-end that are available for spending.

The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Fund Financial Statements can be found on pages 11 and 13.

Notes to the Financial Statements

The notes to the financial statements explain in detail some of the data contained in the preceding statements and begin on page 16. These notes are essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

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

The following is a condensed summary of net position for the District for fiscal years 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets:		
Current and other assets	\$ 1,093,375	\$ 943,789
Capital assets	<u>3,517,822</u>	<u>3,677,253</u>
Total assets	<u>4,611,197</u>	<u>4,621,042</u>
Deferred outflow of resources:		
Deferred amount on pensions	<u>379,488</u>	<u>-</u>
Liabilities:		
Current liabilities	232,753	339,550
Non-current liabilities	<u>2,574,899</u>	<u>426,184</u>
Total liabilities	<u>2,807,652</u>	<u>765,734</u>
Deferred inflow of resources:		
Deferred amount on pensions	<u>1,033,365</u>	<u>-</u>
Net position:		
Net investment in capital assets	3,473,234	3,581,587
Restricted	53,532	13,051
Unrestricted	<u>(2,377,098)</u>	<u>260,670</u>
Total net position	<u>\$ 1,149,668</u>	<u>\$ 3,855,308</u>

Net investment in capital assets represent 302.1 percent of total net position and is comprised of land, buildings, improvements, equipment, furniture, and vehicles, net of accumulated depreciation, and the outstanding related debt used to acquire the assets. The unrestricted net position balance of (\$2,377,098) represents the difference between the District's total net position and the amount invested in capital assets and restricted for capital outlay. The decrease is due to the restatement of the prior year ending net position as described in Note 1, Change in Accounting Principle.

The following schedule reports the revenues, expenses, and changes in net position (activities) for the District for the fiscal years 2015 and 2014:

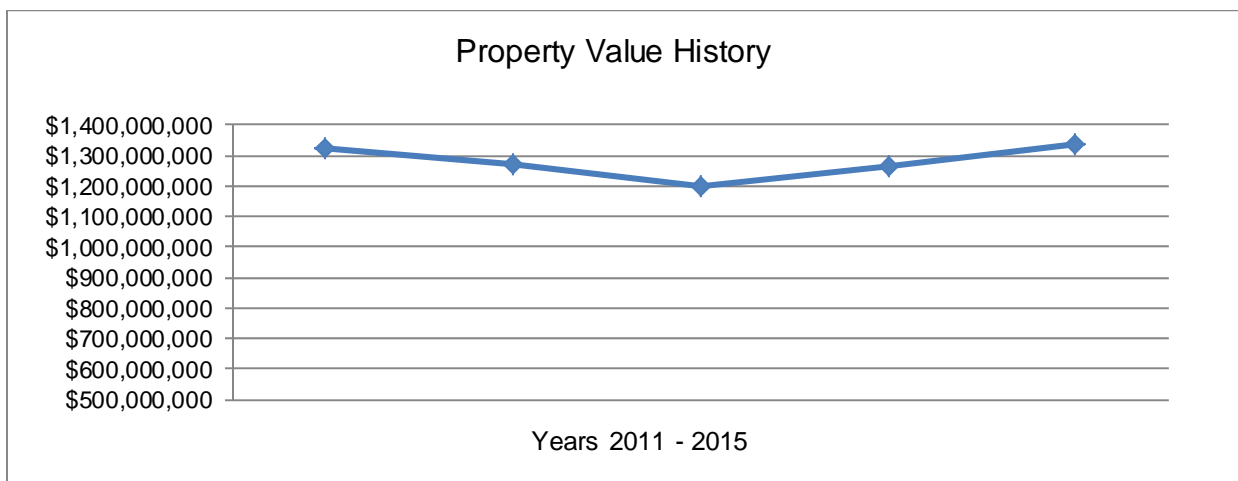
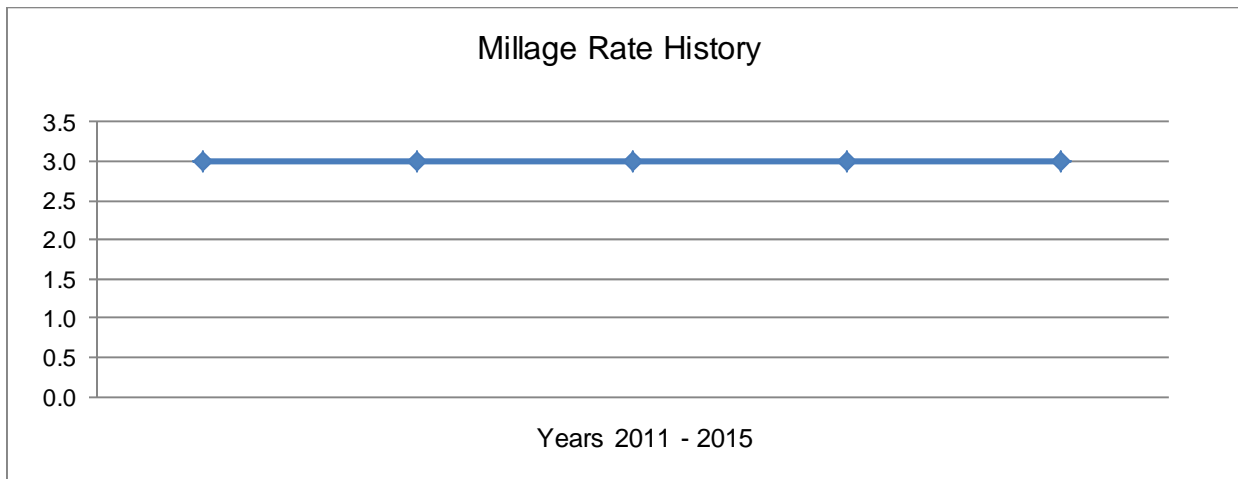
	<u>2015</u>	<u>2014</u>
Revenues:		
General Revenues		
Property Taxes	\$ 3,696,512	\$ 3,571,000
Miscellaneous		
Impact fees	40,452	23,094
Investment earnings (losses)	4,873	(499)
Donations from private sources	2,343	33,421
Other	130,899	40,228
Program Revenues		
Intergovernmental operating grant	9,128	7,320
Charges for services	2,805	725
Total Revenues	<u>3,887,012</u>	<u>3,675,289</u>
Expenses:		
Public Safety - Fire and Rescue Services		
Personal Services	2,928,100	3,354,004
Operating Expenditures	535,740	502,600
Interest	3,044	5,480
Depreciation	181,653	210,293
Total Program Expenses	<u>3,648,537</u>	<u>4,072,377</u>
Increase (Decrease) in net position	238,475	(397,088)
Net Position - Beginning, as Restated	<u>911,193</u>	<u>4,252,396</u>
Net Position - Ending	<u>\$ 1,149,668</u>	<u>\$ 3,855,308</u>

Property tax revenue increased over the prior year by \$125,512 or 3.5 percent due to the increase in property values and new construction. An increase in other revenues in the amount of \$90,671 was the primary reason for the net revenue increase of \$227,293 or 6.2 percent in comparison to the prior year.

Total expenses decreased \$423,840 or 10.4 percent in comparison to the prior year due to cost reductions resulting from the decrease in personnel by three positions. This was accomplished by reducing the required minimum staffing by one person per shift (three full-time equivalent positions) pursuant to labor contract negotiations, while continuing to provide the same level of service. Other cost reductions include the decrease in depreciation expense because many capital assets are fully depreciated.

The District is pleased that for the first time in five years, it realized an increase in net position, which in fiscal year 2015 was \$238,475. Revised labor agreement provisions and the associated cost reductions were the main reason the District was able to accomplish this goal. Additional revenue-increasing and cost-reducing measures are being considered by the Board of Commissioners for future fiscal years. Please refer to the section Economic Factors and Next Year's Budget Rates on page 8 for further discussion of these efforts.

The following charts compare the change in property value and growth in millage rates for the past five years:



Governmental Funds

The focus on the District's governmental fund 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, unassigned fund balance may serve as a useful measure of government's net resources available for spending at the end of a fiscal year.

The general fund is the chief operating fund of the District. At September 30, 2015, all activities of the District are recorded in the general fund.

At the end of the fiscal year, the general fund reported ending fund balance of \$921,836, an increase of \$111,561 or 13.8 percent from the previous year. Unassigned fund balance is \$614,124, or 66.6 percent of total fund balance.

During fiscal year 2015, the District's financial condition began to improve, which is evidenced by the increase in fund balance in the amount of \$111,561. Although constrained by a 3.0 mill tax rate cap, property values did increase 2.6 percent and new construction of \$12,443,468 was added to the tax rolls which produced an increase in gross ad valorem tax revenue of \$80,399. Near the end of fiscal 2014, the District's management began renegotiating certain openers of the union contract to be effective October 1, 2014. These efforts produced a mutually-agreeable and financially beneficial outcome which reduced personnel costs without sacrificing service levels. Please refer to the section Economic Factors and Next Year's Budget Rates on page 8 for further discussion of these and other efforts.

Budgetary Highlights

The District adopts an annual budget for the general fund as required by Florida Statute. The difference between the final budgeted expenditures and actual expenditures represents a favorable variance of \$98,084 or 2.5 percent. Due to the favorable variances in both Personal Services and Operating Expenditures, the District did not have to borrow the \$90,000 budgeted for the acquisition of bunker gear, but was able to purchase the gear with available funds.

Budget versus actual comparison for the general fund can be found on page 15.

Capital Assets

Non-depreciable capital assets include land and construction in progress. Depreciable assets include buildings, improvements other than buildings, office equipment, machinery & equipment, and vehicles.

The following is a schedule of the District's capital assets for the fiscal years 2015 and 2014:

	<u>2015</u>	<u>2014</u>
CAPITAL ASSETS		
Land	\$ 788,282	\$ 788,282
Construction in Progress	<u>28,505</u>	<u>28,505</u>
Total Capital Assets Not Depreciated	816,787	816,787
Fire & Rescue Equipment	286,615	286,615
Buildings	3,437,993	3,437,993
Fire & Rescue Vehicles	1,255,261	1,255,261
Pagers & Radios	153,343	153,343
Furniture, Fixtures & Equipment	<u>120,910</u>	<u>134,959</u>
Total Capital Assets Being Depreciated	<u>5,254,122</u>	<u>5,268,171</u>
ACCUMULATED DEPRECIATION		
Fire & Rescue Equipment	278,859	276,743
Buildings	920,370	831,020
Fire & Rescue Vehicles	1,145,092	1,079,433
Pagers & Radios	134,399	120,228
Furniture, Fixtures & Equipment	<u>74,367</u>	<u>100,281</u>
Total Accumulated Depreciation	<u>2,553,087</u>	<u>2,407,705</u>
Total Capital Assets Being Depreciated, Net	<u>2,701,035</u>	<u>2,860,466</u>
CAPITAL ASSETS, NET	<u><u>\$ 3,517,822</u></u>	<u><u>\$ 3,677,253</u></u>

The decrease in capital assets in fiscal year 2015 was the net change resulting from the acquisition and disposal of equipment.

Debt Administration

At September 30, 2015, the District had \$636,896 of outstanding liabilities consisting of compensated absences, net OPEB obligation, and capital lease payables. The following is a schedule of the District's outstanding debt at September 30:

	<u>2015</u>	<u>2014</u>
Compensated Absences	\$ 496,307	\$ 451,086
Net OPEB Obligation Payable	96,000	82,000
Capital Lease Payable	<u>44,588</u>	<u>95,666</u>
Total Long-Term Debt	<u>\$ 636,895</u>	<u>\$ 628,752</u>

The amount reported as compensated absences increased by \$45,221. This liability represents the total amount the District has due at the termination of all employees' employment. In addition, the District's OPEB obligation increased by \$14,000 during 2015 due to the annual required contribution as calculated by the District's actuary.

Additional information on the District's debt can be found in Note 4 on page 24.

Economic Factors and Next Year's Budget Rates

The financial condition of the District began to improve during fiscal year 2015 and the following factors were used in the preparation of the budget for fiscal year 2016:

- Property values were assessed by the Lee County Property Appraiser's office at 4.4 percent higher than the previous year and the addition of \$17,224,052 in new construction provided a taxable property base of \$1,317,860,569 for the budget year 2016. The District levied an operating millage rate of 3.000 in compliance with Amendment 1 which will provide \$218,491 in additional gross tax revenue for fiscal year 2016.
- Personal services were budgeted to increase by \$6,338 or 0.2 percent since the District negotiated an entirely new labor agreement effective October 1, 2015 which maintained nearly the same funding level as the previous fiscal year.
- Operating expenditures were budgeted to increase by \$35,839 or 6.4 percent primarily for professional, accounting, travel and fuel expenditures.

While the District realized significant improvements in its financial condition during fiscal year 2015, the Board of Commissioners realizes that there is no room for fiscal growth nor for providing a fourth station in the Matlacha area, while property tax revenues are constrained by the maximum tax rate cap of 3.0000 mills. Therefore, the Board passed a Resolution to place a referendum on the March 2016 ballot to ask voters to increase the tax rate cap to 3.7500 mills. The referendum was approved to be effective for fiscal year 2017 and the District intends to pursue plans to build Station 4 on its property in Matlacha to reduce response time to its eastern-most residents.

Request for information

This financial report is designed to provide the reader an overview of the District. Questions regarding any information provided in this report should be directed to:

Fire Chief
Matlacha/Pine Island Fire Control District
5700 Pine Island Road
Bokeelia, Florida 33922
(239) 283-0030

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

ASSETS

Cash	\$ 1,008,109
Accounts Receivable	250
Due From Other Governments	31,484
Cash - Restricted	38,018
Due From Other Governments - Restricted	15,514
Capital Assets:	
Non-Depreciable	816,787
Depreciable Assets, Net	<u>2,701,035</u>
Total Assets	<u>4,611,197</u>

DEFERRED OUTFLOW OF RESOURCES

Deferred amount on pensions	<u>379,488</u>
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LIABILITIES

Accounts Payable	26,986
Accrued Liabilities	144,553
Accrued Interest	1,733
Compensated Absences	
Expected to be Paid in One Year	37,750
Expected to be Paid after One Year	458,557
Capital Leases Payable	
Expected to be Paid in One Year	21,731
Expected to be Paid after One Year	22,857
Net OPEB Obligation Payable	96,000
Net Pension Liability	<u>1,997,485</u>
Total Liabilities	<u>2,807,652</u>

DEFERRED INFLOWS OF RESOURCES

Deferred amount on pensions	<u>1,033,365</u>
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NET POSITION

Net Investment in Capital Assets	3,473,234
Restricted	53,532
Unrestricted	<u>(2,377,098)</u>
Total Net Position	<u>\$ 1,149,668</u>

See accompanying Notes to Financial Statements.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2015**

Program Expenses:

Public Safety - Fire Control	
Personal Services	\$ 2,928,100
Operating Expenditures	535,740
Interest	3,044
Depreciation	181,653
Total Program Expenses	3,648,537

Program Revenues:

Intergovernmental Operating Grant	9,128
Charges for Services	2,805
Total Program Revenue	11,933
Net Program Expenses	3,636,604

General Revenues:

Property Taxes	3,696,512
Impact Fees	40,452
Investment Earnings	4,873
Donations from Private Sources	2,343
Other	130,899
Total General Revenues	3,875,079

Increase in Net Position	238,475
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Net Position - Beginning of Year, as Restated	911,193
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Net Position - End of Year	\$ 1,149,668
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**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
BALANCE SHEET – GENERAL FUND
SEPTEMBER 30, 2015**

ASSETS

Cash	\$ 1,008,109
Accounts Receivable	250
Due From Other Governments	31,484
Cash - Restricted	38,018
Due From Other Governments - Restricted	<u>15,514</u>
 Total Assets	 <u><u>\$ 1,093,375</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 26,986
Accrued Expenses	<u>144,553</u>
 Total Liabilities	 <u><u>171,539</u></u>

FUND BALANCE

Restricted for Capital Outlay	53,532
Committed:	
Compensated Absences	156,686
Station No. 4 Construction	75,000
Assigned for Subsequent Year's Budget Deficit	22,494
Unassigned	<u>614,124</u>
Total Fund Balance	<u><u>921,836</u></u>
 Total Liabilities and Fund Balance	 <u><u>\$ 1,093,375</u></u>

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GENERAL FUND
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

Total Fund Balance - General Fund	\$	921,836
<p>Amounts reported for Governmental Activities in the Statement of Net Position are different because:</p>		
Capital Assets used in Governmental Activities are not financial resources and are, therefore, not reported on the Balance Sheet.		3,517,822
Deferred outflows of resources are reported as a result of changes in deferred amounts on pensions in the statement of net position.		379,488
Debt Interest Payable that will not be liquidated with current financial resources is not reported as a liability on the Balance Sheet.		(1,733)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Capital Lease Payable (See Note 4)	\$	(44,588)
Net OPEB Payable (See Note 8)		(96,000)
Compensated Absences (See Note 4)		(496,307)
Net Pension Liability (See Note 6)		<u>(1,997,485)</u>
		(2,634,380)
Deferred inflows of resources are reported as a result of changes in deferred amounts on pensions in the statement of net position.		<u>(1,033,365)</u>
Net Position of Governmental Activities	\$	<u><u>1,149,668</u></u>

See accompanying Notes to Financial Statements.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2015**

REVENUES

Ad Valorem Taxes	\$ 3,696,512
Licenses and Permits	2,805
Intergovernmental	9,128
Miscellaneous	
Investment Earnings	4,873
Impact Fees	40,452
Donations from private sources	2,343
Other	130,898
Total Revenues	<u>3,887,011</u>

EXPENDITURES

Public Safety	
Current	
Personal Services	3,161,631
Operating Expenditures	535,740
Capital Outlay	22,222
Debt Service	
Principal	51,078
Interest	4,779
Total Expenditures	<u>3,775,450</u>
Revenues Over Expenditures	111,561

FUND BALANCE, October 1, 2014	<u>810,275</u>
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FUND BALANCE, September 30, 2015	<u><u>\$ 921,836</u></u>
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**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GENERAL FUND
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2015**

Net Changes in Fund Balance - General Fund \$ 111,561

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as Depreciation Expense. Transactions involving Capital Assets are summarized below.

Expenditures for Capital Assets	\$ 22,222	
Depreciation Expense	<u>(181,653)</u>	(159,431)

Interest on long-term debt in the Statement of Activities is recognized as the interest accrues, regardless of when it is due. In the Governmental Funds, interest is recognized as an expenditure when due. This decrease in interest reported in the Statement of Activities is the result of accruing less interest at September 30, 2015 than at September 30, 2014. 1,735

Certain expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Governmental Funds.

Change in Compensated Absences	\$ (45,221)	
Change in Net OPEB Obligation Payable	<u>(14,000)</u>	(59,221)

The repayment of principal on long-term debt is reported as an expenditure in the Statement of Revenues, Expenditures, and Changes in Fund Balance, but does not affect the Statement of Activities. 51,078

Net change in the liability for pensions is reported in the government-wide statements, but not in the governmental fund statements. 292,753

Change in Net Position of Governmental Activities \$ 238,475

MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Ad Valorem Taxes	\$ 3,676,882	\$ 3,676,882	\$ 3,696,512	\$ 19,630
Licenses and Permits	700	700	2,805	2,105
Intergovernmental	10,200	10,200	9,128	(1,072)
Miscellaneous				
Investment Earnings	1,000	1,000	4,873	3,873
Impact fees	-	-	40,452	40,452
Donations from private sources	-	1,600	2,343	743
Other	26,000	126,000	130,898	4,898
Total Revenues	<u>3,714,782</u>	<u>3,816,382</u>	<u>3,887,011</u>	<u>70,629</u>
EXPENDITURES				
Public Safety				
Current				
Personal Service				
Salaries	2,356,305	2,079,213	2,042,408	36,805
Benefits	1,089,555	1,105,077	1,119,223	(14,146)
Operating Expenditures				
Professional Services	132,312	132,312	133,162	(850)
Training and Physicals	35,800	24,200	29,714	(5,514)
Accounting and				
Contractual Services	25,500	25,500	37,159	(11,659)
Travel	1,000	1,000	521	479
Communications	35,000	35,000	37,370	(2,370)
Utilities	35,000	35,000	32,941	2,059
Rentals and Leases	23,600	23,600	2,307	21,293
Insurance	63,000	63,000	65,204	(2,204)
Repairs and Maintenance	110,000	85,000	53,966	31,034
Fuel and Operating Supplies	38,000	38,000	39,670	(1,670)
Uniforms	8,000	9,600	10,342	(742)
Other	123,175	88,175	93,384	(5,209)
Capital Outlay	73,000	73,000	22,222	50,778
Debt Service				
Principal	49,740	49,740	51,078	(1,338)
Interest	6,117	6,117	4,779	1,338
Total Expenditures	<u>4,205,104</u>	<u>3,873,534</u>	<u>3,775,450</u>	<u>98,084</u>
Excess Revenues Over (Under) Expenditures	(490,322)	(57,152)	111,561	168,713
OTHER FINANCING SOURCES				
Proceeds from Debt	90,000	90,000	-	(90,000)
Total Other Financing Sources	<u>90,000</u>	<u>90,000</u>	<u>-</u>	<u>(90,000)</u>
Net Change in Fund Balance	(400,322)	32,848	111,561	78,713
FUND BALANCE, October 1, 2014	<u>966,443</u>	<u>810,275</u>	<u>810,275</u>	<u>-</u>
FUND BALANCE, September 30, 2015	<u>\$ 566,121</u>	<u>\$ 843,123</u>	<u>\$ 921,836</u>	<u>\$ 78,713</u>

See accompanying Notes to Financial Statements.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Defining the Governmental Reporting Entity

The Matlacha/Pine Island Fire Control District (the District) is an independent special district of the State of Florida. The District was established by act of the Florida legislature dated July 10, 1963, as Chapter 63-1558, Laws of Florida, and as repealed and replaced by Chapter 2000-396 Laws of Florida, on May 22, 2000. The business and affairs of the District are governed by an elected Board of Commissioners, which consists of five members and operates under state statutes. The Commissioners serve on a staggered four-year term basis.

The District provides fire control and protection services, fire safety inspections, and rescue services to the District's incorporated land area. In providing these services, the District operates and maintains three (3) station houses and their related equipment, and employs 29 full-time employees, including 24 professional firefighters.

Statement of Governmental Accounting Standards Board (GASB) Number 14, "Financial Reporting Entity," as amended, requires the financial statements of the District (the primary government) to include its component units, if any. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. Based on the criteria established in GASB Number 14, as amended, there are no component units required to be included in the District's financial statements.

Basic Financial Statements

The government-wide financial statements consist of a statement of net position and a statement of activities that report information about the District as a whole. The statement of net position reports all financial and capital resources.

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

Fund financial statements are presented to report additional and detailed information about the District. Fund financial statements accompany the government-wide financial statements and present a summary reconciliation to explain differences between the data reported in the governmental funds and the data reported for the corresponding governmental activities in the government-wide financial 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Government 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when such liabilities have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Fund Accounting

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

General Fund

The General Fund is the general operating fund of the District. All financial resources, which are not specifically restricted or designated as to use, are recorded in the General Fund.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported only in the government-wide financial statements. Capital assets are those acquired for general government purposes with an initial, individual cost equal to or more than \$1,000 and an estimated useful life of more than one year.

Such assets are recorded at historical cost if purchased or constructed. Donated assets are recorded at their estimated fair value at the date of the donation. The estimated fair value is based on the most recent appraisal documentation available.

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

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	20 - 40
Fire and rescue vehicles	5 - 15
Fire and rescue equipment	5 - 7
Furniture, fixtures and equipment	5 - 7
Pagers and radios	5 - 7

Budgets and Budgetary Accounting

The following procedures are used by the District in establishing the budgetary data reflected in the financial statements:

1. During the summer of each year, the District Fire Chief submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing on the upcoming first day of October. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayers' comments.
3. The budget is adopted by approval of the Board of Commissioners.
4. Budget transfers cannot be made between expenditure accounts without approval of the Board of Commissioners.
5. Budget amounts, as shown in these financial statements, are as originally adopted or as amended by the Board of Commissioners.
6. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted appropriations lapse at year-end.
7. The level of control for appropriations is exercised at the fund level. There were five supplemental appropriations made during the year ended September 30, 2015.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources reported in the District's statement of net position represent changes in actuarial assumptions, the net difference between projected and actual earnings on Health Insurance Subsidy Program investments, changes in the proportion and differences between the District's contributions and proportionate share of contributions, and the District's contributions subsequent to the measurement date, relating to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program. These amounts will be recognized as increases in pension expense in future years.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources reported in the District's statement of net position represent the difference between expected and actual economic experience, the net difference between projected and actual earnings on Florida Retirement System Pension investments, and changes in the proportion and differences between the District's contributions and proportionate share of contributions relating to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program. These amounts will be recognized as reductions in pension expense in future years.

Pensions

In the government-wide statements of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) and additions to/deductions from FRS's and HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and HIS plans. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds of employee contributions are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact Fees

The District receives impact fees in accordance with an interlocal agreement with Lee County, Florida. Impact fees collected by Lee County are remitted on a quarterly basis to the District. The District, with prior approval from Lee County, may expend amounts collected on qualifying expenditures. Funds received that are not expended within twenty years must be refunded. Because of the eligibility requirements imposed in the agreement, (1) prior approval before expenditure and (2) refund if not expended, the District records receipts of funds as restricted cash. The District received authorization from Lee County in fiscal year 2009 to purchase certain capital assets with operating funds and to use future impact fees to repay the operating funds. During the current fiscal year, the District received \$40,452 in impact fees. Restricted cash and restricted due from other governments presented in the accompanying financial statements related to impact fees totaled \$53,532 at September 30, 2015.

Fund Balance

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. Fund balance is reported in five components: nonspendable, restricted, committed, assigned, and unassigned.

Nonspendable Fund Balance – Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. “Not in spendable form” includes items that are not expected to be converted to cash (such as inventories and prepaid amounts) and items such as long-term amount of loans and notes receivable, as well as property acquired for resale. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

Restricted Fund Balance – Amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the District’s Board of Fire Commissioners, the District’s highest level of decision making authority. Commitments may be changed or lifted only by the Board of Fire Commissioners taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned Fund Balance – Includes spendable fund balance amounts established by the administration of the District that are intended to be used for specific purposes that are neither considered restricted or committed.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been restricted, committed, or assigned to specific purposes within the general fund. Unassigned fund balance may also include negative balances for the general fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District expends restricted amounts first when both restricted and unrestricted fund balances are available unless there are legal documents that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District would first use committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Minimum Fund Balance Policy

Unassigned fund balance is the residual classification for the general fund and represents fund balance that has not been restricted, committed, or assigned to specific purposes within the general fund.

Annually, if prior committed or assigned fund balances cause the unassigned fund balance to fall below 17% of general fund operating expenditures, the Fire Chief will notify the Board of Commissioners in order for the necessary action to be taken to restore the unassigned fund balance to 17% of the general fund operating expenditures.

Use of Estimates

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

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

During the year ended September 30, 2015, the District adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. These pronouncements require the restatement of the September 30, 2014 net position of the governmental activities as follows:

	<u>Governmental Activities</u>
Net Position, September 30, 2014, as Previously Reported	\$ 3,855,308
Cumulative Affect of Application of GASB 68, Net Pension Liability	(3,025,233)
Cumulative Affect of Application of GASB 71, Deferred Outflow of Resources for District Contributions Made to the Plan Subsequent to Measurement Date of June 30, 2014	81,118
Net Position, September 30, 2014, as Restated	<u><u>\$ 911,193</u></u>

NOTE 2 CASH

As of September 30, 2015, the District's cash was as follows:

Deposits with financial institutions	\$ 1,046,077
Cash on hand	<u>50</u>
	<u><u>\$ 1,046,127</u></u>

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. In accordance with its policy, all District depositories are banks designated by the Florida Chief Financial Officer as qualified public depositories. Chapter 280 of the Florida Statutes, "Florida Security for Public Deposits Act," provides procedures for public depositories to ensure public monies in banks and savings and loans are collateralized with the Florida Chief Financial Officer as agent for the public entities. Chapter 280 defines deposits as demand deposit accounts, time deposit accounts, and nonnegotiable certificates of deposit.

Financial institutions qualifying as public depositories shall deposit with the Florida Chief Financial Officer eligible collateral at the pledging level required pursuant to Chapter 280. The Florida Security for Public Deposits Act has a procedure for the payment of losses in the event of a default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof, and therefore, the District is not exposed to custodial credit risk for its deposits.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015, follows:

	Balance October 1, 2014	Increases	Decreases	Balance September 30, 2015
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 788,282	\$ -	\$ -	\$ 788,282
Construction in Progress	28,505	-	-	28,505
Total Capital Assets, Not Being Depreciated:	816,787	-	-	816,787
<i>Capital Assets being Depreciated:</i>				
Fire and Rescue Equipment	286,615	-	-	286,615
Buildings	3,437,993	-	-	3,437,993
Fire and Rescue Vehicles	1,255,261	-	-	1,255,261
Pagers and Radios	153,343	-	-	153,343
Furniture, Fixtures, and Equipment	134,959	22,222	(36,271)	120,910
Total Capital Assets being Depreciated:	5,268,171	22,222	(36,271)	5,254,122
<i>Less Accumulated Depreciation for:</i>				
Fire and Rescue Equipment	276,743	2,116	-	278,859
Buildings	831,020	89,350	-	920,370
Fire and Rescue Vehicles	1,079,433	65,659	-	1,145,092
Pagers and Radios	120,228	14,171	-	134,399
Furniture, Fixtures, and Equipment	100,281	10,357	(36,271)	74,367
Total Accumulated Depreciation:	2,407,705	181,653	(36,271)	2,553,087
Total Capital Assets being Depreciated, Net:	2,860,466	(159,431)	-	2,701,035
Total Capital Assets	\$ 3,677,253	\$ (159,431)	\$ -	\$ 3,517,822

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 4 LONG-TERM LIABILITIES

The following is a summary of changes in the District's long-term liabilities for the year ended September 30, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital Leases	\$ 95,666	\$ -	\$ 51,078	\$ 44,588	\$ 21,731
Compensated Absences	451,086	328,777	283,556	496,307	37,750
Net OPEB Obligation	82,000	14,000	-	96,000	-
	<u>\$ 628,752</u>	<u>\$ 342,777</u>	<u>\$ 334,634</u>	<u>\$ 636,895</u>	<u>\$ 59,481</u>

Long-term debt consisted of the following at September 30, 2015:

Capital lease payable, collateralized by a rescue vehicle with a cost of \$156,420, and accumulated depreciation of \$145,247, payable in annual installments of \$24,041, including interest of 5.18%, which matures December 30, 2016.	\$ 44,588
Subtotal capital leases	44,588
Accrued compensated absences	496,307
Net OPEB obligation	96,000
Subtotal	636,895
Less amount expected to be paid in one year	(59,481)
Long-term debt payable after one year	<u>\$ 577,414</u>

Future minimum capital lease payments are as follows:

For the Year Ended September 30,	
2016	\$ 24,041
2017	24,041
Total minimum lease payments	48,082
Less: Amount representing interest	3,494
Present value of minimum lease payments	<u>\$ 44,588</u>

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 5 PROPERTY TAXES

Property taxes are levied after formal adoption of the District's budget and become due and payable on November 1 of each year. Discounts are allowed for payment of property taxes before March 1 of the following year. On April 1, any unpaid taxes become delinquent. If the taxes are still unpaid in May, tax certificates are then offered for sale to the general public. The Lee County, Florida Tax Collector performs the billing and collection of all property taxes for the District. Taxes are recognized as revenue when levied to the extent that they result in current receivables.

Key dates in the property tax cycle (latest date, where appropriate) are as follows:

July 1	◆ Assessment roll validated
September 30	◆ Millage resolution approved and taxes levied following certification of assessment roll
October 1	◆ Beginning of fiscal year for which tax is to be levied
November 1	◆ Property taxes due and payable (levy date) with various discount provisions through March 1
April 1	◆ Taxes become delinquent
Prior to June 1	◆ Tax certificates sold by Lee County

The Board of Commissioners of the District levied ad valorem taxes at a millage rate of \$3.00 per \$1,000 (3.0 mills) of the 2014 net taxable value of real property located within the District.

NOTE 6 DEFINED BENEFIT PENSION PLANS

Background

The Florida Retirement System (FRS) was created by Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Background (Continued)

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site (www.dms.myflorida.com).

The District's pension expense totaled \$5,803 for both the FRS Pension Plan and HIS Plan for the fiscal year ended September 30, 2015.

Florida Retirement System Pension Plan

Plan Description

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

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.
- *Special Risk Class* – Members who are special risk employees, such as law enforcement officers, meet the criteria to qualify for this class.

Employees enrolled in the FRS Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the FRS Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the FRS Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the FRS Plan may include up to 4 years of credit for military service toward creditable service. The FRS Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The FRS Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Florida Retirement System Pension Plan (Continued)

Plan Description (Continued)

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the FRS Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits

Benefits Provided

Benefits under the FRS Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

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

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Florida Retirement System Pension Plan (Continued)

Benefits Provided (Continued)

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

Contributions

The Florida Legislature establishes contribution rates for participating employers and employees. Effective July 1, 2011, all FRS Plan members (except those in DROP) are required to make 3% employee contributions on a pretax basis. The contribution rates attributable to the District, effective July 1, 2014, were applied to employee salaries as follows: regular employees 7.37%, senior management 21.14%, special risk 19.82% and DROP participants 12.28%. The District's contributions to the FRS Plan were \$276,646 for the year ended September 30, 2015.

Pension Costs

At September 30, 2015, the District reported a liability of \$1,451,140 for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportion of the net pension liability was based on the District's contributions received by FRS during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of FRS's participating employers. At June 30, 2015, the District's proportion was .00112%, which was a decrease of 0.00018% from its proportion measured as of June 30, 2014.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

**Florida Retirement System Pension Plan (Continued)
Pension Costs (Continued)**

For the year ended September 30, 2015, the District recognized pension expense of (\$24,415) for its proportionate share of FRS's pension expense. In addition, the District reported its proportionate share of FRS's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 153,197	\$ 34,417
Changes in Actuarial Assumptions	96,317	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	346,508
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	-	590,557
District Contributions Subsequent to the Measurement Date	79,562	-
Total	<u>\$ 329,076</u>	<u>\$ 971,482</u>

\$79,562 reported as deferred outflows of resources related to pensions resulting from District contributions to the FRS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2016	\$ (241,604)
2017	(241,604)
2018	(241,604)
2019	44,276
2020	(36,515)
Thereafter	(4,917)

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Florida Retirement System Pension Plan (Continued)

Actuarial Assumptions

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

Inflation	2.60% per year
Salary Increases	3.25%, Average, Including Inflation
Investment Rate of Return	7.65%, Net of Pension Plan Investment Expense, Including Inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2014.

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

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.2%	3.1%	1.7%
Fixed Income	18.0%	4.8%	4.7%	4.7%
Global Equity	53.0%	8.5%	7.2%	17.7%
Real Estate (Property)	10.0%	6.8%	6.2%	12.0%
Private Equity	6.0%	11.9%	8.2%	30.0%
Strategic Investments	12.0%	6.7%	6.1%	11.4%
Totals	100%			
Assumed Inflation - Mean		2.6%		1.9%

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Florida Retirement System Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for the FRS Plan. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of 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 of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability for the FRS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
FRS Plan Discount Rate	6.65%	7.65%	8.65%
District's Proportionate Share of the FRS Plan Net Pension Liability	\$ 3,760,230	\$ 1,451,140	\$ (470,404)

Pension Plan Fiduciary Net Position

Detailed information about the FRS Plan's fiduciary's net position is available in a separately-issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report. That report may be obtained through the Florida Department of Management Services website at <http://www.dms.myflorida.com>.

Retiree Health Insurance Subsidy Program

Plan Description

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

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Retiree Health Insurance Subsidy Program (Continued)

Benefits Provided

For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2015, the contribution rate was 1.26 percent of payroll pursuant to section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled. The District's contributions to the HIS Plan were \$21,909 for the year ended September 30, 2015.

Pension Costs

At September 30, 2015, the District reported a liability of \$546,345 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportion of the net pension liability was based on the District's contributions received during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all participating employers. At June 30, 2015, the District's proportion was 0.00536%, which was a decrease of 0.00061% from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the District recognized pension expense of \$30,218 for its proportionate share of HIS's pension expense. In addition, the District reported its proportionate share of HIS's deferred outflows of resources and deferred inflows of resources from the following sources:

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

**Retiree Health Insurance Subsidy Program (Continued)
Pension Costs (Continued)**

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ -
Changes in Actuarial Assumptions	42,983	-
Net Difference Between Projected and Actual Earnings on HIS Program Investments	296	-
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	-	61,883
District Contributions Subsequent to the Measurement Date	7,133	-
Total	<u>\$ 50,412</u>	<u>\$ 61,883</u>

\$7,133 reported as deferred outflows of resources related to pensions resulting from District contributions to the FRS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2016	\$ (2,940)
2017	(2,940)
2018	(2,940)
2019	(3,000)
2020	(3,029)
Thereafter	(3,755)

Actuarial Assumptions

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

Inflation	2.60% per year
Salary Increases	3.25%, Average, Including Inflation
Municipal Bond Rate	3.80%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2014.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Retiree Health Insurance Subsidy Program (Continued)

Discount Rate

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

Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability for the HIS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
HIS Plan Discount Rate	2.80%	3.80%	4.80%
District's Proportionate Share of the HIS Plan Net Pension Liability	\$ 622,534	\$ 546,345	\$ 482,814

Pension Plan Fiduciary Net Position

Detailed information about the HIS Plan's fiduciary's net position is available in a separately-issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report. That report may be obtained through the Florida Department of Management Services website at <http://www.dms.myflorida.com>.

NOTE 7 DEFINED CONTRIBUTION PLANS

Florida Retirement System Pension Plan

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

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 7 DEFINED CONTRIBUTION PLANS (CONTINUED)

Florida Retirement System Pension Plan (Continued)

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Special Risk Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2014-15 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, Special Risk Administrative Support class 7.95%, Special Risk class 14.00%, and Senior Management Service class 7.67%.

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

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

The District's Investment Plan pension expense totaled \$16,659 for the year ended September 30, 2015.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 7 DEFINED CONTRIBUTION PLANS (CONTINUED)

New York Life Pension Plan

The District had for numerous years offered pension benefits for all full-time employees through a defined contribution plan with New York Life. Beginning in the fiscal year ended September 30, 2002, the District provided the Florida Retirement System as a benefit option to all employees. Each employee was allowed to choose to remain with the existing defined contribution plan with New York Life or to transfer to the Florida Retirement System. All new employees after this date are required to participate in the Florida Retirement System. The District amends the provisions of its defined contribution plan with the New York Life to mirror the periodic changes for the high-risk employees provided by the Florida Retirement System.

The New York Life Plan (the Plan) is a single-employer plan. Employees are eligible to participate if they have reached 18 years of age and have completed one year of service upon the anniversary date of the Plan. Contributions are made to the Plan based upon eligible compensation. The contribution rate mirrors the Florida Retirement System high risk rate and was 19.82% at September 30, 2015. Each participant becomes 100% vested immediately upon participation in the Plan.

Contributions to the Plan for the fiscal years ended September 30, 2015, 2014, and 2013 were \$80,075, \$86,916, and \$81,365, respectively. The number of participants with vested benefits at September 30, 2015 was 15. All eligible employees are required to contribute 3% of their salary to this pension Plan.

The Plan provides for a variety of participant directed investments in mutual funds, all of which are administered by New York Life Insurance and Annuity Corporation.

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The District adheres to GASB Statement No. 45: *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB)*, which established accounting standards for postemployment benefits. This 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.

Plan Description and Funding Policy

The District provides post retirement health care benefits in accordance with Section 112.0801, *Florida Statutes*, to all eligible employees who retire from the District. This benefit is available to employees with 25 years of service or age 55 with six years of service. There is currently one retiree eligible for this benefit. Expenditures for postemployment health care benefits are recognized as premiums are paid.

The Plan does not issue a separate financial report.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The District has elected to calculate the ARC and related information using the projected unit credit measurement method for employers in Plans with fewer than one hundred total Plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan.

Net OPEB Obligation	
Annual required contribution	\$ 28,000
Interest on net OPEB obligation	3,000
Adjustment to annual required contribution	(4,000)
Annual OPEB cost	27,000
Contributions made:	
Estimated net retiree claims paid by the District	13,000
Change in net OPEB obligation	14,000
Net OPEB obligation, beginning of year	82,000
Net OPEB obligation, end of year	\$ 96,000

Information as to the District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation are shown in the table below.

Schedule of Employer Contributions			
Year Ended September 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 27,000	48.1%	\$ 96,000
2014	\$ 25,000	40.0%	\$ 82,000
2013	\$ 24,468	32.7%	\$ 67,000

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Funded Status and Funding Progress

As of the most recent actuarial valuation date, the funded status of the Plan was as follows:

Funded Status of the Plan	
Actuarial valuation date	September 30, 2013
Plan assets at fair value	\$ -
Actuarial accrued liability (AAL)	\$ 252,000
Unfunded AAL (UAAL)	\$ 252,000
Funded ratio	0.0%
Covered payroll	\$ 2,300,869
UAAL as a percentage of covered payroll	10.95%

The projection of future benefit payments for an ongoing Plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer (ARC) are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress is presented as required supplementary information following the notes to the financial statements.

Methods and Assumptions

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

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Methods and Assumptions (Continued)

The following simplifying assumptions were made:

Retirement age for active employees. If hired before July, 1, 2011 - Age 55 and six years of service or 25 years of service. If hired after June 30, 2011 – Age 60 with eight years of service or 30 years of service.

Turnover. The probability that an employee will remain employed until the assumed retirement age was determined using non-group specific age-based turnover data provided in Table 1 in Paragraph 132b of the Postemployment Benefits other than Pension Benefits Standard.

Healthcare cost trend rate. The expected rate of increase in healthcare insurance premiums was based on projections of the Society of Actuaries Long Term Medical Trend Model for Medicare & Medicaid Services. A rate of 8.0 percent initially, reduced to an ultimate rate of 5.0 percent in 2050, was used.

The discount rate used was 3.5 percent. In addition, the actuarial method used was the projected unit credit with 30-year amortization method of the unfunded liability. The actuarial value of Plan assets is measured at fair value. The unfunded actuarial accrued liability is being amortized as a level dollar amount over 30 years.

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance.

The District participates in workers' compensation insurance program with Preferred Governmental Insurance Trust (PGIT). The District pays an annual premium for this insurance program. Participation in this risk pool is non-assessable. There were no significant reductions in insurance coverage as compared to the prior year. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. The District transfers the risk of loss to PGIT with limits of liability of \$1,000,000 per accident or disease for workers' compensation.

The District purchased commercial insurance for general/professional liability, automobile and rescue vehicle, and property. The District retains the risk of loss up to a deductible amount (ranging from \$-0- to \$1,000) with the risk of loss in excess of this amount transferred to the pool with limits of liability of either guaranteed replacement value or between \$1,000,000 to \$5,000,000, per occurrence, for general/professional liability, automobile, and property. There were no significant reductions in insurance coverage as compared to the prior year. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 10 LINE OF CREDIT

The District has an agreement with a local financial institution for a \$1,500,000 revolving line of credit. The proceeds of this line of credit can be used only for working capital and soft costs associated with the design or the new addition to the existing station, and for other lawful purpose, as may be duly approved by the District's Board of Commissioners.

The line of credit has a current maturity of August 26, 2016. Interest is charged on a floating basis at 65% of the prime rate as quoted in the Wall Street Journal. There is no collateral associated with this line of credit. In connection with this agreement, the District is required to maintain its principal transaction account at the financial institution.

During the year ended September 30, 2015, the District borrowed and repaid \$250,000 under this line of credit.

NOTE 11 MILLAGE RATE INCREASE

Pursuant to the results of a voter referendum held March 17, 2016, the District's maximum tax rate cap was increased from 3.0000 mills to 3.7500 mills.

NOTE 12 NEW STATION CONSTRUCTION

In May 2016, the District Board of Commissioners conducted a feasibility analysis and adopted a resolution to authorize the construction of Station 4 at a cost not to exceed \$3,000,000. Station 4 will be located in Matlacha on the eastern side of the District's service area to reduce response time for those residents.

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REQUIRED SUPPLEMENTARY INFORMATION

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
SCHEDULE OF FUNDING PROGRESS
YEAR ENDED SEPTEMBER 30, 2015**

POSTEMPLOYMENT HEALTH PLAN

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
9/30/2010	\$ -	\$ 141,000	\$ 141,000	0.00%	\$ 2,333,830	6.04%
9/30/2013	\$ -	\$ 252,000	\$ 252,000	0.00%	\$ 2,300,869	10.95%

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –
 FLORIDA RETIREMENT SYSTEM PENSION PLAN ¹
 YEAR ENDED SEPTEMBER 30, 2015**

	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Pension Liability	0.011234910%	0.013063510%
District's Proportionate Share of the Net Pension Liability	\$ 1,451,140	\$ 797,066
District's Covered-Employee Payroll	\$ 1,493,665	\$ 1,644,471
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	97.15%	48.47%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	92.00%	96.09%

*The Amounts Presented for Each Fiscal Year were Determined as of June 30.

¹ Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for only those years for which information is available.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS -
FLORIDA RETIREMENT SYSTEM PENSION PLAN ¹
YEAR ENDED SEPTEMBER 30, 2015**

	2015	2014
Contractually Required Contribution	\$ 276,646	\$ 311,987
Contributions in Relation to the Contractually Required Contribution	(276,646)	(311,987)
Contribution Deficiency (Excess)	\$ -	\$ -
District's Covered-Employee Payroll	\$ 1,477,342	\$ 1,650,571
Contributions as a Percentage of Covered Employee Payroll	18.73%	18.90%

*The Amounts Presented for Each Fiscal Year were Determined as of September 30.

¹ Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for only those years for which information is available.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –
 HEALTH INSURANCE SUBSIDY PENSION PLAN ¹
 YEAR ENDED SEPTEMBER 30, 2015**

	2015	2014
District's Proportion of the Net Pension Liability	0.005357147%	0.005970092%
District's Proportionate Share of the Net Pension Liability	\$ 546,345	\$ 558,218
District's Covered-Employee Payroll	\$ 1,625,157	\$ 1,773,809
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	33.62%	31.47%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	0.50%	0.99%

*The Amounts Presented for Each Fiscal Year were Determined as of June 30.

¹ Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for only those years for which information is available.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS -
HEALTH INSURANCE SUBSIDY PENSION PLAN ¹
YEAR ENDED SEPTEMBER 30, 2015**

	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 21,909	\$ 21,716
Contributions in Relation to the Contractually Required Contribution	(21,909)	(21,716)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 1,602,413	\$ 1,786,955
Contributions as a Percentage of Covered Employee Payroll	1.37%	1.22%

*The Amounts Presented for Each Fiscal Year were Determined as of September 30.

¹ Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for only those years for which information is available.

**INDEPENDENT AUDITORS' 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**

Board of Commissioners
Matlacha/Pine Island Fire Control District
Bokeelia, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Matlacha/Pine Island Fire Control District (the District), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 21, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 is required to be reported under *Government Auditing Standards*.

The District’s Responses to Findings

The District’s responses to the findings identified in our audit are described in the accompanying schedule of management responses. The District’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.



CliftonLarsonAllen LLP

Fort Myers, Florida
June 21, 2016

MANAGEMENT LETTER

Board of Commissioners
Matlacha/Pine Island Fire Control District
Bokeelia, Florida

Report on the Financial Statements

We have audited the financial statements of the Matlacha/Pine Island Fire Control District (the District), as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated June 21, 2016.

Auditors' Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditors' 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* and Independent Accountants' 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 June 21, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Refer to the accompanying schedule of findings for the status of corrective actions.

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. The District discloses this information in Note 1 to the financial statements.

Financial Condition

Section 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 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.

Financial Condition (Continued)

Pursuant to Sections 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 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. The results of our financial condition assessment procedures are included in the accompanying schedule of findings as 2013-004.

Annual Financial Report

Section 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, 2015, 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, 2015. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. The District does not have any special district component units.

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 findings.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. 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 these specified parties.



CliftonLarsonAllen LLP

Fort Myers, Florida
June 21, 2016

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)
SEPTEMBER 30, 2015**

PRIOR YEAR

Prior Year Findings		Current Year Status			Current Year Finding #	2013-14 FY Finding #	2012-13 FY Finding #	2011-12 FY Finding #
		Cleared	Partially Cleared	Not Cleared				
ML 2013-04 Financial Condition Assessment	Management Comment			X	ML2013-04	ML2013-04	ML2013-04	N/A
MW 2014-001 Untimely Payroll Tax Payment	Material Weakness	X			N/A	MW2014-001	N/A	N/A

CURRENT YEAR

2013-004 Financial Condition Assessment

Criteria:

Financial condition refers to a local governmental entity's ability to meet its financial obligations and provide services that are required for the health, safety, and welfare of the community, and that its citizens desire.

Condition:

Financial condition assessment procedures disclosed deteriorating financial conditions as of September 30, 2015. Of 14 applicable financial indicators, 8 indicated an unfavorable rating. The following unfavorable rated financial indicators are the most significant.

- The change in net position as compared to beginning net position declined between 2010 and 2014.
- Unassigned fund balance plus unrestricted net assets, at a constant dollar rate, have declined significantly between fiscal years 2010 and 2014, partially due to amounts committed in recent years.
- The ratio of unassigned fund balance to total expenditures for the general fund has declined significantly between fiscal years 2010 and 2014, partially due to amounts committed in recent years.
- The ratio of unassigned fund balance to total revenue for the general fund has declined significantly between fiscal years 2010 and 2014, partially due to amounts committed in recent years.
- The District's apparatus are aging and may require significant maintenance or replacement in the near term.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)
SEPTEMBER 30, 2015**

CURRENT YEAR (CONTINUED)

2013-004 Financial Condition Assessment (Continued)

Cause:

The primary factors that contribute to the deteriorating financial condition include:

- Reductions in general fund revenues due to the decrease in certified taxable values of real and personal property within the District resulting in lower ad valorem taxes levied.
- Total general fund expenditures not decreasing at the same rate as general fund revenues.
- For fiscal 2012, 2013, and 2014 general fund expenditures were in excess general fund revenues.

Effect:

We believe that the result of the indicators listed above indicate that the District's overall financial condition is deteriorating. The unfavorably rated financial indicators may indicate: difficulties in maintaining an adequate level of service; continued budgetary concerns; raising cash to meet current needs; a reduction in the ability to fund capital purchases without having to borrow; and a reduction in the ability to withstand financial emergencies.

Recommendation:

The District should take appropriate corrective actions to address the above-noted factors. A financial plan should be developed and include consideration of:

- Spending needs.
- Fund balance amounts committed.

Management's Response:

Management's response can be found on pages 52 and 53. This response includes the actions the District has taken to address the trend of a deteriorating financial condition.



MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
5700 PINE ISLAND ROAD
BOKEELIA, FLORIDA 33922-3132

PHONE: 239-283-0030 FAX: 239-283-3313

June 21, 2016

CliftonLarsonAllen LLP
6810 International Center Blvd.
Fort Myers, FL 33912

Dear Sir:

Please be advised that this serves as written statement of explanation regarding the findings and recommendations contained in the Management Letter included in the audit of financial statements dated September 30, 2015:

The District is pleased that the following prior year material weakness was cleared as of September 30, 2015:

- MW2014-001 Untimely Payroll Tax Payment

The District provides the following response to the current year findings and recommendations:

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

ML2013-04 Financial Condition Assessment

Criteria

Financial condition refers to a local governmental entity's ability to meet its financial obligations and provide services that are required for the health, safety, and welfare of the community, and that its citizens desire.

Condition

Financial condition assessment procedures disclosed deteriorating financial conditions as of September 30, 2015. Of 14 applicable financial indicators, 8 indicated an unfavorable rating. The following unfavorable rated financial indicators are the most significant.

- The change in net position as compared to beginning net position declined between 2010 and 2014.
- Unassigned fund balance plus unrestricted net assets, at a constant dollar rate, have declined significantly between fiscal years 2010 and 2014, partially due to amounts committed in recent years.
- The ratio of unassigned fund balance to total expenditures for the general fund has declined significantly between fiscal years 2010 and 2014, partially due to amounts committed in recent years.
- The ratio of unassigned fund balance to total revenue for the general fund has declined significantly between fiscal years 2010 and 2014, partially due to amounts committed in recent years.
- The District's apparatus are aging and may require significant maintenance or replacement in the near term.

Cause

The primary factors that contribute to the deteriorating financial condition include:

- Reductions in general fund revenues due to the decrease in certified taxable values of real and personal property within the District resulting in lower ad valorem taxes levied.
- The general fund expenditures not decreasing at the same rate as general fund revenues.
- For fiscal 2012, 2013 and 2014 general fund expenditures were in excess of general fund revenues.

Effect

We believe that the result of the indicators listed above indicate the District's overall financial condition is deteriorating. The unfavorably rated financial indicators may indicate: difficulties in maintaining an adequate level of service; continued budgetary concerns; raising cash to meet current needs; a reduction in the ability to fund capital purchases without having to borrow; and a reduction in the ability to withstand financial emergencies.

Recommendation

The District should take appropriate corrective actions to address the above-noted factors. A financial plan should be developed and include consideration of:

- Spending needs.
- Fund balance amounts committed.

RESPONSE

The District understands that the continuation of the prior year management comment ML2013-04 is based on the measurement indices of the Auditor General which include data from several prior fiscal years. However, it should be noted that during fiscal year ending September 30, 2015 the District improved its financial condition as follows:

- Net Position increased by \$238,475
- Total revenues increased by \$211,723
- Total expenses decreased by \$423,840
- Unassigned fund balance increased by \$258,173 pursuant to the Commission taking action to reduce Commitments of fund balance
- The ratio of unassigned fund balance to both total expenditures and to total revenues improved.

The financial improvement during fiscal year ending September 30, 2015 is due, not only to reducing commitments of fund balance, but also due to the District ratifying amendments to the collective bargaining agreement with the Southwest Florida Professional Firefighters & Paramedics, Local 1826 International Association of Firefighters which included the reduction in minimum staffing by three (3) full-time equivalent positions.

The District also took action in October 2015 to place a voter referendum on the March 17, 2016 ballot to increase the District's maximum tax rate cap from 3.0000 to 3.7500 mills. The referendum was approved and will be effective with fiscal year beginning October 1, 2016.

The District appreciates the thorough review of internal controls and management comments provided by CliftonLarsonAllen LLP during the audit of the fiscal year 2015 financial statements. The District intends to work diligently toward eliminating future comments as economic conditions permit.

Respectfully submitted,



Benjamin Mickuleit, Acting Fire Chief

INDEPENDENT ACCOUNTANTS' REPORT

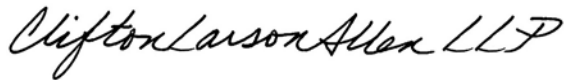
Board of Commissioners
Matlacha/Pine Island Fire Control District
Bokeelia, Florida

We have examined the Matlacha/Pine Island Fire Control District's (the District) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds, during the year ended September 30, 2015. 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 basis, 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, 2015.

This report is intended solely for the information and use of the District and the Florida Auditor General and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Fort Myers, Florida
June 21, 2016