

MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
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YEAR ENDED SEPTEMBER 30, 2017**

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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 each major fund of the Matlacha/Pine Island Fire Control District (the District), as of and for the year ended September 30, 2017, 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 each major fund of the District as of September 30, 2017, 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.


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's contributions on pages 3 through 9, page 41, and pages 43 through 46 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 May 16, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the District's 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 District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Fort Myers, Florida
May 16, 2018

**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, 2017. 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 2017, the District's assets and deferred outflows exceeded its liabilities and deferred inflows, resulting in net position of \$1,996,334.
- The District's total net position increased \$907,809 or 83.4%, in comparison to the prior year.
- Total revenues increased \$1,300,266 or 32.6%, in comparison to the prior year.
- Total expenses increased \$331,315 or 8.2%, in comparison to the prior year.
- At the close of fiscal year 2017, governmental funds reported ending fund balance of \$2,112,183, an increase of \$999,105. \$1,019,294 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 10 and 11 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 10) presents information on all of the District's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, with the difference being 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 11) 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.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

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 12 and 14.

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 17. 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 2017 and 2016:

	2017	2016
ASSETS		
Current and Other Assets	\$ 2,252,365	\$ 1,187,649
Capital Assets	3,856,050	3,888,939
Total Assets	6,108,415	5,076,588
 DEFERRED OUTFLOW OF RESOURCES		
Deferred Amount on Pensions	1,935,119	1,762,505
 LIABILITIES		
Current Liabilities	192,416	245,334
Noncurrent Liabilities	5,155,083	4,957,414
Total Liabilities	5,347,499	5,202,748
 DEFERRED INFLOW OF RESOURCES		
Deferred Amount on Pensions	699,701	547,820
 NET POSITION		
Net Investment in Capital Assets	3,453,786	3,445,006
Restricted	60,975	50,505
Unrestricted	(1,518,427)	(2,406,986)
Total Net Position	\$ 1,996,334	\$ 1,088,525

Net investment in capital assets 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 (\$1,518,427) represents the difference between the District's total net position and the amount invested in capital assets and restricted for capital outlay. The favorable change to unrestricted net position is primarily due to the increase in property tax revenues from the increase in the ad valorem tax rate made available to the District from the passage of a referendum in March 2016 which increased the tax rate cap and permitted the District to levy a higher tax rate in fiscal year 2017.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

The following schedule reports the revenues, expenses, and changes in net position (activities) for the District for the fiscal years 2017 and 2016:

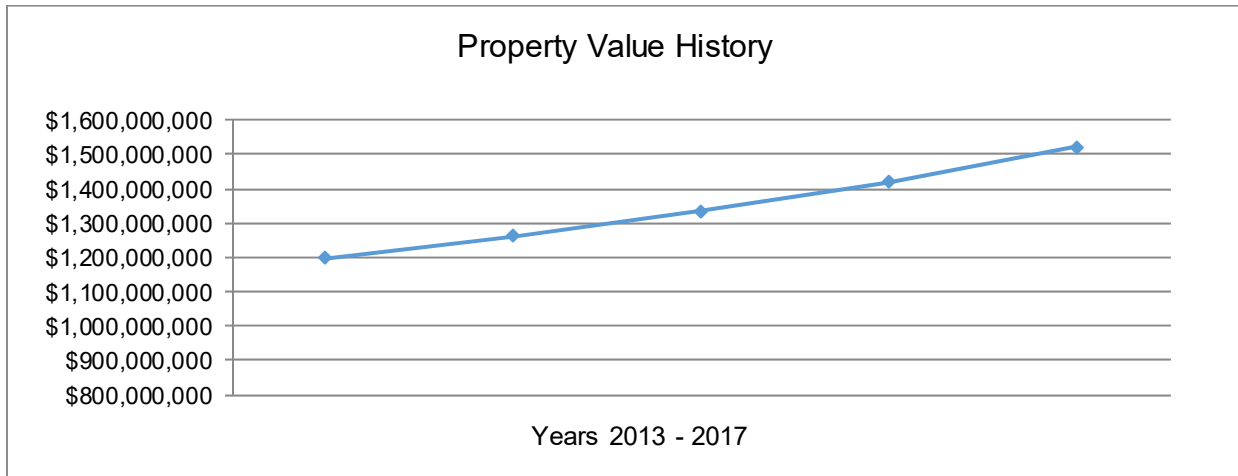
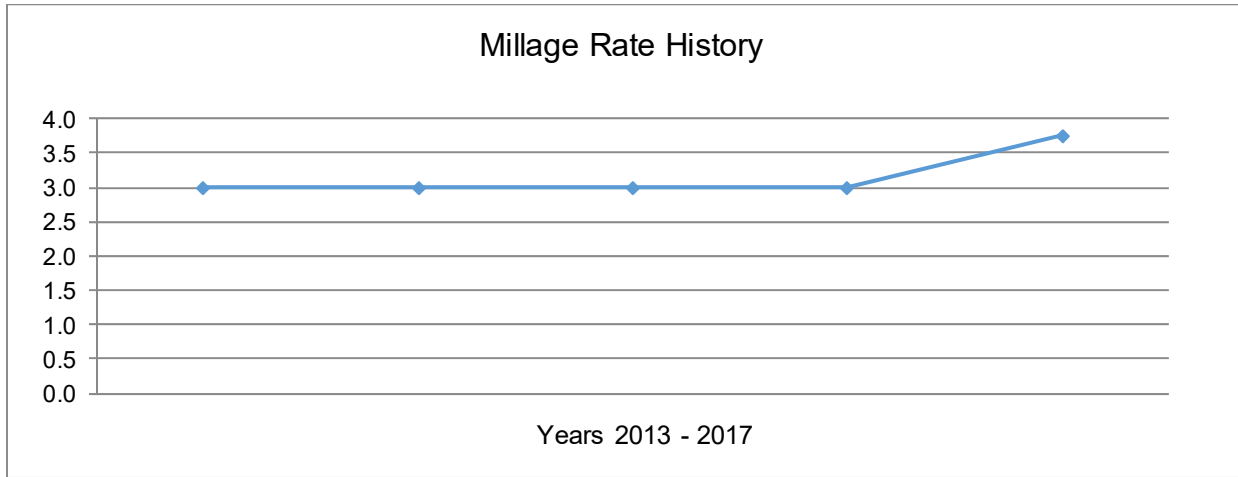
	<u>2017</u>	<u>2016</u>
REVENUES		
General Revenues		
Property Taxes	\$ 5,193,552	\$ 3,889,507
Miscellaneous:		
Impact Fees	28,889	25,462
Investment Earnings	14,690	9,405
Donations from Private Sources	2,071	13,581
Other	42,548	39,116
Program Revenues:		
Intergovernmental Operating Grant	8,347	9,130
Charges for Services	1,235	4,865
Total Revenues	<u>5,291,332</u>	<u>3,991,066</u>
EXPENSES		
Public Safety - Fire Control:		
Personal Services	3,574,421	3,368,779
Operating Expenditures	637,993	512,667
Interest	12,850	6,764
Depreciation	158,259	163,998
Total Program Expenses	<u>4,383,523</u>	<u>4,052,208</u>
INCREASE (DECREASE) IN NET POSITION	907,809	(61,142)
Net Position - Beginning	<u>1,088,525</u>	<u>1,149,667</u>
NET POSITION - ENDING	<u>\$ 1,996,334</u>	<u>\$ 1,088,525</u>

Property tax revenue increased over the prior year by \$1,304,045 or 33.5% due to the increase in the ad valorem tax rate made available to the District from the passage of a referendum in March 2016 which increased the tax rate cap and permitted the District to levy a higher tax rate in fiscal year 2017. An increase in property values and the addition of new construction to the tax rolls also contributed to the increase in property tax revenues.

Total expenses increased \$331,315 or 8.2% in comparison to the prior year primarily due to the budgeted increase in personnel and the associated fringe benefit and training costs as well as the implementation of the second year of the STEP compensation plan pursuant to the three-year collective bargaining agreement ratified in November 2015.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

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 the end of the fiscal year, the general fund reported ending fund balance of \$2,112,183, an increase of \$1,017,295 or 92.9% from the previous year. Unassigned fund balance is \$1,019,294, or 48.3% of total fund balance.

During fiscal year 2017, the District's financial condition continued to improve. This is evidenced by the increase in fund balance in the amount of \$999,105. Tax revenues increased due to the increase in the ad valorem tax rate to 3.7500 mills (per thousand dollars of valuation) pursuant to the passage of a referendum in March 2016 which increased the tax rate cap and permitted the District to levy a higher tax rate in fiscal year 2017. Additionally, tax revenues increased due to the 5.0% market value increase in property values and the addition of \$21,982,980 of new construction to the tax rolls.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

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 \$467,999 or 9.8%.

Budget versus actual comparison for the general fund can be found on page 16.

Capital Assets

Nondepreciable capital assets include land and construction in progress. Depreciable assets include buildings, improvements other than buildings, office equipment, machinery and equipment, and vehicles.

The following is a schedule of the District's capital assets for the fiscal years 2017 and 2016:

	2017	2016
CAPITAL ASSETS		
Land	\$ 794,112	\$ 794,112
Construction in Progress	28,505	28,505
Work in Progress	-	443,933
Total Capital Assets Not being Depreciated	822,617	1,266,550
Fire and Rescue Equipment	429,174	361,726
Buildings	3,437,993	3,437,993
Fire and Rescue Vehicles	1,579,616	1,090,941
Pagers and Radios	161,996	157,161
Furniture, Fixtures, and Equipment	121,158	115,462
Total Capital Assets being Depreciated	5,729,937	5,163,283
ACCUMULATED DEPRECIATION		
Fire and Rescue Equipment	(285,037)	(280,098)
Buildings	(1,099,070)	(1,009,720)
Fire and Rescue Vehicles	(1,075,583)	(1,027,909)
Pagers and Radios	(155,332)	(148,707)
Furniture, Fixtures, and Equipment	(81,482)	(74,460)
Total Accumulated Depreciation	(2,696,504)	(2,540,894)
Total Capital Assets being Depreciated, Net	3,033,433	2,622,389
CAPITAL ASSETS, NET	\$ 3,856,050	\$ 3,888,939

The increase in capital assets in fiscal year 2017 was the net change resulting from the acquisition and disposal of equipment.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Debt Administration

The following is a schedule of the District's outstanding debt at September 30:

	<u>2017</u>	<u>2016</u>
Capital Lease Payable	402,264	443,933

Additional information on the District's debt can be found in Note 6 on page 26.

Economic Factors and Next Year's Budget Rates

For the third consecutive year, the financial condition of the District improved as of September 30, 2017. The following factors were used in the preparation of the fiscal year 2018 budget to continue to improve the financial condition of the District:

- The District levied a tax rate of 3.7500 mills which, in conjunction with the 5.0% increase in taxable values, plus \$24,700,626 in new construction, is estimated to generate an increase in net tax revenues of \$368,192 or 7.2% over the prior fiscal year.
- Personal services were budgeted to increase by \$186,066 or 5.1% for the final year of the STEP compensation plan pursuant to the three-year collective bargaining agreement and for an increase in special overtime pay used to cover sick and vacation days of scheduled personnel.
- Operating expenditures were budgeted to increase by \$148,535 or 20.1% to augment expenditures for pre-employment physicals, repair and maintenance, uniforms, books and subscriptions and education and training.
- Capital outlay expenditures were budgeted at \$460,000, an increase of \$261,479 or 131.7% to provide for Station 1 improvements, an administrative vehicle, brush-fire gear, a drone for ground-fire operations and to replace the SCBA cascade system, including air packs.
- Debt service expenditures were budgeted to decrease by \$106,812 or 67.6% due to the pay-off of certain debt in the prior fiscal year.
- Ending fund balance projected to be available at September 30, 2018 is estimated to increase by \$664,228 or 49.1%, which will continue to improve the District's financial condition.

During fiscal year 2018, the District plans to secure financing, approve architectural plans, secure permits, and break ground for the construction of Station 4 on its property in the Matlacha area to reduce response time to its eastern-most residents.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Requests 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, 2017**

ASSETS

Cash	\$ 2,139,295
Accounts Receivable	207
Prepaid Items	8,589
Due from Other Governments	43,299
Cash - Restricted	51,955
Due from Other Governments - Restricted	9,020
Capital Assets:	
Nondepreciable	822,617
Depreciable Assets, Net	3,033,433
Total Assets	6,108,415

DEFERRED OUTFLOW OF RESOURCES

Deferred Amount on Pension Related Amounts	1,935,119
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LIABILITIES

Accounts Payable	39,681
Accrued Liabilities	91,912
Accrued Interest	8,035
Compensated Absences:	
Expected to be Paid in One Year	12,900
Expected to be Paid After One Year	481,823
Capital Leases Payable:	
Expected to be Paid in One Year	39,888
Expected to be Paid After One Year	362,376
Net OPEB Obligation	127,000
Net Pension Liability	4,183,884
Total Liabilities	5,347,499

DEFERRED INFLOWS OF RESOURCES

Deferred Amount on Pension Related Amounts	699,701
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NET POSITION

Net Investment in Capital Assets	3,453,786
Restricted	60,975
Unrestricted	(1,518,427)
Total Net Position	\$ 1,996,334

See accompanying Notes to Basic Financial Statements.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2017**

PROGRAM EXPENSES

Public Safety - Fire Control:

Personal Services	\$ 3,574,421
Operating Expenditures	637,993
Interest	12,850
Depreciation	158,259
Total Program Expenses	4,383,523

PROGRAM REVENUES

Intergovernmental Operating Grant	8,347
Charges for Services	1,235
Total Program Revenue	9,582

NET PROGRAM EXPENSES

4,373,941

GENERAL REVENUES

Property Taxes	5,193,552
Impact Fees	28,889
Investment Earnings	14,690
Donations from Private Sources	2,071
Other	42,548
Total General Revenues	5,281,750

INCREASE IN NET POSITION

907,809

Net Position - Beginning of Year

1,088,525

NET POSITION - END OF YEAR

\$ 1,996,334

See accompanying Notes to Basic Financial Statements.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	<u>General Fund</u>	<u>Extrication Equipment Acquisition Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 2,139,295	\$ -	\$ 2,139,295
Accounts Receivable	207	-	207
Due from Other Governments	43,299	-	43,299
Cash - Restricted	51,955	-	51,955
Due from Other Governments - Restricted	9,020	-	9,020
	<u>2,243,776</u>	<u>-</u>	<u>2,243,776</u>
Total Assets	<u>\$ 2,243,776</u>	<u>\$ -</u>	<u>\$ 2,243,776</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 39,681	\$ -	\$ 39,681
Accrued Expenses	91,912	-	91,912
Total Liabilities	<u>131,593</u>	<u>-</u>	<u>131,593</u>
FUND BALANCE			
Restricted for Capital Outlay	60,975	-	60,975
Committed:			
Sick Pay	156,686	-	156,686
Contingency/Disaster Reserve	500,000	-	500,000
Station No. 2 Improvements	50,000	-	50,000
Station No. 4 Debt Service	325,228	-	325,228
Unassigned	1,019,294	-	1,019,294
Total Fund Balances	<u>2,112,183</u>	<u>-</u>	<u>2,112,183</u>
Total Liabilities and Fund Balances	<u>\$ 2,243,776</u>	<u>\$ -</u>	<u>\$ 2,243,776</u>

See accompanying Notes to Basic Financial Statements.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

Fund Balances - Governmental Funds		\$ 2,112,183
<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 in the governmental funds.		3,856,050
Prepaid expenses reported on the statement of net position are not reported in the governmental funds.		8,589
Deferred Outflows of Resources are reported as a result of changes in deferred amounts on pensions.		1,935,119
Debt Interest Payable that is not payable in the current period and therefore is not reported in the governmental funds.		(8,035)
Long-term liabilities are not payable in the current period and therefore are not reported in the governmental funds.		
Capital Lease Payable	\$ (402,264)	
Net OPEB Obligation	(127,000)	
Compensated Absences	(494,723)	
Net Pension Liability	<u>(4,183,884)</u>	
		(5,207,871)
Deferred Inflows of Resources are reported as a result of changes in deferred amounts on pensions.		<u>(699,701)</u>
Net Position of Governmental Activities		<u><u>\$ 1,996,334</u></u>

See accompanying Notes to Basic Financial Statements.

MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Extrication Equipment Acquisition Fund	Total Governmental Funds
REVENUES			
Property Taxes	\$ 5,193,552	\$ -	\$ 5,193,552
Licenses and Permits	1,235	-	1,235
Intergovernmental	8,347	-	8,347
Miscellaneous:			
Investment Earnings	14,690	-	14,690
Impact Fees	28,889	-	28,889
Rental Income	28,912	-	28,912
Donations from Private Sources	2,071	-	2,071
Other	13,296	340	13,636
Total Revenues	<u>5,290,992</u>	<u>340</u>	<u>5,291,332</u>
EXPENDITURES			
Public Safety:			
Current:			
Personal Services	3,363,079	-	3,363,079
Operating Expenditures	646,582	-	646,582
Capital Outlay	125,370	-	125,370
Debt Service:			
Principal	147,121	-	147,121
Interest	10,075	-	10,075
Total Expenditures	<u>4,292,227</u>	<u>-</u>	<u>4,292,227</u>
EXCESS OF REVENUES OVER EXPENDITURES	998,765	340	999,105
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	18,530	(18,530)	-
Total Other Financing Sources	<u>18,530</u>	<u>(18,530)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	1,017,295	(18,190)	999,105
Fund Balance - October 1, 2016	<u>1,094,888</u>	<u>18,190</u>	<u>1,113,078</u>
FUND BALANCE - SEPTEMBER 30, 2017	<u>\$ 2,112,183</u>	<u>\$ -</u>	<u>\$ 2,112,183</u>

See accompanying Notes to Basic Financial Statements.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2017**

Net Changes in Fund Balance - Governmental Funds	\$	999,105
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p> <p>Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives and reported as Depreciation Expense. Transactions involving Capital Assets are summarized below.</p>		
Expenditures for Capital Assets	\$ 125,370	
Depreciation Expense	<u>(158,259)</u>	
Subtotal		(32,889)
<p>Certain operating expenditures for future periods recognized on the statement of revenues, expenditures and changes in fund balances but not on the Statement of Activities. This amount represents the change in prepaid expenses.</p>		
		8,589
<p>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.</p>		
		(2,775)
<p>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.</p>		
Change in Compensated Absences	(28,825)	
Change in Net OPEB Obligation	<u>(16,000)</u>	
Subtotal		(44,825)
<p>Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position.</p>		
Line of Credit Payments	105,452	
Capital Lease Payments	<u>41,669</u>	
Subtotal		147,121
<p>Net change in the liability for pensions and related deferred amounts is reported in the government-wide statements, but not in the governmental fund statements.</p>		
		<u>(166,517)</u>
Change in Net Position of Governmental Activities	\$	<u><u>907,809</u></u>

See accompanying Notes to Basic Financial Statements.

MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND – BUDGETARY BASIS
YEAR ENDED SEPTEMBER 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Property Taxes	\$ 5,140,530	\$ 5,140,530	\$ 5,193,552	\$ 53,022
Licenses and Permits	4,000	4,000	1,235	(2,765)
Intergovernmental	8,160	8,160	8,347	187
Miscellaneous:				
Investment Earnings	8,020	8,020	14,690	6,670
Impact Fees	13,200	13,200	28,889	15,689
Rental Income	28,912	28,912	28,912	-
Donations from Private Sources	500	500	2,071	1,571
Other	29,012	29,012	13,296	(15,716)
Total Revenues	<u>5,232,334</u>	<u>5,232,334</u>	<u>5,290,992</u>	<u>58,658</u>
EXPENDITURES				
Public Safety:				
Current:				
Personal Service:				
Salaries	2,239,775	2,239,775	2,168,026	71,749
Benefits	1,426,142	1,426,142	1,195,053	231,089
Operating Expenditures:				
Professional Services	193,772	293,772	198,404	95,368
Training and Physicals	16,925	16,925	37,556	(20,631)
Accounting and				
Contractual Services	38,500	38,500	29,331	9,169
Travel	2,500	2,500	3,297	(797)
Communications	38,947	38,947	40,248	(1,301)
Utilities	35,000	35,000	31,848	3,152
Rentals and Leases	4,790	4,790	3,461	1,329
Insurance	71,500	71,500	68,500	3,000
Repairs and Maintenance	114,000	114,000	113,665	335
Fuel and Operating Supplies	45,000	45,000	48,989	(3,989)
Uniforms	11,000	11,000	7,889	3,111
Other	65,810	65,810	63,394	2,416
Capital Outlay	198,521	198,521	125,370	73,151
Debt Service:				
Principal	147,121	147,121	147,121	-
Interest	10,923	10,923	10,075	848
Total Expenditures	<u>4,660,226</u>	<u>4,760,226</u>	<u>4,292,227</u>	<u>467,999</u>
EXCESS REVENUES OVER EXPENDITURES	572,108	472,108	998,765	526,657
OTHER FINANCING SOURCES				
Transfers In (Out)	-	-	18,530	18,530
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>18,530</u>	<u>18,530</u>
NET CHANGE IN FUND BALANCE	572,108	472,108	1,017,295	545,187
Fund Balance - October 1, 2016	<u>1,094,888</u>	<u>1,094,888</u>	<u>1,094,888</u>	<u>-</u>
FUND BALANCE - SEPTEMBER 30, 2017	<u>\$ 1,666,996</u>	<u>\$ 1,566,996</u>	<u>\$ 2,112,183</u>	<u>\$ 545,187</u>

See accompanying Notes to Basic Financial Statements.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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 station houses and their related equipment, and employs 31 full-time employees, including 27 professional firefighters.

Governmental Accounting Standards Board (GASB) Statement No. 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 Statement No. 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 the related cash flows.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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 and other sources of revenues are recognized when earned.

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 funds:

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.

Extrication Equipment Acquisition Fund

The Extrication Equipment Acquisition Fund is a special revenue fund established to accumulate funds restricted for the purchase of extrication equipment. On April 26, 2017, the Board unanimously approved Resolution 042617(3) to close the Extrication Equipment Acquisition Fund and the fund was closed as of September 30, 2017.

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 acquisition value at the date of the donation.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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.

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

Assets	Years
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 general fund-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 was one supplemental appropriation made during the year ended September 30, 2017.
8. A budget was not adopted for the extrication equipment acquisition fund.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to 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 relate to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program. Note 7 provides more information on this item. These amounts, except for contributions made after the measurement date, will be recognized as increases in pension expense in future years.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(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 relate to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program. Note 7 provides more information on this item. These amounts will be recognized as reductions in pension expense in future years.

Pensions

In the government-wide statement of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows/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 BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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 20 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. During the current fiscal year, the District recognized \$28,889 in impact fees. Restricted cash and restricted due from other governments presented in the accompanying financial statements related to impact fees totaled \$60,975 at September 30, 2017. This amount is also reflected as a Restriction of Net Position.

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. There was no nonspendable fund balance at September 30, 2017.

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. There was no assigned fund balance at September 30, 2017.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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.

The District's fund balance policy states that 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.

Compensated Absences

It is the District's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave, which will be paid upon separation of service. Vacation and sick leave is accrued as a liability when benefits are earned by the employees, that is, the employees have rendered services that give rise to the liability and it is probable that the District will compensate the employees in some manner, e.g., in cash or in paid time-off, now or upon termination or retirement. The liability is recognized at the government-wide level when the benefits are earned by employees.

For governmental funds, reporting a fund liability and expenditures for compensated absences is recognized as payments come due each period upon the occurrence of relevant events, such as employee resignations or retirements.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements. The District has elected to treat these items under the purchase method for the governmental fund financial statements. As such, the costs are recognized immediately as expenditures when paid.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 2 CASH

As of September 30, 2017, the District's cash was as follows:

Deposits with Financial Institutions	\$ 2,191,228
Cash on Hand	<u>22</u>
Total	<u><u>\$ 2,191,250</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.

NOTE 3 INTERFUND TRANSFER

The District made a transfer from the Extrication Equipment Acquisition Fund to the General Fund of \$18,530 to repay the General Fund for the acquisition of extrication tools purchased in conjunction with equipping the new fire truck.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 4 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 794,112	\$ -	\$ -	\$ 794,112
Construction in Progress	28,505	-	-	28,505
Work in Progress	443,933	-	(443,933)	-
Total Capital Assets, Not Being Depreciated	1,266,550	-	(443,933)	822,617
<i>Capital Assets being Depreciated:</i>				
Fire and Rescue Equipment	361,726	67,448	-	429,174
Buildings	3,437,993	-	-	3,437,993
Fire and Rescue Vehicles	1,090,941	488,675	-	1,579,616
Pagers and Radios	157,161	4,835	-	161,996
Furniture, Fixtures, and Equipment	115,462	8,345	(2,649)	121,158
Total Capital Assets being Depreciated	5,163,283	569,303	(2,649)	5,729,937
<i>Less Accumulated Depreciation for:</i>				
Fire and Rescue Equipment	(280,098)	(4,939)	-	(285,037)
Buildings	(1,009,720)	(89,350)	-	(1,099,070)
Fire and Rescue Vehicles	(1,027,909)	(47,674)	-	(1,075,583)
Pagers and Radios	(148,707)	(6,625)	-	(155,332)
Furniture, Fixtures, and Equipment	(74,460)	(9,671)	2,649	(81,482)
Total Accumulated Depreciation	(2,540,894)	(158,259)	2,649	(2,696,504)
Total Capital Assets being Depreciated, Net	2,622,389	411,044	-	3,033,433
Total Capital Assets	<u>\$ 3,888,939</u>	<u>\$ 411,044</u>	<u>\$ (443,933)</u>	<u>\$ 3,856,050</u>

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 5 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 24, 2018. 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, 2017, the District borrowed \$-0- and repaid \$105,452 under this line of credit.

NOTE 6 LONG-TERM LIABILITIES

The following is a summary of changes in the District's long-term liabilities for the year ended September 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital Leases	\$ 443,933	\$ -	\$ 41,669	\$ 402,264	\$ 39,888
Compensated Absences	465,898	257,213	228,388	494,723	12,900
Net OPEB Obligation	111,000	16,000	-	127,000	-
Total	<u>\$ 1,020,831</u>	<u>\$ 273,213</u>	<u>\$ 270,057</u>	<u>\$ 1,023,987</u>	<u>\$ 52,788</u>

Long-term debt consisted of the following at September 30, 2017:

\$443,933 Capital Lease Payable to a Financial Institution, Annual Payments of \$51,232, including Interest Payable at 2.82%, due January 15, 2026.	\$ 402,264
Accrued Compensated Absences	494,723
Net OPEB Obligation	127,000
Subtotal	<u>1,023,987</u>
Less: Amount Expected to be Paid in One Year	<u>(52,788)</u>
Long-Term Debt Payable After One Year	<u>\$ 971,199</u>

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

The assets acquired through the capital lease are:

<u>Assets</u>	<u>Amount</u>	<u>Accumulated Depreciation</u>	<u>Balance</u>
Fire Trucks	\$ 443,933	\$ (25,896)	\$ 418,037

Future minimum capital lease payments are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2018	\$ 51,232
2019	51,232
2020	51,231
2021	51,231
2022	51,232
2023-2026	<u>204,926</u>
Total Minimum Lease Payments	461,084
Less: Amount Representing Interest	<u>58,820</u>
Present Value of Minimum Lease Payments	<u><u>\$ 402,264</u></u>

NOTE 7 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

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 7 PROPERTY TAXES (CONTINUED)

The Board of Commissioners of the District levied ad valorem taxes at a millage rate of \$3.75 per \$1,000 (3.75 mils) of the 2016 net taxable value of real property located within the District.

NOTE 8 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.

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 \$513,234 for both the FRS Pension Plan and HIS Plan for the fiscal year ended September 30, 2017.

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.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Florida Retirement System Pension Plan (Continued)

Plan Description (Continued)

Employees enrolled in the FRS Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the FRS Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62, or at any age after 30 years of service, except for 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 four 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.

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 five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on 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:

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Florida Retirement System Pension Plan (Continued)

Benefits Provided (Continued)

<u>Class, Initial Enrollment, and Retirement Age/Years of Service:</u>	<u>Percent 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

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% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. 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, 2016, were applied to employee salaries as follows: regular employees 7.52%, senior management 21.77%, special risk 22.57%, and DROP participants 12.99%. The District's contributions to the FRS Plan were \$318,327 for the year ended September 30, 2017.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Florida Retirement System Pension Plan (Continued)

Pension Costs

At September 30, 2017, the District reported a liability of \$3,629,200 for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The District's 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of FRS's participating employers. At June 30, 2017, the District's proportion was .01227%, which was a decrease of 0.001% from its proportion measured as of June 30, 2016.

For the year ended September 30, 2017, the District recognized pension expense of \$483,954 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	\$ 333,073	\$ 20,104
Changes in Actuarial Assumptions	1,219,668	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	89,941
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	194,085	463,737
District Contributions Subsequent to the Measurement Date	85,960	-
Total	<u>\$ 1,832,786</u>	<u>\$ 573,782</u>

\$85,960 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, 2018. 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>
2018	\$ 82,130
2019	394,332
2020	300,848
2021	78,550
2022	236,007
Thereafter	81,177

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Florida Retirement System Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60% per year
Salary Increases	3.25%, Average, Including Inflation
Investment Rate of Return	7.10%, Net of Pension Plan Investment Expense, Including Inflation

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

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation, 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 %	3.0 %	3.0 %	1.8 %
Fixed Income	18.0 %	4.5 %	4.4 %	4.2 %
Global Equity	53.0 %	7.8 %	6.6 %	17.0 %
Real Estate (Property)	10.0 %	6.6 %	5.9 %	12.8 %
Private Equity	6.0 %	11.5 %	7.8 %	30.0 %
Strategic Investments	12.0 %	6.1 %	5.6 %	9.7 %
Totals	100.0 %			
Assumed Inflation - Mean			2.6 %	1.9 %

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Florida Retirement System Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.10% 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	6.10 %	7.10 %	8.10 %
District's Proportionate Share of the FRS Plan Net Pension Liability	\$ 6,568,633	\$ 3,629,200	\$ 1,188,797

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 BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Retiree Health Insurance Subsidy Program (Continued)

Benefits Provided

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

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2017, the contribution rate was 1.66% of payroll pursuant to section 112.363, Florida Statutes. The District contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled. The District's contributions to the HIS Plan were \$28,390 for the year ended September 30, 2017.

Pension Costs

At September 30, 2017, the District reported a liability of \$554,684 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The District's 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, 2016, through June 30, 2017, relative to the total employer contributions received from all participating employers. At June 30, 2017, the District's proportion was 0.00519%, which was a decrease of 0.00042% from its proportion measured as of June 30, 2016.

For the year ended September 30, 2017, the District recognized pension expense of \$29,280 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 BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 8 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	\$ -	\$ 1,155
Changes in Actuarial Assumptions	77,969	47,964
Net Difference Between Projected and Actual Earnings on HIS Program Investments	308	-
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	17,112	76,800
District Contributions Subsequent to the Measurement Date	6,944	-
Total	<u>\$ 102,333</u>	<u>\$ 125,919</u>

\$6,944 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, 2018. 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>
2018	\$ (3,813)
2019	(3,871)
2020	(3,899)
2021	(3,951)
2022	(1,351)
Thereafter	(13,645)

Actuarial Assumptions

The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60% per year
Salary Increases	3.25%, Average, Including Inflation
Municipal Bond Rate	3.58%

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

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Retiree Health Insurance Subsidy Program (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 3.58% 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	2.58 %	3.58 %	4.58 %
District's Proportionate Share of the HIS Plan Net Pension Liability	\$ 632,967	\$ 554,684	\$ 489,477

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 9 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 BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 9 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 0.06% of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2016-17 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class. The percentages are the same as those listed previously to the FRS Plan.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2017, 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 \$26,033 for the year ended September 30, 2017.

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 9 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 contribution rates. Each participant becomes 100% vested immediately upon participation in the Plan.

Contributions to the Plan for the fiscal years ended September 30, 2017, 2016, and 2015 were \$93,252, \$93,149, and \$88,566 respectively. The number of participants with vested benefits at September 30, 2017 was 11. 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 10 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 postemployment health care benefits in accordance with Section 112.0801, *Florida Statutes*, to all eligible employees who retire from the District. Retirees are to pay their full premium for the plan. This is a benefit to retirees because the cost of health insurance for retirees exceeds the full premium. Employees will subsidize the cost of retirees under the group coverage. This benefit is available to employees with 25 years of service or age 55 with 6 years of service. There are currently three retirees 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 BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 10 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 30 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	Amount
Annual Required Contribution	\$ 17,000
Interest on Net OPEB Obligation	4,000
Adjustment to Annual Required Contribution	<u>(5,000)</u>
Annual OPEB Cost	16,000
Contributions Made:	
Estimated Net Retiree Claims Paid by the District	<u>-</u>
Change in Net OPEB Obligation	16,000
Net OPEB Obligation - Beginning of Year	<u>111,000</u>
Net OPEB Obligation - End of Year	<u><u>\$ 127,000</u></u>

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
2017	\$ 16,000	- %	\$ 127,000
2016	15,000	- %	111,000
2015	27,000	48.1 %	96,000

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 10 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, 2016
Plan Assets at Fair Value	\$ -
Actuarial Accrued Liability (AAL)	148,000
Unfunded AAL (UAAL)	148,000
Funded Ratio	- %
Covered Payroll	\$ 2,132,072
UAAL as a Percentage of Covered Payroll	6.94%

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 BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 10 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 6 years of service or 25 years of service. If hired after June 30, 2011 - Age 60 with 8 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 nongroup 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 4.7% initially, increased to an ultimate rate of 5.26% in 2050, was used.

The discount rate used was 3.5%. In addition, the actuarial method used was the projected unit credit with 25-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 25 years.

NOTE 11 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; 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 nonassessable. 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. Settlement claims have not exceeded insurance coverage in any of the past three years.

MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 12 SUBSEQUENT EVENTS

On August 11, 2017, the District entered into a guaranteed maximum price contract for services in connection with the construction of Fire Station No. 4. As of May 16, 2018 the guaranteed maximum price of the contract had not been determined.

On December 18, 2017, the District entered into a \$350,000 capital lease purchase agreement at an interest rate of 2.99% to finance the purchase of a new fire truck. The original term of the lease expires on September 30, 2018. The lease is subject to eight one-year renewal periods. The final renewal period will terminate on December 18, 2025.

On March 6, 2018, the District entered into a \$2,502,500 capital lease purchase agreement at an interest rate of 4.28% with a financial institution to finance the construction of Fire Station No. 4. The original term of the lease expires on September 30, 2018. The lease is subject to 20 one-year renewal periods. The final renewal period will terminate on March 6, 2038.

REQUIRED SUPPLEMENTARY INFORMATION

**MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
SCHEDULE OF FUNDING PROGRESS
YEAR ENDED SEPTEMBER 30, 2017**

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	- %	\$ 2,333,830	6.04 %
9/30/2013	-	252,000	252,000	- %	2,300,869	10.95 %
9/30/2016	-	148,000	148,000	- %	2,132,072	6.94 %

**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, 2017 ***

	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.012269380%	0.013239069%	0.011234914%	0.013063510%
District's Proportionate Share of the Net Pension Liability	\$ 3,629,200	\$ 3,342,875	\$ 1,451,140	\$ 797,066
District's Covered Payroll	\$ 1,533,379	\$ 1,604,254	\$ 1,493,665	\$ 1,644,471
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	236.68%	208.38%	97.15%	48.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.89%	84.88%	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'S CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM PENSION PLAN ¹
YEAR ENDED SEPTEMBER 30, 2017 ***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 318,327	\$ 300,433	\$ 276,646	\$ 311,987
Contributions in Relation to the Contractually Required Contribution	<u>(318,327)</u>	<u>(300,433)</u>	<u>(276,646)</u>	<u>(311,987)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 1,595,463	\$ 1,544,059	\$ 1,477,342	\$ 1,650,571
Contributions as a Percentage of Covered Payroll	19.95%	19.46%	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 SUBSIDIARY PENSION PLAN ¹
 YEAR ENDED SEPTEMBER 30, 2017 ***

	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.005187613%	0.005609455%	0.005357147%	0.005970092%
District's Proportionate Share of the Net Pension Liability	\$ 554,684	\$ 653,759	\$ 546,345	\$ 558,218
District's Covered Payroll	\$ 1,657,850	\$ 1,733,671	\$ 1,625,157	\$ 1,773,809
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	33.46%	37.71%	33.62%	31.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	1.64%	0.97%	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'S CONTRIBUTIONS
HEALTH INSURANCE SUBSIDIARY PENSION PLAN ¹
YEAR ENDED SEPTEMBER 30, 2017 ***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 28,390	\$ 27,720	\$ 21,909	\$ 21,716
Contributions in Relation to the Contractually Required Contribution	<u>(28,390)</u>	<u>(27,720)</u>	<u>(21,909)</u>	<u>(21,716)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 1,710,241	\$ 1,669,860	\$ 1,602,413	\$ 1,786,955
Contributions as a Percentage of Covered Payroll	1.66%	1.66%	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 funds of Matlacha/Pine Island Fire Control District (the District), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 16, 2018.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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
May 16, 2018



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, 2017, and have issued our report thereon dated May 16, 2018.

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 Reporting Requirements

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*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 16, 2018, 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 financial audit report. There were no findings or recommendations made in the preceding financial audit report.

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 and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate 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 to identify 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 and Management (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 for the District. 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.

Section 10.554(1)(i)(2)., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2017, 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, 2017. 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, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide 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.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 note 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
May 16, 2018



MATLACHA/PINE ISLAND FIRE CONTROL DISTRICT
5700 PINE ISLAND ROAD
BOKEELIA, FLORIDA 33922-3132
PHONE: 239-283-0030 FAX: 239-283-3313
Mickuleit@pineislandfire.org

May 18, 2018

CliftonLarsonAllen, LLP
12800 University Drive
Fort Myers, Florida 33907

To Whom It May Concern:

Pursuant to the rules of the Auditor General Section 10.557 (I) this letter serves as written statement of explanation.

I am pleased that you have reported no findings in your report dated September 30, 2017 on Compliance and on Internal Control and that you reported no comments in the current year management letter.

I look forward to working with your firm in the future.

Sincerely,

Benjamin Mickuleit
Fire Chief
MPIFCD

INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined 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, 2017. Management of the District is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the District's compliance with the specified requirements.

In our opinion, the District complied, in all material respects, with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2017.

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

CliftonLarsonAllen LLP
CliftonLarsonAllen LLP

Fort Myers, Florida
May 16, 2018