

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
BASIC FINANCIAL STATEMENTS
TOGETHER WITH ADDITIONAL REPORTS
YEAR ENDED
SEPTEMBER 30, 2016**

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American Institute of Certified Public Accountants

Private Companies Practice Section

Tax Division

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
North Fort Myers Fire Control and Rescue Service District
P.O. Box 3507
North Fort Myers, Florida 33918

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Florida Retirement Systems Pension Plan (FRS) or Health Insurance Subsidy Pension Plan (HIS) as of and for the year ended June 30, 2016. The District is required to record its proportionate share of the FRS and HIS liability in the District's government-wide financial statements as of September 30, 2016, and for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for North Fort Myers Fire Control and Rescue Service District's government-wide financial statements, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of North Fort Myers Fire Control and Rescue Service District as of September 30, 2016, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

During the year ended September 30, 2016, the District's unrestricted net asset balance remained a deficit, due substantially to recording the current year actuarially determined OPEB liability of \$38,000 and the District's proportionate share of its pension liability of \$249,825. The total OPEB and net pension liability at September 30, 2016 were \$2,930,000 and \$3,012,796, respectively. This is a non-cash actuarially determined liability related to the future cost of allowing retirees to remain on the District's health care policy and for paying a portion of retiree coverage. The pension liability is a non cash actuarially determined liability for the District's participation in the State's FRS defined benefit retirement system. The District's fund balance remains approximately equal to six (6) months budgeted expenditures. Our opinion was not modified for this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i - vi, Schedule of the District's Proportionate Share of the Net Pension Liability - Florida Retirement System Pension Plan (FRS), Schedule of District Contributions - Florida Retirement System Pension Plan (FRS), Schedule of the District's Proportionate Share of the Net Pension Liability - Health Insurance Subsidy Pension Plan (HIS), Schedule of District Contributions - Health Insurance Subsidy Pension Plan (HIS), and Notes to Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information - management's discussion and analysis (MD&A), Schedule of the District's Proportionate Share of the Net Pension Liability - Florida Retirement System Pension Plan (FRS), Schedule of District Contributions - Florida Retirement System Pension Plan (FRS), Schedule of the District's Proportionate Share of the Net Pension Liability - Health Insurance Subsidy Pension Plan (HIS), Schedule of District Contributions - Health Insurance Subsidy Pension Plan (HIS), and Notes to Required Supplementary Information, as listed in the table of contents, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the required supplementary information - management's discussion and analysis (MD&A), Schedule of the District's Proportionate Share of the Net Pension Liability - Florida Retirement System Pension Plan (FRS), Schedule of District Contributions - Florida Retirement System Pension Plan (FRS), Schedule of the District's Proportionate Share of the Net Pension Liability - Health Insurance Subsidy Pension Plan (HIS), Schedule of District Contributions - Health Insurance Subsidy Pension Plan (HIS), and Notes to Required Supplementary Information, as listed in the table of contents, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Required Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise North Fort Myers Fire Control and Rescue Service District's basic financial statements. The required supplementary information other than MD&A - budgetary comparison information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The required supplementary information other than MD&A - budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the required supplementary information other than MD&A - budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

Other Reporting Required by Section 218.415, Florida Statutes

In accordance with Section 218.415, Florida Statutes, we have also issued a report dated March 2, 2017, on our consideration of North Fort Myers Fire Control and Rescue Service District's compliance with provisions of Section 218.415, Florida Statutes. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and to provide an opinion on compliance with the aforementioned Statute. That report is an integral part of an audit performed in accordance with Sections 218.39 and 218.415, Florida Statutes in considering North Fort Myers Fire Control and Rescue Service District's compliance with Section 218.415, Florida Statutes.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 2, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on

Board of Commissioners
North Fort Myers Fire Control and Rescue Service District
Page 4

compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering North Fort Myers Fire Control and Rescue Service District's internal control over financial reporting and compliance.

Tuscan & Company, P.A.

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
March 2, 2017

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

Management's Discussion and Analysis

This discussion and analysis of the North Fort Myers Fire Control and Rescue Service District (the "District") financial statements is designed to introduce the basic financial statements and provide an analytical overview of the District's financial activities for the fiscal year ended September 30, 2016. The basic financial statements are comprised of the government-wide financial statements, governmental fund financial statements, and footnotes. 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 2016, the District's net position was a deficit of \$(4,120,127) due to recording the District's OPEB liability and net pension liability.
- The District's total net position decreased \$109,751, or 3%, in comparison to the prior fiscal year.
- The District had a deficit of \$(4,986,729) of unrestricted net assets.
- Total revenues increased \$599,099 or 12%, in comparison to the prior fiscal year.
- Total expenses increased \$227,299, or 4%, in comparison to the prior fiscal year substantially due to implementation of GASB #68.

Government-wide Financial Statements

Government-wide financial statements (statement of net position and statement of activities found on pages 5 & 6) 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 5) presents information on all of the District's assets, deferred outflows/inflows and liabilities, with the difference between the two reported as net position. The District's capital assets (land, construction in progress, buildings and improvements, vehicles and equipment) are included in this statement and reported net of their accumulated depreciation.

The Statement of Activities (page 6) 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, regardless of the timing of related cash flows).

Governmental Fund Financial Statements

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

Governmental fund financial statements (found on pages 7 and 9) are prepared on the modified accrual basis using the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized when the related fund liability is incurred.

Notes to the Financial Statements

The notes to the financial statements explain in detail some of the data contained in the preceding basic financial statements and begin on page 11. 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 summary statement of net position for the District at September 30, 2015 and 2016:

Summary Statement of Net Position September 30

	2015	2016
Assets:		
Current assets	\$ 2,996,299	\$ 3,313,553
Capital assets, net	1,010,083	866,602
Total Assets	<u>4,006,382</u>	<u>4,180,155</u>
Deferred outflows of resources - Pensions	<u>1,736,932</u>	<u>2,766,044</u>
Liabilities:		
Current liabilities	296,994	345,792
Non-current liabilities	7,195,623	10,193,320
Total Liabilities	<u>7,492,617</u>	<u>10,539,112</u>
Deferred inflows of resources - Pensions	<u>2,261,073</u>	<u>527,214</u>
Net Position:		
Net Investment in capital assets	1,010,083	866,602
Unrestricted (deficit)	<u>(5,020,459)</u>	<u>(4,986,729)</u>
Total Net Position (deficit)	<u>\$ (4,010,376)</u>	<u>\$ (4,120,127)</u>

Current assets represent 79% of total assets at September 30, 2016. Current assets are comprised of unrestricted cash balances of \$2,867,075, unrestricted investments of \$178,048, restricted investments of \$214,774, due from other governments of \$53,656. The balances of unrestricted cash and investments represent amounts that are available for spending at the District's discretion. Restricted investments balances are comprised of impact fees funds restricted for certain capital asset acquisition.

The net investment in capital assets represents a component of net position and is comprised of land, construction in progress, buildings and improvements, equipment, furniture and vehicles, net of accumulated depreciation, and the outstanding related debt used to acquire the assets. The net balance of investment in capital assets at September 30, 2016 was \$866,602.

The unrestricted net position balance (deficit) of (\$4,986,729) represents negative resources available for spending.

The following schedule reports the revenues, expenses, and changes in net assets for the District for the years ended September 30, 2015 and 2016:

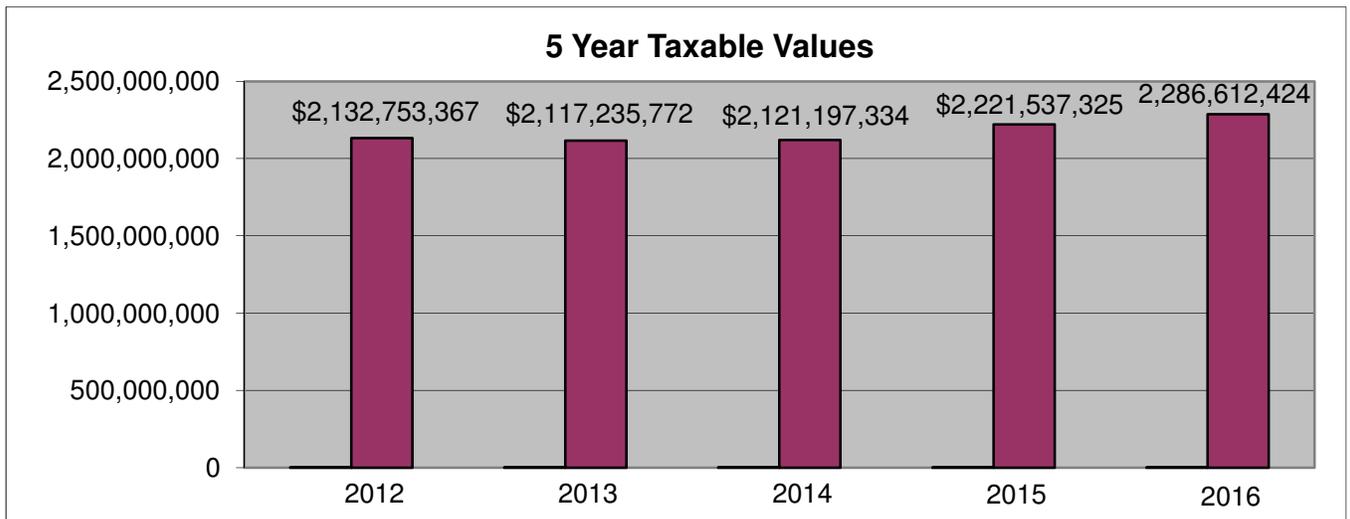
**Summary of Revenues, Expenses and Changes in Net Position
For the years ended September 30**

Revenues:	2015	2016
General/Program Revenues		
Property Taxes	\$ 5,405,248	\$ 5,664,023
Charges for Services	13,202	19,873
Operating & Capital Grants	59,905	10,020
Miscellaneous		
Impact Fees	5,979	-
Investment Earnings	3,408	1,818
Gain (Loss) on Disposition of Capital Assets	(374,001)	(55)
Rent	7,500	7,500
Other	39,603	56,764
Total Revenues	5,160,844	5,759,943
Expenses:		
Public Safety -		
Fire & Rescue Services	5,642,395	5,869,694
Increase (Decrease) in Net Position	(481,551)	(109,751)
Net Position (Deficit) - Beginning	(3,528,825)	(4,010,376)
Net Position (Deficit) - Ending	\$ (4,010,376)	\$ (4,120,127)

Total revenues increased \$599,099, or 12%, in comparison to the prior fiscal year. Total expenses increased \$227,299, or 4%, in comparison to the prior fiscal year.

The assessed property value increased 3.1%, resulting in slightly increased ad valorem tax revenues. This is the third year in the past five years, we have seen a slight increase in property taxes. The District was able to maintain low millage rates while providing the funds for the cost of growth and reserve requirements. The following schedule compares the change in property value and millage rates for the past five years. The millage rate has remained at 2.5 mills over the past five years.

Property Values Assessed



Budgetary Highlights

Budget versus actual comparisons are reported in the required supplementary information other than management discussion and analysis on pages 49 through 54. The Board of Commissioners approved several budget amendments in the General Fund during the fiscal year ended September 30, 2016. The budget amendments transferred budgeted amounts between line items and changed the total budgeted revenue over (under) expenditures. The budget amendments did increase total budgeted revenues and expenditures by \$357,433 as a result of the increase in the fund balance carryforward.

Capital Assets

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

The following is a schedule of the District's capital assets at September 30, 2015 and 2016:

Capital Assets September 30

CAPITAL ASSETS	2015	2016
Land	\$ 96,868	\$ 96,868
Construction in progress	-	-
Total Capital Assets not depreciated	<u>96,868</u>	<u>96,868</u>
Buildings and Improvements	1,158,439	1,161,907
Vehicles	1,354,481	1,354,481
Equipment	<u>1,031,684</u>	<u>1,044,607</u>
Total Capital Assets being depreciated	<u>3,544,604</u>	<u>3,560,995</u>
ACCUMULATED DEPRECIATION		
Buildings and Improvements	(670,378)	(708,023)
Vehicles	(1,222,887)	(1,270,167)
Equipment	<u>(738,124)</u>	<u>(813,071)</u>
Total Accumulated Depreciation	<u>(2,631,389)</u>	<u>(2,791,261)</u>
CAPITAL ASSETS, NET	<u>\$ 1,010,083</u>	<u>\$ 866,602</u>

Noteworthy capital asset purchases/projects that took place in fiscal year 2016 were as follows:

- Purchased new computer tablets for Fire Prevention Division
- Purchased 3 new sets of Bunker Gear
- Installed a dehumidification system at Barrett Road Station
- Replaced broken ice machine and air conditioner units.
- Began an entire information technology system upgrade

Debt Administration

At September 30, 2016, the District had \$10,193,320 of outstanding long term obligations. Long term liabilities are not due and payable in the current period. The following is a schedule of the District’s outstanding debt at September 30, 2015 and 2016:

**Outstanding Debt
September 30**

	<u>2015</u>	<u>2016</u>
Compensated Absences - Vacation Time	\$ 225,690	\$ 177,409
Compensated Absences - Comp Time	72,891	68,073
Net OPEB Obligation	2,892,000	2,930,000
Net Pension Liability	<u>4,005,042</u>	<u>7,017,838</u>
Total Outstanding Debt	<u>\$ 7,195,623</u>	<u>\$ 10,193,320</u>

Economic Factors and Next Year’s Budget Rates

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

- Property values did increase by \$129,589,155, or 5.5%, to \$2,451,891,231 in tax year 2016 (FY17); however, this was offset by an increase in the amount of allowable tangible tax exemptions. The District expects property values to level off, and not continue the increase that we have been seeing; but, we are not sure about the long-term future of assessed values.
- The District plans to operate with the millage rate of 2.5 for the fiscal year ending September 30, 2017.
- The District has several personnel in the DROP program in the Florida Retirement System.
- The District is looking at ways to utilize Impact Fees to help with the demands of the District.
- The District will be receiving a new Fire Engine, but is still in need of replacing 2 more Engines, as well as other Fire Rescue Equipment.
- The District asked the citizens of North Fort Myers to increase the millage rate to 3.5 mills, during the 2016 election year, and it was approved. Therefore, the District will increase the millage rate in the 2017/2018 Budget Year.

Request for Information

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

David Rice, Fire Chief
North Fort Myers Fire Control and Rescue Service District
P.O. Box 3507, North Fort Myers, FL 33918-3507
(239) 997-8654 * www.northfortmyersfire.com

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

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents - unrestricted	\$ 2,867,075
Cash and cash equivalents - restricted	-
Investments - unrestricted	178,048
Investments - restricted	214,774
Due from other governments	53,656
Other receivables	-
Prepaid expenses	-
Total current assets	<u>3,313,553</u>
Noncurrent assets:	
Capital assets:	
Land	96,868
Construction in progress	-
Depreciable buildings, vehicles and equipment (net of \$2,791,261 accumulated depreciation)	<u>769,734</u>
Total noncurrent assets	<u>866,602</u>
TOTAL ASSETS	<u>4,180,155</u>
DEFERRED OUTFLOWS OF RESOURCES - PENSIONS	<u>2,766,044</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	127,091
Unearned revenue - impact fees	218,701
Current portion of long-term obligations	-
Total current liabilities	<u>345,792</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	<u>10,193,320</u>
TOTAL LIABILITIES	<u>10,539,112</u>
DEFERRED INFLOWS ON RESOURCES - PENSIONS	<u>527,214</u>
NET POSITION	
Net investment in capital assets	866,602
Unrestricted (deficit)	<u>(4,986,729)</u>
TOTAL NET POSITION (DEFICIT)	<u><u>\$ (4,120,127)</u></u>

The accompanying notes are an integral part of this statement.

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

	<u>Governmental Activities</u>
EXPENSES	
Governmental activities	
Public safety - fire protection	
Personnel services	\$ 5,090,510
Operating expenses	606,646
Depreciation	<u>172,538</u>
TOTAL EXPENSES - GOVERNMENTAL ACTIVITIES	5,869,694
 PROGRAM REVENUES	
Charges for services - inspection fees	19,873
Operating grants and contributions	10,020
Capital grants and contributions	<u>-</u>
NET PROGRAM EXPENSES	<u>5,839,801</u>
 GENERAL REVENUES	
Ad valorem taxes	5,664,023
Impact fees	-
Interest	1,818
Loss on disposition of capital assets	(55)
Rent	7,500
Other	<u>56,764</u>
TOTAL GENERAL REVENUES	<u>5,730,050</u>
 DECREASE IN NET POSITION	 (109,751)
 NET POSITION (DEFICIT)- Beginning of the year	 <u>(4,010,376)</u>
NET POSITION (DEFICIT)- End of the year	<u><u>\$ (4,120,127)</u></u>

The accompanying notes are an integral part of this statement.

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

	General Fund	Impact Fee Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 2,867,075	\$ -	\$ 2,867,075
Investments	178,048	214,774	392,822
Due from other governments	45,979	7,677	53,656
Due from other funds	3,750	-	3,750
Other receivables	-	-	-
Prepaid expenses	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 3,094,852</u>	<u>\$ 222,451</u>	<u>\$ 3,317,303</u>
 LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable and accrued expenses	\$ 127,091	\$ -	\$ 127,091
Due to other funds	-	3,750	3,750
Unearned revenue	-	218,701	218,701
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>127,091</u>	<u>222,451</u>	<u>349,542</u>
 FUND BALANCE			
Nonspendable	-	-	-
Restricted	-	-	-
Assigned	2,600,566	-	2,600,566
Unassigned	367,195	-	367,195
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCE	<u>2,967,761</u>	<u>-</u>	<u>2,967,761</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,094,852</u>	<u>\$ 222,451</u>	<u>\$ 3,317,303</u>

The accompanying notes are an integral part of this statement.

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

	<u>Amount</u>
Total fund balance for governmental funds	\$ 2,967,761
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Capital assets not being depreciated:	
Land	96,868
Construction in progress	<u>-</u>
	96,868
Governmental capital assets being depreciated:	
Buildings, equipment and vehicles	3,560,995
Less accumulated depreciation	<u>(2,791,261)</u>
	769,734
Deferred outflows and deferred inflows related to pensions are applied to future periods and, therefore, are not reported in the governmental funds.	
Deferred outflows related to pensions	2,766,044
Deferred inflows related to pensions	<u>(527,214)</u>
	2,238,830
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences-vacation time	(177,409)
Compensated absences-comp. time	(68,073)
Net OPEB obligation	(2,930,000)
Net pension liability - FRS	(5,761,583)
Net pension liability - HIS	<u>(1,256,255)</u>
	(10,193,320)
Elimination of interfund amounts	
Due to other funds	3,750
Due from other funds	<u>(3,750)</u>
	<u>-</u>
Total net position (deficit) of governmental activities	<u><u>\$ (4,120,127)</u></u>

The accompanying notes are an integral part of this statement.

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

	General Fund	Impact Fee Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Ad valorem taxes	\$ 5,664,023	\$ -	\$ 5,664,023
Intergovernmental revenue:			
Federal grants	-	-	-
State grant proceeds	-	-	-
Lee County EMS	7,500	-	7,500
City of Cape Coral	-	-	-
State supplemental education	10,020	-	10,020
Fees:			
Impact fees	-	-	-
Inspection fees	19,873	-	19,873
Miscellaneous:			
Interest	1,818	-	1,818
Other	56,764	-	56,764
TOTAL REVENUES	<u>5,759,998</u>	<u>-</u>	<u>5,759,998</u>
EXPENDITURES			
Current			
Public safety			
Personnel services	4,855,784	-	4,855,784
Operating expenditures	606,646	-	606,646
Capital outlay	29,112	-	29,112
TOTAL EXPENDITURES	<u>5,491,542</u>	<u>-</u>	<u>5,491,542</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	268,456	-	268,456
FUND BALANCE - Beginning of the year	<u>2,699,305</u>	<u>-</u>	<u>2,699,305</u>
FUND BALANCE - End of the year	<u>\$ 2,967,761</u>	<u>\$ -</u>	<u>\$ 2,967,761</u>

The accompanying notes are an integral part of this statement.

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

	<u>Amount</u>
Net change (revenues in excess of expenditures) in fund balance - total governmental funds	\$ 268,456
<p>The increase (decrease) in net position reported for governmental activities in the Statement of Activities is different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Plus: expenditures for capital assets	29,112
Less: current year depreciation	(172,538)
Less: proceeds from disposition of capital assets	-
Less: loss on disposition of capital assets	<u>(55)</u>
	(143,481)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>	
Net decrease in compensated absences - vacation	48,281
Net decrease in compensated absences - comp. time	4,818
Increase in net OPEB obligation	(38,000)
(Increase) decrease in net pension liability - pension (FRS)	(2,939,036)
(Increase) decrease in net pension liability - HIS	(73,760)
Increase (decrease) in deferred outflows	1,029,112
(Increase) decrease in deferred inflows	<u>1,733,859</u>
	<u>(234,726)</u>
Decrease in net position of governmental activities	<u>\$ (109,751)</u>

The accompanying notes are an integral part of this statement.

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

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

Organization

The North Fort Myers Fire Control and Rescue Service District (the "District") is an independent special taxing district located in northern unincorporated Lee County, Florida. The District was established on June 15, 1953 by Laws of Florida, Chapter 29240. The District has the general and special powers prescribed by Florida Statutes Chapters 189, 191, 200, 218 and 633.15, as well as Laws of Florida, Chapter 97-340. The District's governing legislation was recreated, reenacted and codified by Laws of Florida, Chapter 2000-385 on July 3, 2000. The District is governed by a five-member (5) at-large elected Board of Commissioners. Commissioners serve on a staggered four-year (4) term basis.

The District provides fire control and protection services, fire safety inspections, and crash and fire rescue services as well as EMS medical response. In providing these services, the District operates and maintains three (3) station houses and the related equipment and employs approximately 50 full-time professional firefighters, support staff and commissioners.

Summary of Significant Accounting Policies

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

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

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements
- Required supplementary information other than MD&A

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

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

Reporting Entity

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

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the District and do not emphasize fund types. These governmental activities comprise the primary government. General governmental and intergovernmental revenues support the governmental activities. The purpose of the government-wide financial statements is to allow the user to be able to determine if the District is in a better or worse financial position than the prior year. The effect of all interfund activity between governmental funds has been removed from the government-wide financial statements.

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

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

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

Government-wide Financial Statements, continued

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

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

Fund Financial Statements

The District adheres to GASB Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

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

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

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

Page 14 of 64

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

Governmental Funds

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

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

Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

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

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

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

Measurement Focus and Basis of Accounting, continued

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

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

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

Separate financial statements are provided for governmental funds.

Non-current Government Assets/Liabilities

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

Major Funds

The District reports the following major governmental funds:

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

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

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

Major Funds, continued

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

Budgetary Information

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

Investments

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

Investments, including restricted investments, consist of funds held in The Local Government Surplus Trust Fund (SBA) administered by the State Board of Administration.

Capital Assets

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

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

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

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

Capital Assets, continued

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

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

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

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

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

<u>Asset</u>	<u>Years</u>
Buildings and Improvements	5-30
Equipment	5-15
Vehicles	5-15

Subsequent Events

Subsequent events have been evaluated through March 2, 2017, which is the date the basic financial statements were available to be issued.

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

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

Budgets and Budgetary Accounting

The District has adopted an annual budget for the General Fund, which included budgeted expenditures over revenues to be funded through the use of unreserved, undesignated fund balance. The District also adopted a budget for the Special Revenue Fund - Impact Fee.

The District follows these procedures in establishing budgetary data for the General Fund and the Special Revenue Fund:

1. During the summer of each year, the District Fire Chief submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing on the upcoming October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is adopted by approval of the Board of Commissioners.
4. Budget amounts, as shown in the required supplementary information other than MD&A, are as originally adopted or as amended by the Board of Commissioners.
5. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.
6. The level of control for appropriations is exercised at the fund level.
7. Appropriations lapse at year-end.

The Board of Commissioners approved several budget amendments in the General Fund during the year ended September 30, 2016. The budget amendments increased budgeted expenditures by \$357,433. There were no budget amendments in the Special Revenue Fund.

Impact Fees/Unearned Revenue

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

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

Page 19 of 64

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

Due To/From Other Funds

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

Due From Other Governments

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

Compensated Absences

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

Encumbrances

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

Management Estimates

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

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

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

Fund Balances

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

The District's assigned fund balances are a result of the District's Board approval. The District's intent is to maintain a minimum assigned fund balance level of three (3) months of prior year total expenditures. The assigned fund balance will serve as the District's operational reserve to carry the District's operations from October 1 through December 31 of the subsequent fiscal year. The Board's intent is also to hold an assigned capital asset reserve for future capital asset needs as well as assigned fund balance amounts for disaster events (30 days all-out response) and a portion of the sick leave liability. At September 30, 2016, fund balance is also assigned for a variety of specific items by District Board action. Any use or change of the assigned fund balance requires the District's Board approval.

Interfund Transactions

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

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

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

Pensions

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

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

Deferred Outflows/Inflows of Resources

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

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

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

NOTE B - CASH

At September 30, 2016, cash was \$2,866,975, in General Fund which included cash on hand of \$100.

Deposits

The District's deposit policy allows deposits to be held in demand deposit and money market accounts. All District depositories are institutions designated as qualified depositories by the State Treasurer at September 30, 2016.

At September 30, 2016, the District's deposits consisted of cash held in depository accounts. At September 30, 2016, the carrying amount of these deposits was \$2,866,975 and the bank balance was \$2,936,884.

These deposits were entirely covered by federal depository insurance or by collateral pursuant to the Public Depository Security Act (Florida Statute Chapter 280) of the State of Florida. Bank balances approximate market value. Depository accounts were either fully insured or collateralized in accordance with Florida Statute Chapter 280.

NOTE C - INVESTMENTS

Florida Statutes and the District's investment policy authorize investments in the Local Government Surplus Funds Trust Fund (SBA) administered by the State Board of Administration. Specifically, the District's investment policy is consistent with Florida Statutes, Chapter 218.415(17). At September 30, 2016, the District's investments in the Local Government Surplus Funds Trust Fund consist of the following:

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

NOTE C - INVESTMENTS, CONTINUED

	<u>Cost Basis</u>	<u>Fair Value (NAV)/ Carrying Amount</u>
<u>General Fund</u>		
Local Government Surplus Trust Fund (SBA) PRIME (Fund "A") (LGIP)		
Total investments - General Fund	\$ 178,048	\$ 178,048
<u>Impact Fee Fund</u>		
Local Government Surplus Trust Fund (SBA) PRIME (Fund "A") (LGIP)		
Total investments - Impact Fee Fund	214,774	214,774
Total investments	<u>\$ 392,822</u>	<u>\$ 392,822</u>

The Local Government Surplus Funds Trust Fund (Florida PRIME (formerly Fund "A")) is an external 2a7-like investment pool, administered by the Florida State Board of Administration. The Local Government Surplus Funds Investment Pool Trust Fund is not categorized as it is not evidenced by securities that exist in physical or book entry form. The Local Government Surplus Trust Funds Investment Pool's shares are stated at amortized cost (NAV), which approximates fair value. These investments are subject to the risk that the market value of an investment, collateral protecting a deposit or securities underlying a repurchase agreements, will decline.

The District's investment in the Fund represented less than 1% of the Fund's total investments. Investments held in the Fund include, but are not limited to, short-term federal agency obligations, treasury bills, repurchase agreements and commercial paper. These short-term investments are stated at cost, which approximates market value. Investment income is recognized as earned and is allocated to participants of the Fund based on their equity participation.

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

NOTE C - INVESTMENTS, CONTINUED

The District adopted GASB Statement No. 79 during the year ended September 30, 2016 which requires the following disclosures related to its Florida PRIME investment:

Redemption Gates: Chapter 218.409(8)(a), Florida Statutes, states that “The principal, and any part thereof, of each account constituting the trust fund is subject to a payment at any time from the moneys in the trust fund. However, the Executive Director of the fund may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Executive Director has instituted such measures to review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on the contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days.”

Liquidity Fees: Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosures in the enrollment materials of the amount and purpose of such fees. At September 30, 2016, no such disclosure has been made.

Redemption Fees: As of September 30, 2016, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value.

FairValue: The carrying value of the cash, cash equivalents, and investments held by the District approximate fair value. However, it is the opinion of the management of PRIME it is exempt from GASB 72 financial hierarchy disclosures.

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

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NOTE C - INVESTMENTS, CONTINUED

Foreign Currency Risk: Florida PRIME is not exposed to foreign currency risk.

At September 30, 2016, the District reported SBA investments of \$392,822 fair value/cost for amounts held in Florida PRIME. The Florida PRIME carried a credit rating of AAAM by Standard and Poors and had a weighted average days to maturity (WAM) of 50 days at September 30, 2016. The Weighted Average Life (WAL) of PRIME at September 30, 2016 is 70 days.

Restricted Investments

The District has one restricted investment account: Impact Fees. The Impact Fees account is used to account for the deposit of impact fees received and is restricted for certain capital asset acquisition. Impact fees are collected by Lee County for the District pursuant to County ordinance and District resolution.

NOTE D - DUE FROM OTHER GOVERNMENTS

Due from other governments at September 30, 2016 totaled \$53,656 including \$7,677 in fourth quarter Impact Fees (Impact Fee Fund) and \$45,979 in Ad Valorem taxes, excess fees and supplemental education reimbursement (General Fund).

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

NOTE E - CAPITAL ASSETS ACTIVITY

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

	Balance October 1 2015	Increases/ Additions	Decreases/ Deletions	Adjustments/ Reclassifications	Balance September 30 2016
Capital Assets Not Being Depreciated:					
Land	\$ 96,868	\$ -	\$ -	\$ -	\$ 96,868
Construction in progress	-	-	-	-	-
Total Capital Assets Not Being Depreciated	<u>96,868</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,868</u>
Capital Assets Being Depreciated:					
Buildings and improvements	1,158,439	6,018	(2,550)	-	1,161,907
Vehicles	1,354,481			-	1,354,481
Equipment	<u>1,031,684</u>	<u>23,094</u>	<u>(10,171)</u>	<u>-</u>	<u>1,044,607</u>
Total Capital Assets Being Depreciated	<u>3,544,604</u>	<u>29,112</u>	<u>(12,721)</u>	<u>-</u>	<u>3,560,995</u>
Less Accumulated Depreciation:					
Buildings and improvements	(670,378)	(40,195)	2,550	-	(708,023)
Vehicles	(1,222,887)	(47,280)	-	-	(1,270,167)
Equipment	<u>(738,124)</u>	<u>(85,063)</u>	<u>10,116</u>	<u>-</u>	<u>(813,071)</u>
Total Accumulated Depreciation	<u>(2,631,389)</u>	<u>(172,538)</u>	<u>12,666</u>	<u>-</u>	<u>(2,791,261)</u>
Total Capital Assets Being Depreciated, Net	<u>913,215</u>	<u>(143,426)</u>	<u>(55)</u>	<u>-</u>	<u>769,734</u>
Capital Assets, Net	<u>\$ 1,010,083</u>	<u>\$ (143,426)</u>	<u>\$ (55)</u>	<u>\$ -</u>	<u>866,602</u>
				Related debt	<u>-</u>
				Net investment in capital assets	<u>\$ 866,602</u>

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

	Amount
General Government	<u>\$ 172,538</u>
Total Depreciation Expense	<u>\$ 172,538</u>

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

NOTE F - LONG-TERM LIABILITIES

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

	Balance October 1 2015	Additions	Retirements / Adjustments	Balance September 30 2016	Amounts Due Within One Year
Comp. Absences - Vacation	\$ 225,690	\$ -	\$ (48,281)	\$ 177,409	\$ -
Comp. Absences - Comp. Time	72,891	-	(4,818)	68,073	-
Net OPEB obligation	2,892,000	38,000	-	2,930,000	-
Net Pension Liability - FRS	2,822,547	2,939,036	-	5,761,583	-
Net Pension Liability - HIS	<u>1,182,495</u>	<u>73,760</u>	<u>-</u>	<u>1,256,255</u>	<u>-</u>
	<u>\$7,195,623</u>	<u>\$3,050,796</u>	<u>\$ (53,099)</u>	<u>\$10,193,320</u>	<u>\$ -</u>

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

	Amount
Non-current portion of compensated absences - vacation time. Employees of the District are entitled to annual personal leave time, based on length of service and job classification.	\$ 177,409
Non-current portion of compensated absences - comp. time. Employees of the District are entitled to annual comp. time at their separation from the District based on hours accrued during their employment.	68,073
Net OPEB obligation. Cumulative difference between annual OPEB cost and District's payments toward the cost of post employment benefits other than pensions since GASB No. 45 transition date (October 1, 2009).	2,930,000
Net pension obligation - FRS pension plan. This amount is actuarially determined through calculation based upon the audited financial statements of the Florida FRS Plan.	5,761,583
Net pension obligation - HIS plan. This amount is actuarially determined through calculation based upon the audited financial statements of the Florida FRS Plan.	<u>1,256,255</u>
Total Long-Term Liabilities	10,193,320
Current Portion	-
Noncurrent Portion	<u>\$ 10,193,320</u>

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

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NOTE G - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN

General Information about the Florida Retirement System

The Florida Retirement System ("FRS") was created in Chapter 121, Florida Statutes. The FRS was created to provide a defined benefit pension plan ("Pension Plan") for participating public employees. All District employees are participants in the Statewide Florida Retirement System (FRS) under authority of Article X, Section 14 of the State Constitution and Florida Statutes, Chapters 112 and 121. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide an integrated defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a separate cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer defined benefit plans (Pension and HIS Plans) and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information dated June 30, 2016, is available from the Florida Department of Management Services' Website (www.dms.myflorida.com).

The District's total pension expense, \$910,959 for the year ended September 30, 2016, is recorded in the government-wide financial statements. Total District actual retirement contribution expenditures were \$661,134, \$614,362 and \$589,321 for the years ended September 30, 2016, 2015 and 2014, respectively. The District contributed 100% of the required contributions.

NOTE G - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED

FRS Pension Plan

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

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

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

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

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

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

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee

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NOTE G - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED

FRS Pension Plan, continued

may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

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

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

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
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NOTE G - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED

FRS Pension Plan, continued

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the year ended September 30, 2016 were as follows:

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

Notes:

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

* As defined by the Plan.

**NORTH FORT MYERS FIRE CONTROL
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NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016**

NOTE G - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED

FRS Pension Plan, continued

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pension Plan. At September 30, 2016, the District reported an FRS pension liability of \$5,761,583 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District's proportionate share of the net pension liability was based on the District's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At September 30, 2016, the District's proportionate share was .022818081 percent, which was an increase of .000965556 percent from its proportionate share measure as of September 30, 2015.

For the year ended September 30, 2016, the District recognized pension expense of \$843,548. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 441,151	\$ 53,644
Change of assumptions	348,559	-
Net difference between projected and actual earnings on pension plan investments	1,489,300	-
Changes in proportion and differences between District contributions and proportionate share of contributions	125,848	382,973
District contributions subsequent to the measurement date	<u>142,698</u>	<u>-</u>
Total	<u>\$ 2,547,556</u>	<u>\$ 436,617</u>

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

NOTE G - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED

FRS Pension Plan, continued

The deferred outflows of resources related to the FRS pension, totaling \$142,698, resulting from District contributions subsequent to the measurement date, will be recognized as a reduction on the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense over the remaining service period of 6.4 years as follows:

Fiscal Year Ending <u>September 30</u>	<u>Amount</u>
2017	\$ 461,018
2018	461,018
2019	461,018
2020	461,018
2021	88,693
Thereafter	<u>35,476</u>
Total	<u>\$ 1,968,241</u>

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

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

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

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

**NORTH FORT MYERS FIRE CONTROL
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NOTE G - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED

FRS Pension Plan, continued

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	3.0%	3.0%	1.7%
Fixed income	18%	4.7%	4.6%	4.6%
Global equity	53%	8.1%	6.8%	17.2%
Real estate (property)	10%	6.4%	5.8%	12.0%
Private equity	6%	11.5%	7.8%	30.0%
Strategic investments	12%	6.1%	5.6%	11.1%
Total	100%			
Assumed inflation - Mean		2.60%		1.90%

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

Discount Rate. The discount rate used to measure the total pension liability was 7.60 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

NOTE G - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED

FRS Pension Plan, continued

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease <u>(6.60%)</u>	Current Discount Rate <u>(7.60%)</u>	1% Increase <u>(8.60%)</u>
District's proportionate share of the net FRS pension liability	<u>\$ 10,607,464</u>	<u>\$ 5,761,583</u>	<u>\$1,728,027</u>

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

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

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

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

http://www.dms.myflorida.com/workforce_operations/retirement/publications

Payables to the Pension Plan. At September 30, 2016, the District reported an FRS payable of \$16,190 for the outstanding amount of contributions in the pension plan required for the year ended September 30, 2016.

NOTE G - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED

HIS Plan

Plan Description. The Health Insurance Subsidy Plan ("HIS Plan") is a cost-sharing, multiple-employer defined benefit pension plan established under section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

Benefits Provided. For the year ended September 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments are at least \$30 but not more than \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the year ended September 30, 2016, the contribution rate ranged between 1.66 percent and 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to the HIS Plan. At September 30, 2016, the District reported a HIS liability of 1,256,255 for its proportionate share of the net HIS Plan's net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability was used to calculate the net pension liability which was determined by an actuarial valuation as of July 1, 2016. The District's proportionate share of the net HIS liability was based on

**NORTH FORT MYERS FIRE CONTROL
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NOTE G - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED

HIS Plan, continued

the District's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At September 30, 2016, the District's proportionate share was .010779066 percent, which was a decrease of .00008 percent from its proportionate share measured as of September 30, 2015.

For the fiscal year ended September 30, 2016, the District recognized HIS expense of \$67,411. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,861
Change of assumptions	197,138	-
Net difference between projected and actual earnings on HIS pension plan investments	635	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	7,758	87,736
District contributions subsequent to the measurement date	<u>12,957</u>	<u>-</u>
Total	<u>\$ 218,488</u>	<u>\$ 90,597</u>

The deferred outflows of resources related to HIS, totaling \$12,957, resulting from District contributions subsequent to the measurement date, will be recognized as a reduction on the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense over the remaining service period of 7.2 years as follows:

<u>Fiscal Year Ending September 30</u>	<u>Amount</u>
2017	\$ 18,594
2018	18,594
2019	18,594
2020	18,593
2021	18,435
Thereafter	<u>22,124</u>
Total	<u>\$ 114,934</u>

NOTE G - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED

HIS Plan, continued

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

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

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

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

Discount Rate. The discount rate used to measure the total HIS liability was 2.85 percent. In general, the discount rate for calculating the total HIS liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

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

	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
District's proportionate share of the net HIS liability	<u>\$ 1,441,211</u>	<u>\$ 1,256,255</u>	<u>\$ 1,102,753</u>

**NORTH FORT MYERS FIRE CONTROL
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NOTE G - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED

HIS Plan, continued

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

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

Department of Management Services
Division of Retirement
Bureau of Research and Member Communications
P.O. Box 9000
Tallahassee, FL 32315-9000
850-488-5706 or toll free at 877-377-1737

http://www.dms.myflorida.com/workforce_operations/retirement/publications

Payables to the Pension Plan. At September 30, 2016, the District reported a payable of \$1,294 for the outstanding amount of contributions to the HIS plan required for the fiscal year ended September 30, 2016.

FRS - Defined Contribution Pension Plan

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

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

**NORTH FORT MYERS FIRE CONTROL
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NOTE G - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED

FRS - Defined Contribution Pension Plan, continued

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

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

Notes:

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

* As defined by the Plan.

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5 year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

**NORTH FORT MYERS FIRE CONTROL
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NOTE G - RETIREMENT PLAN - DEFINED BENEFIT PENSION PLAN, CONTINUED

FRS - Defined Contribution Pension Plan, continued

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

The District's Investment Plan pension expense totaled \$76,540 which is included in FRS employer contributions for the fiscal year ended September 30, 2016.

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

NOTE H - PROPERTY TAXES

Property taxes are levied after formal adoption of the District's budget and become due and payable on November 1 of each year and are delinquent on April 1 of the following year. Discounts on property taxes are allowed for payments made prior to the April 1 delinquent date. Tax certificates are sold to the public for the full amount of any unpaid taxes and must be sold not later than June 1 of each year. The billing, collection, and related recordkeeping of all property taxes is performed for the District by the Lee County Tax Collector. No accrual for the property tax levy becoming due in November 2016 is included in the accompanying basic financial statements, since such taxes are collected to finance expenditures of the subsequent period.

Procedures for collecting delinquent taxes, including applicable tax certificate sales and tax deed sales, are provided for by Florida Statutes. The enforceable lien date is approximately two (2) years after taxes become delinquent and occurs only upon request of a holder of a delinquent tax certificate. As of September 30, 2016, \$42,689 was recorded in the General Fund as due from the Lee County Tax Collector to the District for ad valorem taxes and excess fees.

**NORTH FORT MYERS FIRE CONTROL
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NOTE H - PROPERTY TAXES, CONTINUED

Important dates in the property tax cycle are as follows:

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

The Board of Commissioners of the District levied ad valorem taxes at a millage rate of \$2.50 per \$1,000 (2.5 mills) of the 2015 net taxable value of real property located within the District. In August 2016, the voters of the District approved a referendum to increase the District's millage cap to 3.5 mills from its current cap of 2.5 mills. The change is effective November 2017.

NOTE I - ASSIGNED FUND BALANCE

Assigned fund balance in the General Fund consisted of the following at September 30, 2016:

<u>Assigned fund balance</u>	<u>Amount</u>
Operations	\$ 1,770,566
Disaster preparedness	50,000
Buildings	35,000
Vehicles	325,000
Capital equipment	50,000
Contingency	50,000
Projected 2016 Loss	170,000
Post Retirement Medical Reserve	150,000
Total assigned fund balance	<u>\$ 2,600,566</u>

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

NOTE J - IMPACT FEE FUND ACTIVITY

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

	<u>Amount</u>
Unearned revenue, October 1, 2015	\$ 191,202
Impact fee receipts	19,822
Due from other governments	7,677
Interest income	-
Capital outlay	
Fiscal charges	<u>-</u>
Unearned revenue, September 30, 2016	<u>\$ 218,701</u>

NOTE K - COMMITMENTS AND CONTINGENCIES

The District is involved from time to time in certain routine litigation, the substance of which either as liabilities or recoveries, would not materially affect the financial position of the District. Although the final outcome of the lawsuits, assertions and claims or the exact amount of costs and/or potential recovery is not presently determinable, in the opinion of the District's legal counsel, the resolution of these matters will not have a materially adverse affect on the financial condition of the District. As a general policy, the District plans to contest any such matter.

NOTE L - RISK MANAGEMENT

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

Insurance programs for general/professional liability, crime and fidelity, automobile and property are covered by commercial insurance. The District retains the risk of loss up to a deductible amount (ranging from \$0 to 5% of loss) with the risk of loss in excess of this amount transferred to the insurance carrier with limits of general liability of \$1,000,000 per occurrence and \$3,000,000 in the aggregate. The District is third party insured for employee health, dental and vision, as well as workers' compensation.

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

NOTE M - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

The District provides insurance (health, dental, and life insurance) benefits to its retired employees through a defined benefit plan. All retired full-time employees are eligible for benefits if actively employed by the District immediately before retirement. As of September 30, 2016, there were twenty eight (28) retirees receiving benefits, twenty-three (23) of which are on the District's health insurance plan and receive up to \$443 per month. The remaining five (5) retirees are of Medicare age and are receiving a stipend of \$225 per month from the District. The opportunity to obtain coverage is available to all retired District employees. The benefits require contributions from the retirees, depending on certain specified criteria and, in particular, length of creditable employment. The District pays 4% of the premium cost per month for each year of service towards the employees' cost of insurance premiums up to 100% of the premium cost upon completion of 25 years of service. The District closed the Plan to new hires effective for anyone hired after October 1, 2014. The District finances the benefits on a pay-as-you-go basis and recognizes expenditures at the time premiums are due.

The year ended September 30, 2010, was the District's transition year. As such, the District implemented GASB No. 45 on a prospective basis. As such, the District actuarially determined Net OPEB Obligation.

The retiree's premiums for these benefits totaled \$136,764 during the year ended September 30, 2016, of which the District paid \$100,659.

Funding Policy

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

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

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

Funding Policy, continued

Schedule of Funding Progress

(1) Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
10/01/09	\$ -	\$ 6,022,000	\$ 6,022,000	0.0%	N/A	N/A
10/01/10	\$ -	\$ 6,528,000	\$ 6,528,000	0.0%	N/A	N/A
10/01/11	\$ -	\$ 7,057,000	\$ 7,057,000	0.0%	N/A	N/A
10/01/12	\$ -	\$ 7,604,000	\$ 7,604,000	0.0%	N/A	N/A
10/01/13	\$ -	\$ 8,020,000	\$ 8,020,000	0.0%	N/A	N/A
10/01/14	\$ -	\$ 8,445,000	\$ 8,445,000	0.0%	N/A	N/A
10/01/15	\$ -	\$ 3,267,000	\$ 3,267,000	0.0%	N/A	N/A
10/01/16	\$ -	\$ 3,292,000	\$ 3,292,000	0.0%	N/A	N/A

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

N/A - not available as this is not a factor of the Plan

Schedule of Contributions from Employer

Year Ended	Annual OPEB Cost	Expected Cash Payment	Percentage of Annual OPEB Cost	Net OPEB Obligation
9/30/10	\$ 518,000	\$ 43,000	8%	\$ 475,000
9/30/11	\$ 558,000	\$ 53,000	9%	\$ 980,000
9/30/12	\$ 601,000	\$ 64,000	11%	\$ 1,517,000
9/30/13	\$ 577,000	\$ 137,000	24%	\$ 1,957,000
9/30/14	\$ 611,000	\$ 153,000	25%	\$ 2,415,000
9/30/15	\$ 647,000	\$ 170,000	26%	\$ 2,892,000
9/30/16	\$ 208,000	\$ 170,000	82%	\$ 2,930,000

Annual OPEB Cost and Net OPEB Obligation

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

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

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

Annual OPEB Cost and Net OPEB Obligation, continued

<u>Fiscal year ended September 30, 2016</u>	<u>Amount</u>
Annual required contribution (ARC)	\$ 282,000
Less Net OPEB Obligation (NOO) amortization	(190,000)
Plus interest on NOO	116,000
Annual OPEB cost	208,000
Expected cash payment	(170,000)
Yearly change in OPEB obligation	38,000
Net OPEB obligation - beginning of year	2,892,000
Net OPEB obligation - end of year	<u>\$ 2,930,000</u>

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

Actuarial Methods and Assumptions

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

In the actuarial valuation for the year ended September 30, 2016, the projected unit credit cost method with linear pro-ratio to assumed benefit commencement was used. The actuarial assumptions included a 4.0 percent discount rate. Since there are no invested plan assets held in trust to finance the Defined Benefit Plan - OPEB obligations, the discount rate is based on the long-term expectation of investment return on assets held in District funds which is assumed to be 7%. The assumptions

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

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

Actuarial Methods and Assumptions, continued

also included an annual healthcare cost trend using 4.70% in 2016 trending downward to 4.6% in 2070. The unfunded actuarial accrued liability, as calculated, is being amortized over a closed period of 30 years (as of October 1, 2009) as a level percent of pay (24 years remaining at September 30, 2016). The assumed rate of payroll growth is 3.0 percent and the assumed rate of inflation is 2.5%. The actuarial cost method used was the projected unit credit method. The amortization method was the closed method.

NOTE N - DEFICIT NET POSITION (NET ASSETS)

During the year ended September 30, 2014, the District's unrestricted net position (net assets) balance became a deficit, due substantially to recording the current year actuarially determined OPEB liability of \$458,000. The total OPEB liability at September 30, 2014, was \$2,415,000. This is a non-cash actuarially determined liability related to future cost of allowing retirees to remain on the District health care policy and for paying a portion of retiree coverage. The District's fund balance remains approximately equal to six (6) months budgeted expenditures.

During the year ended September 30, 2015, the District's net position (net assets) balance of \$(4,010,376) was a deficit, due substantially to recording the actuarially determined OPEB liability of \$2,892,000, the recording of the net pension liability of \$4,005,042 and the abandonment of \$331,000 in CIP costs. The District's fund balance remains approximately equal to six (6) months budgeted expenditures. The District intends to put a referendum on the ballot in August 2016 to seek voter approval of an increase in the millage cap from 2.5 mills to 3.5 mills effective November 2017.

During the year ended September 30, 2016, the District's net position (net assets) balance of \$(4,120,127) was again a deficit, due substantially to recording the actuarially determined OPEB liability of \$2,930,000 and the recording of the current year net pension liability of \$7,017,838.

The District's fund balance remains approximately equal to six (6) months budgeted expenditures.

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

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NOTE O - CONTINGENCY

During August 2016, the voters of the District approved a referendum to increase the District's ad valorem tax millage cap from 2.5 mills to 3.5 mills. The increased cap is effective in November 2017. The District's Board have not yet approved a millage for the fiscal year beginning October 1, 2017. The actual millage rate will be determined in September 2017.

NOTE P - SUBSEQUENT EVENT

In September 2016, the Board approved a capital lease in the amount of \$462,315, including interest, for the purchase of a pumper fire truck. The District paid \$189,498 at lease execution and is required to make 5 annual payments of \$54,564 including interest beginning February 21, 2017. The lease has a fixed interest rate of 2.08%. The truck was ordered in October 2016 and expected to be received during the last quarter of fiscal year 2017.

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

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

	General Fund			
	Original	Final		Variance
	Budget	Budget	Actual	Favorable (Unfavorable)
REVENUES				
Ad valorem taxes	\$ 5,544,261	\$ 5,544,261	\$ 5,664,023	\$ 119,762
Intergovernmental revenue:				
Federal grants	-	-	-	-
Lee County EMS	7,500	7,500	7,500	-
City of Cape Coral	-	-	-	-
State grant proceeds	-	-	-	-
State supplemental education	14,880	14,880	10,020	(4,860)
Fees:				
Inspection fees	15,000	15,000	19,873	4,873
Miscellaneous:				
Interest	700	700	1,818	1,118
Other	34,500	34,500	56,764	22,264
Cash brought forward	2,341,872	2,699,305	-	(2,699,305)
TOTAL REVENUES	<u>7,958,713</u>	<u>8,316,146</u>	<u>5,759,998</u>	<u>(2,556,148)</u>
EXPENDITURES				
Current				
Public safety				
Personnel services	4,982,880	4,959,880	4,855,784	104,096
Operating expenditures	2,561,833	2,892,266	606,646	2,285,620
Capital outlay	414,000	464,000	29,112	434,888
TOTAL EXPENDITURES	<u>7,958,713</u>	<u>8,316,146</u>	<u>5,491,542</u>	<u>2,824,604</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	268,456	<u>\$ 268,456</u>
FUND BALANCE - Beginning			<u>2,699,305</u>	
FUND BALANCE - Ending			<u>\$ 2,967,761</u>	

The accompanying notes are an integral part of this statement.

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

REVENUES	General Fund			Variance Favorable/ (Unfavorable)
	Original Budget	Final Budget	Actual	
Ad valorem taxes:				
Current	\$ 5,524,261	\$ 5,524,261	\$ 5,611,613	\$ 87,352
Delinquent	20,000	20,000	11,325	(8,675)
Excess fees	-	-	41,085	41,085
Subtotal - Ad Valorem Taxes	<u>5,544,261</u>	<u>5,544,261</u>	<u>5,664,023</u>	<u>119,762</u>
Intergovernmental revenue:				
Federal grants	-	-	-	-
Lee County EMS	7,500	7,500	7,500	-
City of Cape Coral	-	-	-	-
State grant proceeds	-	-	-	-
State supplemental education	14,880	14,880	10,020	(4,860)
Fees:				
Inspection fees	15,000	15,000	19,873	4,873
Interest:				
Ad valorem interest	-	-	760	760
Bank interest	500	500	113	(387)
SBA interest	200	200	945	745
Subtotal - Interest	<u>700</u>	<u>700</u>	<u>1,818</u>	<u>1,118</u>
Other:				
Donations-CERT	-	-	-	-
Donations	500	500	400	(100)
Lock boxes	5,000	5,000	1,225	(3,775)
Increase (Decrease) in fair value investment	-	-	-	-
Retiree health insurance	23,000	23,000	36,105	13,105
Miscellaneous	6,000	6,000	19,034	13,034
Subtotal - Other	<u>34,500</u>	<u>34,500</u>	<u>56,764</u>	<u>22,264</u>
Cash brought forward	<u>2,341,872</u>	<u>2,699,305</u>	<u>-</u>	<u>(2,699,305)</u>
TOTAL REVENUES	<u>7,958,713</u>	<u>8,316,146</u>	<u>5,759,998</u>	<u>(2,556,148)</u>

The accompanying notes are an integral part of this statement.

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

	General Fund			Variance Favorable/ (Unfavorable)
	Original Budget	Final Budget	Actual	
EXPENDITURES				
Current - Public safety				
Personnel services:				
Salaries				
Firefighters & administrative	3,100,000	3,100,000	3,096,154	3,846
Voluntary separation pay	-	-	-	-
Overtime	250,000	251,000	250,678	322
Incentives and holiday pay	14,880	13,880	13,410	470
Payroll taxes				
Social Security	260,000	260,000	248,483	11,517
Unemployment	3,000	-	-	-
Benefits				
Retirement	720,000	720,000	661,134	58,866
Group insurance - health/life	510,000	510,000	499,141	10,859
Workers compensation	125,000	105,000	86,784	18,216
Subtotal - Personnel services	<u>4,982,880</u>	<u>4,959,880</u>	<u>4,855,784</u>	<u>104,096</u>
Operating expenditures:				
Uniforms	16,000	16,000	14,063	1,937
Communications	33,000	37,000	35,444	1,556
Commercial Pkg Insurance	50,000	46,000	44,855	1,145
Utilities	33,000	33,000	24,717	8,283
Maintenance				
Vehicle	60,000	90,000	85,059	4,941
Equipment	15,000	26,000	25,396	604
Office	15,000	20,000	18,397	1,603
Communications	10,000	10,000	8,809	1,191
Hydrant	1,000	1,000	469	531
Building	18,000	18,000	10,907	7,093
Bunker gear	2,000	1,000	266	734
Supplies				
Office	7,000	10,000	8,094	1,906
Inter-departmental	5,000	5,000	4,641	359
Communications	6,000	5,500	4,483	1,017
Firefighter & rescue	38,000	38,000	30,770	7,230
Station	20,000	20,000	15,821	4,179
Training	-	-	-	-
Fire prevention	-	-	-	-

The accompanying notes are an integral part of this statement.

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

	General Fund			Variance Favorable/ (Unfavorable)
	Original Budget	Final Budget	Actual	
Operating expenditures (continued):				
CERT	-	-	-	-
Public education	1,000	1,500	1,210	290
Professional and other fees				
Legal	5,000	5,000	4,358	642
Legal advertising	2,000	2,000	1,887	113
Property Appraiser fees	46,700	46,700	39,549	7,151
Tax Collector fees	120,000	120,000	119,764	236
Election fees	-	-	-	-
Accounting and audit	35,000	30,000	25,560	4,440
Miscellaneous				
Education and travel	20,000	25,000	22,628	2,372
Postage	2,000	2,000	707	1,293
Gas and oil	60,000	60,000	36,144	23,856
Employment expenses	3,000	3,000	1,632	1,368
Computer software/training	10,000	10,000	7,233	2,767
Lock boxes	5,000	5,000	3,120	1,880
Donations	-	-	-	-
Miscellaneous	10,000	10,000	6,033	3,967
Books and dues	5,000	5,000	4,630	370
Operational reserves				
Contingency	35,000	50,000	-	50,000
Operating reserve	1,543,133	1,770,566	-	1,770,566
Projected 2016 Loss	170,000	170,000	-	170,000
Disaster preparedness reserve	40,000	50,000	-	50,000
Post retirement medical reserve	120,000	150,000	-	150,000
Subtotal - Operating expenditures	<u>2,561,833</u>	<u>2,892,266</u>	<u>606,646</u>	<u>2,285,620</u>
Capital outlay:				
Vehicles	-	-	-	-
Firefighter & rescue equipment	4,000	4,000	3,376	624
Bunker gear	10,000	10,000	5,355	4,645
Training equipment	-	-	-	-
Communications equipment	-	-	-	-
Furniture & office	10,000	20,000	14,364	5,636
Station equipment	-	-	-	-

The accompanying notes are an integral part of this statement.

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

	General Fund			Variance Favorable/ (Unfavorable)
	Original Budget	Final Budget	Actual	
Capital outlay (continued):				
Rescue equipment	-	-	-	-
Bunker gear	-	-	-	-
Station #1 improvements	20,000	10,000	4,780	5,220
Station #2 improvements	5,000	5,000	1,237	3,763
Station #3 improvements	5,000	5,000	-	5,000
Capital Reserves	-	-	-	-
Building reserve	25,000	35,000	-	35,000
Vehicle reserve	300,000	325,000	-	325,000
Capital equipment reserve	35,000	50,000	-	50,000
Subtotal - Capital outlay	414,000	464,000	29,112	434,888
TOTAL EXPENDITURES	7,958,713	8,316,146	5,491,542	2,824,604
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ -	268,456	\$ 268,456
FUND BALANCE, October 1, 2015			2,699,305	
FUND BALANCE, September 30, 2016			\$ 2,967,761	

The accompanying notes are an integral part of this statement.

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

	Impact Fee Fund			
	Original	Final	Actual	Variance
	Budget	Budget		Favorable (Unfavorable)
REVENUES				
Fees:				
Impact fees	\$ 20,000	\$ 20,000	\$ -	\$ (20,000)
Miscellaneous:				
Interest	350	350	-	(350)
Cash brought forward	182,875	182,875	-	(182,875)
TOTAL REVENUES	<u>203,225</u>	<u>203,225</u>	<u>-</u>	<u>(203,225)</u>
EXPENDITURES				
Current				
Public safety				
Operating				
Refunds	-	-	-	-
Miscellaneous	-	-	-	-
Capital outlay				
Contingency	203,225	203,225	-	203,225
Vehicles	-	-	-	-
Equipment - firefighter/rescue	-	-	-	-
Equipment - bunker gear	-	-	-	-
Buildings - Station #1	-	-	-	-
TOTAL EXPENDITURES	<u>203,225</u>	<u>203,225</u>	<u>-</u>	<u>203,225</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE - Beginning			<u>-</u>	
FUND BALANCE - Ending			<u>\$ -</u>	

The accompanying notes are an integral part of this statement.

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY - FLORIDA RETIREMENT SYSTEM PENSION
PLAN (1)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.022818081%	0.021852527%	0.021748347%
District's proportionate share of the net pension liability	\$ 5,761,583	\$ 2,822,547	\$ 1,326,969
District's covered-employee payroll	\$ 3,342,649	\$ 3,371,304	\$ 3,421,304
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	172.37%	83.72%	38.79%
Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 612,210	\$ 568,090	\$ 551,857
Contributions in relation to the contractually required contribution	<u>612,210</u>	<u>568,090</u>	<u>551,857</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,342,649	\$ 3,371,304	\$ 3,421,304
Contributions as a percentage of covered-employee payroll	18.32%	16.85%	16.13%

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

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

**NORTH FORT MYERS FIRE CONTROL
AND RESCUE SERVICE DISTRICT**

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.0107790666%	0.011594876%	0.011475690%
District's proportionate share of the net pension liability	\$ 1,256,255	\$ 1,182,495	\$ 1,073,005
District's covered-employee payroll	\$ 3,342,649	\$ 3,371,304	\$ 3,421,304
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	37.58%	35.08%	31.36%
Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%	0.99%

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 48,924	\$ 46,272	\$ 37,464
Contributions in relation to the contractually required contribution	<u>48,924</u>	<u>46,272</u>	<u>37,464</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 3,342,649	\$ 3,371,304	\$ 3,421,304
Contributions as a percentage of covered-employee payroll	1.46%	1.37%	1.10%

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

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

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

Changes of Assumptions

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

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments were reduced from 7.65% to 7.60%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

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

Florida Retirement System Pension Plan

There were changes in actuarial assumptions. As of June 30, 2016, the inflation rate assumption remained at 2.6 percent, the real payroll growth assumption was 0.65 percent, and the overall payroll growth rate assumption remained at 3.25 percent. The long-term expected rate of return was reduced from 7.65% to 7.60%.

Health Insurance Subsidy Pension Plan

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

Pension Expense and Deferred Outflows/Inflows of Resources

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

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

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

The average expected remaining service life of all employees provided with pensions through the pension plans at June 30, 2016, was increased from 6.3 years to 6.4 years for FRS and 7.2 years for HIS.

ADDITIONAL REPORTS



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Affiliations

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American Institute of Certified Public Accountants

Private Companies Practice Section

Tax Division

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

Board of Commissioners
 North Fort Myers Fire Control and Rescue Service District
 P.O. Box 3507
 North Fort Myers, Florida 33918

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America, the basic financial statements of the governmental activities and each major fund of North Fort Myers Fire Control and Rescue Service District (the "District") as of and for the year ended September 30, 2016, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents and have issued our report thereon March 2, 2017.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the basic financial statements will not be prevented or detected and

INTEGRITY SERVICE EXPERIENCE

corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of This Report

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

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

TUSCAN & COMPANY, P.A.

Fort Myers, Florida

March 2, 2017



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& Company, PA

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Tax Division

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

Board of Commissioners
North Fort Myers Fire Control and Rescue Service District
P.O. Box 3507
North Fort Myers, Florida 33918

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

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

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

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

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
March 2, 2017

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INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT

Board of Commissioners
 North Fort Myers Fire Control and Rescue Service District
 P.O. Box 3507
 North Fort Myers, Florida 33918

We have audited the accompanying basic financial statements of North Fort Myers Fire Control and Rescue Service District (the "District") as of and for the year ended September 30, 2016 and have issued our report thereon dated March 2, 2017.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America and Chapter 10.550, Rules of the Florida Auditor General. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an audit of the financial statements performed in accordance with Government Auditing Standards and Chapter 10.550, Rules of the Florida Auditor General. Disclosures in those reports, which are dated March 2, 2017, should be considered in conjunction with this report to management.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The prior year comments that have not been resolved have been repeated.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. One such recommendation was noted to improve financial management.

INTEGRITY SERVICE EXPERIENCE

- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)4., Rule of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The District discloses this information in the notes to the financial statements.
- Section 10.554(1)(i)5.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. The District did not meet any of the conditions described in Section 218.503(1). Florida Statutes.
- Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the District for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a) Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)5.c. and 10.556(7), Rules of the Auditor General, we have applied financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. In connection with our audit, we determined that the District did meet one or more of the criteria of a deteriorating financial condition described in Section Auditor General Rule 10.554(1)(i)(6).c. See comment 2013-1.
- Pursuant to Section 10.554(1)(i)5.d., Rules of the Auditor General, requires a statement indicating a failure, if any, of a component unit Special District to provide financial information necessary to a proper reporting of the component unit within the audited financial statements of this District (F.S. Section 218.39(3)(b)). There are no known component special districts required to report within these financial statements.

Section 10.556(10)(a), Rules of the Auditor General, requires that the scope of our audit to determine the District's compliance with the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes as reported in our Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes March 2, 2017, included herein.

PRIOR YEAR COMMENTS:

Prior year comments appear to have been resolved.

CURRENT YEAR COMMENTS:

There were no financially significant current year comments.

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

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

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
March 2, 2017

EXHIBIT

Board of
Commissioners

Michael Gatewood
Chairman

Danny Ballard
Vice-Chairman

Tom Mere
Sec. - Treasurer

Leroy Nottingham

Suzanne Daggett



NORTH FT. MYERS FIRE DIST.

P.O. Box 3507 * 2900 Trail Dairy Circle
N. Ft. Myers, FL 33918-3507
(239) 997-8654 (239) 995-3757 fax

Administration

David Rice
Fire Chief

John Meredith
Asst. Fire Chief

Rick Jones
Fire Marshal

Monique Brooks
Office Manager

April 14, 2017

Response to Management Letter – Fiscal Year 2015/2016

In response to the management letter contained in the independent audit by
Tuscan and Company, we provide the following:

Per prior year comments, they have been resolved.

Per current year, there were no financially significant comments noted.

Sincerely,

David Rice
Fire Chief