

4. REPORTS RECEIVED FOR FILING:

- a. Division of Inspector General, Clerk of the Circuit Court and Comptroller, Report No. 2014-37 dated December 4, 2014 – Follow-Up Audit of Pinellas County's Compliance with the Family Medical Leave Act (FMLA).
- b. Palm Harbor Special Fire Control and Rescue District Annual Financial Report for the Fiscal Year ended September 30, 2013.
- c. Dock Fee Report for the month of November 2014.

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

ANNUAL FINANCIAL REPORT
FOR THE FISCAL
YEAR ENDED SEPTEMBER 30, 2013

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

ANNUAL FINANCIAL REPORT

OF

PALM HARBOR SPECIAL FIRE CONTROL
AND RESCUE DISTRICT

FOR THE

FISCAL YEAR ENDED SEPTEMBER 30, 2013

PREPARED BY THE

OFFICE MANAGER

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

BOARD OF FIRE COMMISSIONERS

Joseph Petrillo, Chairman

Julie A. Peluso,
Vice Chairman

Norman G. Atherton,
Secretary - Treasurer

Debbie Buschman,
Fire Commissioner

James Nelson,
Fire Commissioner

Fire Chief

Office Manager/Accountant

Craig M. Maciuba

Eileen M. Brown

INTRODUCTORY SECTION

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PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

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PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

ANNUAL FINANCIAL REPORT

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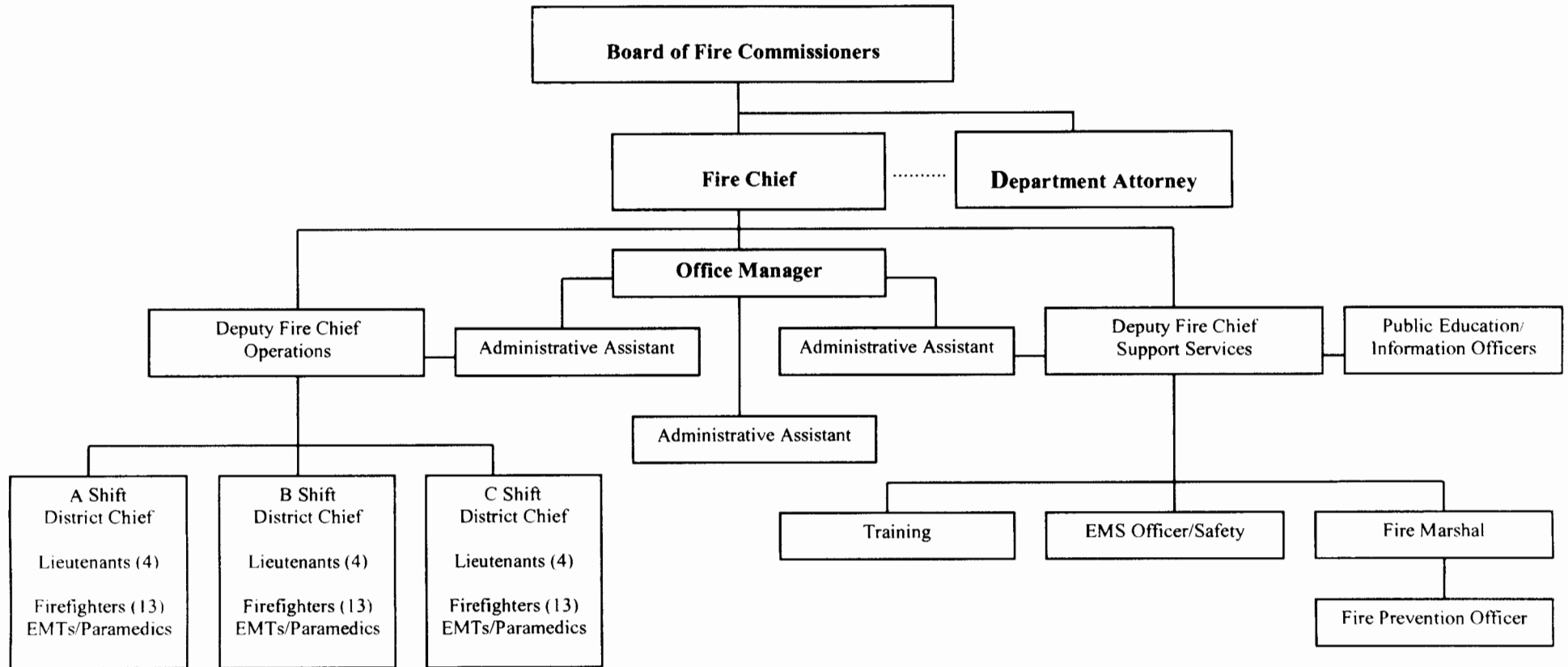
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PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

ORGANIZATIONAL CHART

September 30, 2013



PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

LISTING OF DISTRICT OFFICIALS

ELECTED OFFICIALS

| | |
|--------------|--------------------|
| Commissioner | James P. Nelson |
| Commissioner | Joseph Petrillo |
| Commissioner | Debbie Buschman |
| Commissioner | Julie A. Peluso |
| Commissioner | Norman G. Atherton |

APPOINTED OFFICIALS

| | |
|------------|-------------------|
| Fire Chief | Craig M. Maciuba |
| Attorney | Andrew J. Salzman |

DISTRICT OFFICERS

Chad Pittman, Deputy Fire Chief Operations
Timothy Pilson, Training Chief
Robert Markford, Deputy Fire Chief Support Services
Frank Lowman, Acting Fire Marshall
Thomas Fritz, District Chief
Scott Sanford, District Chief
Daniel Zinge, District Chief

FINANCIAL SECTION

This section contains the following subsections:

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

Notes to Financial Statements

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INDEPENDENT AUDITOR'S REPORT

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Davidson, Jamieson & Cristini, P.L.

Certified Public Accountants

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

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, the budgetary comparisons for the general fund, and the aggregate remaining fund information of Palm Harbor Special Fire Control and Rescue District as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Palm Harbor Special Fire Control and Rescue District as of September 30, 2013, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of

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

America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Davidson, Jamison & Crestini, P.C.

March 6, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis September 30, 2013

As management of the Palm Harbor Special Fire Control and Rescue District (District), we offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the fiscal year ended September 30, 2013.

FINANCIAL HIGHLIGHTS

- (A) The assets of the District exceeded its liabilities at the close of the 2013 fiscal year by \$9,676,403 (*net position*). Of this amount, \$3,389,657 (*unrestricted net position*) may be used to meet the District's ongoing obligations to property owners and creditors.
- (B) The District's net position decreased by \$366,230. This decrease is attributable to higher than anticipated expenses and depreciation.
- (C) As of the close of the 2013 fiscal year, the District's governmental funds (general and capital projects funds) reported an ending fund balance of \$4,191,712, a decrease of \$193,340 in comparison with the prior year. Approximately \$4,129,177 is available for spending at the District's discretion.
- (D) Outstanding debt, which includes compensated absences, OPEB obligations, and capital leases at the end of fiscal year 2013 is \$2,437,137.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis

September 30, 2013

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

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

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

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

Fund Financial Statements

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

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

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

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis September 30, 2013

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

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

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

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

Fiduciary Funds

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

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

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 65 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) concerning the District's progress in funding its obligation to provide pension benefits to its firefighters. Required supplementary information can be found on page 51 of this report.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis September 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the District's case, assets exceeded liabilities by \$9,676,403 and \$10,042,633 at the fiscal years ended on September 30, 2013 and 2012.

The District's capital assets represent investments in land, buildings and improvements and equipment. Approximately 82% of the total net assets are capital assets. The District uses these capital assets to provide services to its citizens and property owners, consequently, these assets are not available for future spending. The District's investment in its capital assets is reported net of related debt and the capital assets themselves cannot be used to liquidate general operating liabilities.

The *unrestricted* category of net position, with a balance of \$3,389,657 and \$3,641,239 at years ended September 30, 2013 and 2012, may be used to meet the District's ongoing obligations to citizens and creditors and is shown in the following schedule:

| | Governmental Activities | |
|------------------------------------|-------------------------|----------------------|
| | 2013 | 2012 |
| Cash | \$ 2,301,519 | \$ 2,351,842 |
| Other current assets | 2,184,330 | 2,315,059 |
| Capital assets, net | 7,944,827 | 8,308,684 |
| Total Assets | 12,430,676 | 12,975,585 |
| Long-term liabilities | 2,033,037 | 2,625,648 |
| Other liabilities | 721,236 | 307,304 |
| Total liabilities | 2,754,273 | 2,932,952 |
| Net Position: | | |
| Capital assets net of related debt | 6,224,211 | 6,369,352 |
| Restricted for capital projects | 62,353 | 32,042 |
| Unrestricted | 3,389,657 | 3,641,239 |
| Total Net Position | \$ 9,676,403 | \$ 10,042,633 |

At the end of the current fiscal year, the District is able to report positive balances in all of its categories of net position. The District's net position decreased by \$366,230 and \$308,825 during the current and prior fiscal years respectively, primarily from decreased property taxes, higher than expected expenses, and depreciation.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis September 30, 2013

Governmental activities. As the District has no business-type activities, governmental activities were responsible for decreasing the District's net position. The decrease is primarily attributed to a decrease in property taxes, higher than expected expenses and accumulated depreciation.

Increases in expenses closely paralleled inflation and growth in the demand for services.

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

| | | Governmental Activities | |
|---|-----------|-------------------------|----------------------|
| | | 2013 | 2012 |
| Revenues: | | | |
| Program Revenues: | | | |
| Charge for services | \$ | 1,906,894 | \$ 1,827,482 |
| Impact fees | | 30,450 | 6,288 |
| Total Program Revenues | | 1,937,344 | 1,833,770 |
| General Revenues: | | | |
| Property taxes | | 6,173,309 | 6,589,140 |
| Investment earnings | | 18,764 | 22,946 |
| Other | | 318,644 | 451,760 |
| Total General Revenues | | 6,510,717 | 7,063,846 |
| Total Program and General Revenues | | 8,448,061 | 8,897,616 |
| Expenses: | | | |
| Public Safety - EMS and Fire Protection | | 8,814,291 | 9,206,441 |
| Total Expenses | | 8,814,291 | 9,206,441 |
| Change in net position | | (366,230) | (308,825) |
| Net position, beginning of year | | 10,042,533 | 10,351,458 |
| Net position, end of year | \$ | 9,676,403 | \$ 10,042,633 |

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis September 30, 2013

Financial Analysis of the District's Funds

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

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

The general fund is the District's chief operating fund. At the end of the current fiscal year, the total fund balance of the general fund was \$4,129,177. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The total and unreserved fund balance represents 47.8% of total general fund expenditures.

The fund balance for the general fund decreased \$223,833 during the current fiscal year. The key factor in this decrease was higher than anticipated expenses.

General Fund Budgetary Highlights

An annual budget is legally adopted for the general fund and was not amended during 2013 and 2012. Revenues exceeded budget by \$219,782 and \$415,524 in 2013 and 2012, respectively. Property taxes, representing 74.7% and 76.0% of the District's revenue, increased by \$107,238 and \$339,323 over the current and prior years' budget.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis September 30, 2013

| | 2013 | | | 2012 | | |
|-------------------------------------|---------------------|---------------------|-------------------|------------------|---------------------|---------------------|
| | Budget | Actual | Variance | Budget | Actual | Variance |
| Revenues: | | | | | | |
| Property Taxes | \$ 6,066,071 | \$ 6,173,309 | \$ 107,238 | \$ 6,249,817 | \$ 6,589,140 | \$ 339,323 |
| Other | <u>2,051,517</u> | <u>2,164,061</u> | <u>112,544</u> | <u>2,000,400</u> | <u>2,076,601</u> | <u>76,201</u> |
| Total Revenues | 8,117,588 | 8,337,370 | 219,782 | 8,250,217 | 8,665,741 | 415,524 |
| Expenditures: | | | | | | |
| General government: | | | | | | |
| Debt service | \$ 267,715 | \$ 267,715 | - | 267,715 | \$ 267,715 | - |
| Capital outlay | 98,000 | 32,985 | 65,015 | - | 23,562 | (23,562) |
| Public Safety- | | | | | | |
| EMS and Fire Protection | 8,006,285 | 8,340,698 | (334,413) | 8,140,510 | 8,743,230 | (602,720) |
| Other financing sources and uses | <u>113,588</u> | <u>(80,195)</u> | <u>193,783</u> | <u>(158,008)</u> | <u>(225,000)</u> | <u>66,992</u> |
| Total Expenditures | <u>8,485,588</u> | <u>8,561,203</u> | <u>(75,615)</u> | <u>8,250,217</u> | <u>8,809,507</u> | <u>(559,290)</u> |
| Net change in fund balance | <u>\$ (368,000)</u> | <u>\$ (223,833)</u> | <u>\$ 144,167</u> | <u>\$ -</u> | <u>\$ (143,766)</u> | <u>\$ (143,766)</u> |

Capital Assets

At the end of 2013 and 2012, the District's investment in capital assets for its governmental activities was \$7,944,727 and \$8,308,684 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and improvements and equipment.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis September 30, 2013

| | 2013 | | | 2012 | | |
|----------------------------------|----------------------|----------------------------------|---------------------|----------------------|----------------------------------|---------------------|
| | Beginning Balance | Net Additions/ (Deletions) | Ending Balance | Beginning Balance | Net Additions/ (Deletions) | Ending Balance |
| Land | \$ 939,530 | \$ - | \$ 939,530 | \$ 939,530 | \$ - | \$ 939,530 |
| Construction in progress | - | - | - | 1,780,835 | (1,780,835) | - |
| Buildings and improvements | 6,553,215 | - | 6,553,215 | 6,553,215 | - | 6,553,215 |
| Equipment | <u>4,303,955</u> | <u>34,150</u> | <u>4,338,105</u> | <u>3,382,080</u> | <u>921,875</u> | <u>4,303,955</u> |
| Total capital assets | 11,796,700 | 34,150 | 11,830,850 | 12,655,660 | (858,960) | 11,796,700 |
| Less accumulated depreciation | <u>3,488,016</u> | <u>398,007</u> | <u>3,886,023</u> | <u>4,022,540</u> | <u>(534,524)</u> | <u>3,488,016</u> |
| Capital assets, net | <u>\$ 8,308,684</u> | <u>\$ (363,857)</u> | <u>\$ 7,944,827</u> | <u>\$ 8,633,120</u> | <u>\$ (324,436)</u> | <u>\$ 8,308,684</u> |

Total Capital

Additional information on the District's capital assets can be found in note 4 on page 42 of this report.

LONG-TERM DEBT

At the end of 2013 and 2012, the District had total long-term debt outstanding made up of accrued sick and vacation payable and capital improvement revenue note payable of \$2,033,037 and \$2,625,648, respectively.

More detailed information about the District's long-term debt can be found in note 5 on page 43 of this report.

ECONOMIC FACTORS

The District's board of commissioners approved a \$8,485,588 and \$8,518,217 budget for the 2013 and 2012 fiscal years. This is a .4% and .9% decrease, respectively.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis
September 30, 2013

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

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

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BASIC FINANCIAL STATEMENTS

This section contains the following subsections:

Government-Wide Financial Statements

Statement of Net Positions
Statement of Activities

Fund Financial Statements

Governmental Fund Financial Statements

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

Fiduciary Fund Financial Statement

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

Notes to Financial Statements

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PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

STATEMENT OF NET POSITION

SEPTEMBER 30, 2013

| <u>ASSETS</u> | <u>Primary Government</u> |
|--|-------------------------------|
| Cash | \$ 2,301,519 |
| Investments | 2,163,965 |
| Receivables, net of allowance for uncollectibles | 20,365 |
| Capital Assets: | |
| Land | 939,530 |
| Buildings and improvements | 6,553,215 |
| Equipment | 4,338,105 |
| Accumulated depreciation | <u>(3,886,023)</u> |
| Total capital assets, net | <u>7,944,827</u> |
| TOTAL ASSETS | 12,430,676 |
| <u>LIABILITIES</u> | |
| Accounts payable | 4,236 |
| Accrued salaries and benefits payable | 289,901 |
| Accrued interest payable | 22,999 |
| Noncurrent liabilities: | |
| Due within one year | 404,100 |
| Due in more than one year | <u>2,033,037</u> |
| TOTAL LIABILITIES | <u>2,754,273</u> |
| <u>NET POSITION</u> | |
| Invested in capital assets, net of related debt | 6,224,211 |
| Restricted for capital projects | 62,535 |
| Unrestricted | <u>3,389,657</u> |
| TOTAL NET POSITION | <u>\$ 9,676,403</u> |

See Notes to Financial Statements

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

| | Primary Government |
|-------------------------------------|-----------------------|
| EXPENSES - PUBLIC SAFETY: | |
| Personal services: | |
| Salaries | \$ 4,826,820 |
| Retirement | 950,926 |
| Insurance - employee | 1,367,641 |
| Payroll taxes | 365,381 |
| | <hr/> |
| Total personal services expense | 7,510,768 |
| Other operating: | |
| Contractual services | 12,650 |
| Professional services | 29,685 |
| Insurance - property/liability | 113,124 |
| Office supplies | 22,324 |
| Operating supplies/equipment | 21,375 |
| Miscellaneous | 39,665 |
| Vehicle maintenance/fuel | 200,377 |
| Building/equipment maintenance | 39,461 |
| Training, education, travel | 67,717 |
| Telephone | 12,954 |
| Utilities | 48,843 |
| Fire prevention | 5,888 |
| Uniforms/clothing and bunker gear | 35,282 |
| Fees | 180,543 |
| Depreciation | 401,636 |
| Interest on long-term debt | 71,999 |
| | <hr/> |
| Total other operating expense | 1,303,523 |
| | <hr/> |
| TOTAL PROGRAM EXPENSES | 8,814,291 |
| PROGRAM REVENUES: | |
| Charges for services | 1,906,894 |
| Impact fees | 30,450 |
| | <hr/> |
| Total program revenues | 1,937,344 |
| | <hr/> |
| Net program expenses | 6,876,947 |
| GENERAL REVENUES: | |
| Property taxes | 6,173,309 |
| Tax collector fee rebate | 43,144 |
| Tower rental | 34,809 |
| Firefighters' educational incentive | 19,080 |
| Investment earnings | 18,764 |
| Hazmet reimbursement | 48,294 |
| Miscellaneous | 93,122 |
| Gain on sale of capital equipment | 80,195 |
| | <hr/> |
| TOTAL GENERAL REVENUES | 6,510,717 |
| | <hr/> |
| CHANGE IN NET POSITION | (366,230) |
| NET POSITION - BEGINNING | 10,042,633 |
| | <hr/> |
| NET POSITION - ENDING | \$ 9,676,403 |
| | <hr/> <hr/> |

See Notes to Financial Statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2013

| ASSETS | <u>General</u> | <u>Capital Projects</u> | <u>Total Governmental Funds</u> |
|---|----------------------------|-----------------------------|---|
| Cash | \$ 2,238,984 | \$ 62,535 | \$ 2,301,519 |
| Investments | 2,163,965 | - | 2,163,965 |
| Receivables (net of allowance for uncollectibles): | | | |
| Intergovernmental: | | | |
| State | 4,770 | - | 4,770 |
| Accounts | <u>15,595</u> | <u>-</u> | <u>15,595</u> |
| TOTAL ASSETS | \$ <u>4,423,314</u> | \$ <u>62,535</u> | \$ <u>4,485,849</u> |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities: | | | |
| Accounts payable | \$ 4,236 | \$ - | \$ 4,236 |
| Accrued salaries and benefits payable | <u>289,901</u> | <u>-</u> | <u>289,901</u> |
| Total liabilities | 294,137 | - | 294,137 |
| Fund balance: | | | |
| Restricted | - | 62,535 | 62,535 |
| Committed | 25,000 | - | 25,000 |
| Unassigned | <u>4,104,177</u> | <u>-</u> | <u>4,104,177</u> |
| Total fund balance | <u>4,129,177</u> | <u>62,535</u> | <u>4,191,712</u> |
| TOTAL LIABILITIES AND FUND BALANCES | \$ <u>4,423,314</u> | \$ <u>62,535</u> | \$ <u>4,485,849</u> |

See Notes to Financial Statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

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

SEPTEMBER 30, 2013

Fund balance - total governmental funds \$ 4,191,712

Amounts reported for governmental activities in the statement of
net position are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the governmental fund.

| | | |
|-------------------------------|--------------------|-----------|
| Governmental capital assets | \$ 11,830,850 | |
| Less accumulated depreciation | <u>(3,886,023)</u> | 7,944,827 |

Long-term liabilities are not due and payable
in the current period and therefore are not reported in
the governmental fund.

| | | |
|--|------------------|-------------|
| Accrued interest | (22,999) | |
| Capital improvement revenue note | (1,720,617) | |
| Post-employment health care obligation | (84,000) | |
| Compensated absences | <u>(632,520)</u> | (2,460,136) |

Net position of governmental activities \$ 9,676,403

See Notes to Financial Statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

| | General | Capital Projects | Totals Governmental Funds |
|---|------------------|---------------------|---------------------------------|
| REVENUES: | | | |
| Property taxes | \$ 6,173,309 | \$ - | \$ 6,173,309 |
| EMS services | 1,906,894 | - | 1,906,894 |
| Tax collector fee rebate | 43,144 | - | 43,144 |
| Hazmat reimbursement | 48,294 | - | 48,294 |
| Firefighters' educational incentive | 19,080 | - | 19,080 |
| Impact fees | | 30,450 | 30,450 |
| Interest | 18,718 | 46 | 18,764 |
| Tower rental | 34,809 | | 34,809 |
| Donations | 5,353 | | 5,353 |
| Miscellaneous | 87,769 | | 87,769 |
| TOTAL REVENUES | 8,337,370 | 30,496 | 8,367,866 |
| EXPENDITURES - PUBLIC SAFETY: | | | |
| Personal services: | | | |
| Salaries | 4,822,071 | - | 4,822,071 |
| Retirement | 950,926 | - | 950,926 |
| Insurance - employee | 1,367,641 | - | 1,367,641 |
| Payroll taxes | 365,381 | - | 365,381 |
| Total personal services | 7,506,019 | - | 7,506,019 |
| Other operating: | | | |
| Contractual services | 12,650 | - | 12,650 |
| Professional services | 29,685 | - | 29,685 |
| Insurance - property/liability | 113,124 | - | 113,124 |
| Office supplies | 22,324 | - | 22,324 |
| Operating supplies/equipment | 21,375 | - | 21,375 |
| Miscellaneous | 39,662 | 3 | 39,665 |
| Vehicle maintenance/fuel | 200,377 | - | 200,377 |
| Building/equipment maintenance | 39,461 | - | 39,461 |
| Training, education, travel | 67,717 | - | 67,717 |
| Telephone | 12,954 | - | 12,954 |
| Utilities | 48,843 | - | 48,843 |
| Fire prevention | 5,888 | - | 5,888 |
| Uniforms/clothing and bunker gear | 40,076 | - | 40,076 |
| Fees | 180,543 | - | 180,543 |
| Total other operating | 834,679 | 3 | 834,682 |
| Capital outlay | 32,985 | - | 32,985 |
| Debt service: | | | |
| Principal | 193,260 | - | 193,260 |
| Interest and fiscal charges | 74,455 | - | 74,455 |
| Total debt service | 267,715 | - | 267,715 |
| TOTAL EXPENDITURES | 8,641,398 | 3 | 8,641,401 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | | | |
| CARRIED FORWARD | \$ (304,028) | \$ 30,493 | \$ (273,535) |

See Notes to Financial Statements

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

| | <u>General</u> | <u>Capital Projects</u> | <u>Totals Governmental Funds</u> |
|--|---------------------|-----------------------------|--|
| EXCESS REVENUES OVER EXPENDITURES BROUGHT FORWARD | \$ (304,028) | \$ 30,493 | \$ (273,535) |
| OTHER FINANCING SOURCES (USES): | | | |
| Contingency Reserve | | | - |
| Sale of surplus property | <u>80,195</u> | <u>-</u> | <u>80,195</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>80,195</u> | <u>-</u> | <u>80,195</u> |
| EXCESS OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES AND OTHER SOURCES | (223,833) | 30,493 | (193,340) |
| FUND BALANCE, OCTOBER 1 | <u>4,353,010</u> | <u>32,042</u> | <u>4,385,052</u> |
| FUND BALANCE, SEPTEMBER 30 | <u>\$ 4,129,177</u> | <u>\$ 62,535</u> | <u>\$ 4,191,712</u> |

See Notes to Financial Statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

| | | |
|---|----|-----------|
| Net change in fund balance - total governmental funds | \$ | (193,340) |
|---|----|-----------|

Amounts reported for governmental activities in the statement of
activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets
is depreciated over their estimated useful lives.

| | | | |
|---------------------------------|----|------------------|-----------|
| Expenditures for capital assets | \$ | 37,779 | |
| Less current year depreciation | | <u>(401,636)</u> | (363,857) |

Some expenses reported in the statement of activities do not
require the use of current financial resources and therefore are
not reported as expenditures in governmental fund:

| | | |
|--|----------------|----------------|
| Accrued interest expense | 2,456 | |
| Debt payments | 193,260 | |
| Post-employment health care obligation | - | |
| Change in compensated absences | <u>(4,749)</u> | <u>190,967</u> |

| | | |
|---|----|-------------------------|
| Change in net position of governmental activities | \$ | <u><u>(366,230)</u></u> |
|---|----|-------------------------|

See Notes to Financial Statements

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

GENERAL FUND

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

| | <u>BUDGETED AMOUNTS</u> | | |
|-------------------------------------|-----------------------------------|---------------------------|---|
| | <u>ORIGINAL AND FINAL</u> | <u>ACTUAL AMOUNTS</u> | <u>VARIANCE FAVORABLE (UNFAVORABLE)</u> |
| REVENUES: | | | |
| Property taxes | \$ 6,066,071 | \$ 6,173,309 | \$ 107,238 |
| EMS services | 1,906,894 | 1,906,894 | - |
| Tax Collector Fee Rebate | 45,000 | 43,144 | (1,856) |
| Hazmat reimbursement | - | 48,294 | 48,294 |
| Firefighters' educational incentive | - | 19,080 | 19,080 |
| Interest | 20,000 | 18,718 | (1,282) |
| Tower rental | 34,623 | 34,809 | 186 |
| Donations | - | 5,353 | 5,353 |
| Miscellaneous | 45,000 | 87,769 | 42,769 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL REVENUES | 8,117,588 | 8,337,370 | 219,782 |
| EXPENDITURES: | | | |
| Personal services: | | | |
| Salaries | 4,619,126 | 4,822,071 | (202,945) |
| Retirement | 813,778 | 950,926 | (137,148) |
| Insurance - employee | 1,388,220 | 1,367,641 | 20,579 |
| Payroll taxes | 353,363 | 365,381 | (12,018) |
| | <hr/> | <hr/> | <hr/> |
| Total personal services | 7,174,487 | 7,506,019 | (331,532) |
| Other operating: | | | |
| Building/equipment maintenance | 46,000 | 39,461 | 6,539 |
| Contractual services | 12,000 | 12,650 | (650) |
| Fees | 178,820 | 180,543 | (1,723) |
| Fire prevention | 7,500 | 5,888 | 1,612 |
| Insurance-property/liability | 113,568 | 113,124 | 444 |
| Miscellaneous | 34,000 | 39,662 | (5,662) |
| Office supplies | 20,500 | 22,324 | (1,824) |
| Operating supplies/equipment | 22,000 | 21,375 | 625 |
| Professional services | 31,830 | 29,685 | 2,145 |
| Telephone | 11,000 | 12,954 | (1,954) |
| Training, education, travel | 69,250 | 67,717 | 1,533 |
| Uniforms/clothing and bunker gear | 40,000 | 40,076 | (76) |
| Utilities | 52,980 | 48,843 | 4,137 |
| Vehicle maintenance/fuel | 192,350 | 200,377 | (8,027) |
| | <hr/> | <hr/> | <hr/> |
| Total other operating | 831,798 | 834,679 | (2,881) |
| Capital outlay | 98,000 | 32,985 | 65,015 |
| | <hr/> | <hr/> | <hr/> |
| Subtotal, carried forward | 8,104,285 | 8,373,683 | (269,398) |

See Notes to Financial Statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

GENERAL FUND

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

(CONTINUED)

| | <u>BUDGETED AMOUNTS ORIGINAL AND FINAL</u> | <u>ACTUAL AMOUNTS</u> | <u>VARIANCE FAVORABLE (UNFAVORABLE)</u> |
|--|--|---------------------------|---|
| SUBTOTAL BROUGHT FORWARD | \$ 8,104,285 | \$ 8,373,683 | \$ (269,398) |
| Debt service: | | | |
| Principal | 193,260 | 193,260 | - |
| Interest and fiscal charges | <u>74,455</u> | <u>74,455</u> | <u>-</u> |
| Total debt service | <u>267,715</u> | <u>267,715</u> | <u>-</u> |
| TOTAL EXPENDITURES | <u>8,372,000</u> | <u>8,641,398</u> | <u>(269,398)</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (254,412) | (304,028) | (49,616) |
| OTHER FINANCING SOURCES (USES): | | | |
| Sale of surplus property | - | 80,195 | 80,195 |
| Contingency reserve | (88,588) | - | 88,588 |
| Sick leave and vacation reserve | <u>(25,000)</u> | <u>-</u> | <u>25,000</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(113,588)</u> | <u>80,195</u> | <u>193,783</u> |
| EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES) | (368,000) | (223,833) | 144,167 |
| FUND BALANCES, OCTOBER 1 | <u>4,353,010</u> | <u>4,353,010</u> | <u>-</u> |
| FUND BALANCES, SEPTEMBER 30 | \$ <u>3,985,010</u> | \$ <u>4,129,177</u> | \$ <u>144,167</u> |

See Notes to Financial Statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUND

SEPTEMBER 30, 2013

ASSETS

| | <u>Public Safety Pension Fund</u> |
|---|---------------------------------------|
| Cash | \$ 3,756 |
| Receivables: | |
| Employer | 43,853 |
| Intergovernmental revenue - State Excise Tax Rebate Supplement | 151,190 |
| Interest and dividends | <u>19,349</u> |
| Total receivables | 214,392 |
| Prepaid expenses | 1,909 |
| Investments at fair value: | |
| Certificate of deposit | 299,518 |
| U.S. Government securities | 113,671 |
| U.S. Government agency securities | 106,624 |
| Corporate bonds | 2,579,184 |
| Municipal bonds | 309,312 |
| Domestic stock | 9,203,749 |
| Temporary investment funds | <u>784,003</u> |
| Total investments | <u>13,396,061</u> |
| Total assets | 13,616,118 |

LIABILITIES

| | |
|--------------------------------------|-----------------------------|
| Accounts payable | <u>21,433</u> |
| Total liabilities | <u>21,433</u> |
| Net position restricted for pensions | \$ <u><u>13,594,685</u></u> |

See Notes to Financial Statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSIITON

FIDUCIARY FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

| | <u>Public Safety Pension Fund</u> |
|---|---------------------------------------|
| Additions: | |
| Contributions: | |
| Employer | \$ 593,419 |
| Plan members | <u>171,937</u> |
| Total contributions | 765,356 |
| Intergovernmental: | |
| State Excise Tax Rebate | 279,479 |
| State Excise Tax Rebate Supplement | <u>151,190</u> |
| Total intergovernmental | 430,669 |
| Investment income: | |
| Net appreciation (depreciation) in fair value of investments | 1,259,203 |
| Interest income | 48,370 |
| Dividend income | 181,675 |
| Other | <u>124</u> |
| Total investment income | 1,489,372 |
| Less investment expenses | <u>59,334</u> |
| Net investment income | <u>1,430,038</u> |
| Total additions | 2,626,063 |
| Deductions: | |
| Pension benefits | 79,888 |
| Refund of contributions | 4,365 |
| Administrative expenses | <u>19,149</u> |
| Total deductions | <u>103,402</u> |
| Net increase in net position | 2,522,661 |
| Net position restricted for pensions: | |
| Beginning of year | <u>11,072,024</u> |
| End of year | \$ <u><u>13,594,685</u></u> |

See Notes to Financial Statements.

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NOTES TO

FINANCIAL STATEMENTS

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PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

1. General Statement And Summary of Significant Accounting Policies

General Statement

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

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

Reporting Entity

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

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

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

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

District Pension Fund

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

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

Government-wide and fund financial statements - As discussed more fully in Note 17 the District has adopted the provisions of GASB Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." The government-wide financial statements required under this statement (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are supported by taxes and intergovernmental revenues, continue to be reported separately from fiduciary funds.

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

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

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

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

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

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

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

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

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

The District reports the following major governmental funds:

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

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

Additionally, the District reports the following fiduciary fund type:

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

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

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

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

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

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

Assets, Liabilities, and Net Assets or Equity:

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

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

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

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

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

The Florida State Board of Administration Local Government Pooled Investment Fund has met the criteria to be considered a "2A-7 like" Investment Fund as defined by GASB Statement No. 31. Therefore, amortized cost may be used for valuation. The fair value of the District's investment in this pool is determined by the pool's share price (account balance).

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

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

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

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

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

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

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

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

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

Establishment/Elimination of Funds - During the fiscal year ended September 30, 2013, the District did not establish or eliminate any funds.

Property Taxes - Property taxes represent the major source of operating revenue for the District and are recognized as revenue when they become measurable and available. The budget for the fiscal year ended September 30, 2013 was adopted by the Board of Commissioners in September 2012. At that time a millage rate of 2.0000 per thousand of assessed valuation was approved. Taxes are assessed for the District on January 1 of each year by the Pinellas County Property Appraiser. Taxes are collected for the District by the Pinellas County Tax Collector and are payable from November of the current year through March of the following year. A 1% discount is offered for each month paid in advance beginning with November and ending with February. Taxes become delinquent after April 1 and attach as an enforceable lien on the property.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

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

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

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

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

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

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

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

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

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

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

a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or

b) imposed by law through constitutional provisions or enabling legislation are classified as restricted fund balances.

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

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

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

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

Deferred Outflows of Resources/Deferred Inflows of Resources-Government Accounting Standards Board (GASB) Concept Statement No. 4, "Elements of Financial Statements", introduced two new elements of the financial statements in addition to Assets, Liabilities and Net Assets (changed to Net Position) which are:

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

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

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

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

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

Net Position:

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

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction, or improvement of those assets. This component does not include the portion of debt attributable to the unspent proceeds.

Restricted - This component consists of net position that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or law or regulations of other governments) or by law through constitutional provisions or enabling legislation.

Unrestricted - This component consists of net position that does not meet the definition of "net investment in capital assets" and "restricted".

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.

Fund Balance:

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components - nonspendable, restricted, committed, assigned and unassigned.

Subsequent Events - Management has adopted the provisions set forth in GASB Statement No. 56, *Subsequent Events*, and considered subsequent events through the date of the audit report.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

2. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds and net position - governmental activities* as reported in the government-wide statement of net position. The detail of this \$5,484,691 difference is as follows:

| | |
|--|----------------------------|
| Capital assets, net of accumulated depreciation | 7,944,827 |
| Capital improvement revenue note | (1,720,617) |
| Accrued interest on long-term debt | (22,999) |
| Post-employment health care obligation | (84,000) |
| Compensated absences | <u>(632,520)</u> |
| Net adjustment to increase <i>fund balance - total Governmental funds</i> to arrive at <i>net position - Governmental activities</i> | \$ <u><u>5,484,691</u></u> |

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds and changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses." The details of this \$(363,857) difference are as follows:

| | |
|---|----------------------------|
| Capital outlay | \$ 37,779 |
| Depreciation expense | <u>(401,636)</u> |
| Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at changes in net position of governmental activities | \$ <u><u>(363,857)</u></u> |

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$190,967 difference are as follows:

| | |
|--|-------------------|
| Compensated absences | \$ (4,749) |
| Post-employment health care obligation | - |
| Change in accrued interest expense | 2,456 |
| Principal debt payments | <u>193,260</u> |
| Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> | <u>\$ 190,967</u> |

3. Deposits and Investments

Deposits

At year-end the carrying amount of the District's deposits was \$2,301,519 and the bank balance was \$2,451,393. The bank balance was covered by federal depository insurance and, for the amount in excess of such federal depository insurance, by the State of Florida's Security for Public Deposits Act. Provisions of the Act require that public deposits may only be made at qualified public depositories. The Act requires each qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral as determined by the provisions of the Act. In the event of a failure by a qualified public depository, losses in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

3. Deposits and Investments (Continued)

Investments

The District's investments are uninsured and unregistered for which the securities are held by the broker or dealer, or by its Bank's trust department or agent but in the District's name. Investments that are not evidenced by securities that exist in physical or book-entry form include investments in open-ended mutual funds and pools managed by other governments.

Investments as of September 30, 2013 are presented as follows:

| | <u>Bond Rating</u> | <u>Fair Value</u> | <u>Weighted Average Duration (Years)</u> |
|---|------------------------|-----------------------|--|
| American Express, Certificate of Deposit 1% (matures July 13, 2014) | N/A | \$ 299,518 | N/A |
| U.S. Government Securities | A-A | 113,671 | 3.9 |
| U.S. Government Agency Securities | A | 106,624 | 5.9 |
| Corporate Bonds | BB-A | 2,579,184 | 5.3 |
| Municipal Obligations | AA | 309,312 | 4.6 |
| Money Market Accounts | Not Rated | 784,003 | Open-Ended |
| Domestic Stock | N/A | 9,203,749 | N/A |
| Wachula State Bank, Certificate of Deposit, 0.60%, (matures March 27, 2014) | N/A | 1,001,812 | N/A |
| Wachula State Bank, Certificate of Deposit, 0.70%, (matures August 8, 2014) | N/A | 325,738 | N/A |
| Wachula State Bank, Certificate of Deposit, 0.70%, (matures July 14, 2014) | N/A | 814,397 | N/A |
| Florida State Board of Administration Local Government Pooled Investment Fund (SBA) (Fund B) | Not Rated | <u>22,018</u> | Open-Ended |
| Total investments | | \$ <u>15,560,026</u> | |

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

Investments (continued)

The Domestic Stock, U.S. Government Securities, Corporate Bonds and Money Market Accounts are assets of the District's Pension Trust Fund. The fair value of these publicly traded investments was determined by the stock share or bond prices as of September 30, 2013.

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

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

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

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

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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

Investments (continued)

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

Since the Florida State Board of Administration (SBA) Local Government Pooled Investment Fund (Fund) typically owns a substantial amount of treasury bills and notes, the Fund has utilized security lending programs to generate supplemental income. This income is used to pay a significant portion of the fees associated with the Fund which otherwise would have to be paid from regular Fund earnings. Any residual is used to build the Fund's reserve on behalf of participants. Both of these goals have been accomplished without impacting the regular earnings in the Fund with no change in the Fund's investment strategy. The investment in the Florida SBA pool is carried at the pool's share price at September 30, 2013.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

3. Deposits and Investments (Continued)

Investments (continued)

During the fiscal year ended September 30, 2007 the fund reported that 6% of the fund was held in securities that were in default, had defaulted or were extended; 8% of the fund was held in securities that were under stress due to credit issues and 86% of the fund was held in high quality money market investments. In an effort to strengthen the fund's liquidity, the fund was divided into two parts:

Fund A contained all money-market appropriate assets and

Fund B consisted of assets in default, impaired or held significant credit risk.

The SBA Board adopted the following operating policy:

1. Shareholders were allowed to redeem (with no fees) from Fund A, the greater of
 - a) up to 37% of their holdings or
 - b) \$4 million
2. Establish a public-private partnership to allow shareholders to borrow cash against their shares.
3. Shareholders that need additional funds and were not able to make use of the credit facility may redeem Fund A shares subject to redemption fees.
4. Fund B shares are not liquid nor are they tradable.

During the fiscal year ended September 30, 2012, the SBA Board announced that the fund was on track to return to full liquidity. Further, the SBA Board expects that the SBA fund securities will pay in full at maturity.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

4. Receivables

Receivables at September 30, 2013, consist of the following:

| | <u>General Fund</u> |
|---------------------------------------|-------------------------|
| Receivables: | |
| Intergovernmental: | |
| State | \$ 4,770 |
| Accounts | <u>15,595</u> |
| Gross receivables | 20,365 |
| Less: Allowance for uncollectibles | <u>-</u> |
| Net total receivables | <u><u>\$ 20,365</u></u> |

The receivables in the General Fund are due from state agencies.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

5. Capital Assets

Capital asset activity for the year ended September 30, 2013 was as follows:

| | Balance October 1, 2012 | Increases | Decreases | Balance September 30, 2013 |
|--|-------------------------------|---------------------|--------------|----------------------------------|
| <u>Governmental activities:</u> | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 939,530 | \$ - | \$ - | \$ 939,530 |
| Total capital assets, not being depreciated | 939,530 | - | - | 939,530 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 6,553,215 | - | - | 6,553,215 |
| Equipment | <u>4,303,955</u> | <u>37,779</u> | <u>3,629</u> | <u>4,338,105</u> |
| Total capital assets, being depreciated | 10,857,170 | 37,779 | 3,629 | 10,891,320 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 1,358,705 | 148,882 | - | 1,507,587 |
| Equipment | <u>2,129,311</u> | <u>252,754</u> | <u>3,629</u> | <u>2,378,436</u> |
| Total accumulated depreciation | <u>3,488,016</u> | <u>401,636</u> | <u>3,629</u> | <u>3,886,023</u> |
| Total capital assets, being depreciated, net | <u>7,369,154</u> | <u>(363,857)</u> | <u>-</u> | <u>7,005,297</u> |
| Governmental activities capital assets, net | <u>\$ 8,308,684</u> | <u>\$ (363,857)</u> | <u>\$ -</u> | <u>\$ 7,944,827</u> |

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

6. General Long-Term Debt

Capital Improvement Revenue Note

During the fiscal year ended September 30, 2006 the District issued a capital improvement revenue note, series 2005 to finance the cost of the renovation and equipping Station 65. Semi-annual principal and interest payments of \$133,858 are due through December 2020 with interest at 3.99%.

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

Long-term debt is summarized as follows:

| <u>Description</u> | <u>Balance October 1, 2012</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance September 2013</u> |
|---|--|-------------------|-------------------|---------------------------------------|
| Capital improvement revenue note, 3.99% | \$ 1,913,877 | \$ - | \$ 193,260 | \$ 1,720,617 |
| Post-employment health care obligation (Note 16) | 84,000 | - | - | 84,000 |
| Compensated absences | <u>627,771</u> | <u>578,644</u> | <u>573,895</u> | <u>632,520</u> |
| | <u>\$ 2,625,648</u> | <u>\$ 578,644</u> | <u>\$ 767,155</u> | <u>\$ 2,437,137</u> |

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

6. General Long Term Debt (Continued)

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

| <u>Year ending September 30,</u> | <u>Capital Improvement Revenue Note</u> |
|--------------------------------------|---|
| 2014 | \$ 267,715 |
| 2015 | 267,715 |
| 2016 | 267,715 |
| 2017 | 267,715 |
| 2018-2021 | <u>937,005</u> |
| Total payments due | 2,007,865 |
| Less interest | <u>287,248</u> |
| Outstanding principal | <u>\$ 1,720,617</u> |

Compensated Absences

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

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

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

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

6. **General Long Term Debt (Continued)**

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

The total liability as of September 30, 2013 for accrued annual leave is \$316,640 and accrued sick leave is \$315,880 with a total of \$632,520 recorded as the liability entitled "compensated absences."

| | <u>Annual Leave</u> | <u>Sick Leave</u> | <u>Total Compensated Absences</u> |
|--------------------|-------------------------|-------------------|---|
| October 1, 2012 | \$ 322,940 | \$ 304,831 | \$ 627,771 |
| Increases | 382,562 | 196,082 | 578,644 |
| Decreases | <u>(388,862)</u> | <u>(185,033)</u> | <u>(573,895)</u> |
| September 30, 2013 | \$ <u>316,640</u> | \$ <u>315,880</u> | \$ <u>632,520</u> |

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

7. **Deferred Compensation Plan**

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

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

7. Deferred Compensation Plan (Continued)

Funds invested these plans are managed by independent third party plan administrators. In its fiduciary role, the District has the obligation of due care in selecting the third party administrator. Various investment options are available from which employees can choose to direct their funds.

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

8. Defined Benefit Plan

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

Plan Description:

The following brief description of the District's Firefighters' Retirement Plan is provided for general information purposes only. Participants should refer to the Plan Ordinance for more complete information.

The Plan is a single employer defined benefit pension plan covering all full-time firefighters of the District. Participation in the Plan is required as a condition of employment. Originally established by District Resolution in 1999 and substantially amended in 2001, 2004, 2009 and 2012 the Plan provides for pension, death and disability benefits. The Plan is subject to provisions of Chapter 175 of the State of Florida Statutes.

The Plan, in accordance with the above statute, is governed by a five member pension board. Two firefighters who are elected by a majority of the members of the Plan, two are legal residents of the District and are appointed by the District and a fifth member elected by the other four members constitute the pension board. The District and the Plan participants are obligated to fund all Plan costs based upon actuarial valuations. The District is authorized to establish benefit levels and the Board of Trustees approves the actuarial assumptions used in the determination of contribution levels.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

8. Defined Benefit Plan (Continued)

Current membership in the Plan is comprised of full-time sworn Firefighters of the District is summarized as follows:

| <u>Group</u> | <u>September 30, 2013</u> |
|---|-------------------------------|
| Retirees and beneficiaries currently receiving benefits | <u>4</u> |
| Terminated plan members entitled to but not yet receiving benefits | <u>-</u> |
| Active plan members: | |
| Fully vested | 14 |
| Nonvested | <u>21</u> |
| Total | <u>35</u> |

Firefighters who retire at the age 55 and the completion of six years of credited service or twenty-five years of credited service regardless of age are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to the percentage of their average final compensation (three year average) times their years of credited service after October 1, 2003 as shown in the following table:

| <u>Member Contribution Rate</u> | <u>Future Benefit Accrual Rate</u> |
|---------------------------------|--|
| 1.0% of salary | 3.0% |
| 4.3% of salary | 3.5% |
| 7.6% of salary | 4.0% |

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

8. Defined Benefit Plan (Continued)

The benefit accrual rate for all service prior to October 1, 2003 is 3.7% of average final compensation. The Plan also provides a monthly supplement equal to \$5 per month for each year of credited service with a minimum monthly benefit of \$30 and a maximum of \$150. Post retirement cost of living adjustments are calculated at 3.0%. The Plan permits early retirement upon the completion of six years of credited service and the accrued benefit is reduced 3% for each year prior to normal retirement. Benefits vest upon completing six years of credited service.

The Plan also provides death and disability benefits. The death benefit is the equal to 50% of the firefighter's last monthly salary for life (spouse) or until age 18 (dependent child). Disability payments will be equal to the firefighter's accrued benefit but shall not be less than 42 percent of his average monthly compensation and 65 percent if the member is not able to perform another type of work.

Any plan participant who is eligible to receive a normal retirement pension may elect to participate in a deferred retirement option (DROP) while continuing his or her active employment as a firefighter. Upon participation in the DROP, the participant becomes a retiree for all Plan purposes so that he or she ceases to accrue any benefits under the pension plan. Normal retirement payments that would have been payable to the participant as a result of retirement are accumulated and invested in the DROP to be distributed to the plan participant upon his or her termination of employment. Participation in the DROP ceases for a Plan participant after the earlier of sixty months or the termination of employment as a firefighter.

The Plan has not issued a stand-alone financial report for the year ended September 30, 2013.

Basis of Accounting:

Basis of accounting is the method by which revenue and expenses are recognized in the accounts and are reported in the financial statements. The accrual basis of accounting is used for the Plan. Under the accrual basis of accounting, revenues are recognized when they are earned and collection is reasonably assured, and expenses are recognized when the liability is incurred. Plan member contributions are recognized in the period in which the contributions are due. District contributions to the plan, as calculated by the Plan's actuary, are recognized as revenue when due and the District has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

8. **Defined Benefit Plan (Continued)**

Funding Policy:

Firefighter contribution rates are established at 1.0, 4.3 or 7.6 percent of salary depending on the accrual rate selected. Accumulated firefighter contributions plus investment earnings allocations are refunded if a firefighter leaves covered employment before six years of credited service. Interest is not paid on contributions of terminated firefighters with less than six years of credited service.

State excise taxes collected from the District's residents by the State of Florida are restricted to fund the Plan under Florida Statutes, Chapter 175. Contributions are received from the District in amounts sufficient to fund the Plan at an actuarially determined rate specified by state statute, Chapter 175. The Plan's administrative costs are financed through investment earnings. The Plan has no undue investment concentrations.

During the year ended September 30, 2005, the Plan adopted a supplemental Chapter 175 share plan. The balance in the net Plan assets designated for the supplemental Chapter 175 share plan as of September 30, 2013 is \$1,754,347 as shown below. The Plan also adopted the frozen entry age actuarial cost method a change from the aggregate actuarial cost method used in 2004. Effective October 1, 2006 the Plan adopted the entry age normal cost method.

In 2010, the Plan changed its mortality assumption from rates set forth in the 1983 Group Annuity Mortality Table to those in the RP2000 Combined Healthy Table.

In 2010, the salary scale assumption was changed from a flat 7% to a schedule based on credited service.

A portion of the plan net assets are designated for benefits that accrue in relation to the Share accounts. Allocations to the Share plan accounts for the year ended September 30, 2013 are presented below as determined in the most recent annual valuation available for the year ended September 30, 2012

| | |
|--|----------------------|
| Designated for Share accounts (fully funded) | <u>\$ 1,754,347</u> |
| Total designated plan net assets | 1,754,347 |
| Undesignated plan net assets | <u>11,840,338</u> |
| Total plan net assets | <u>\$ 13,594,685</u> |

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

8. Defined Benefit Plan (Continued)

Funding Policy (Continued):

The District's Annual Pension Cost and Net Pension Obligation for the year ended September 30, 2013 is as follows:

| | |
|---|--------------------|
| Annual required contributions | \$ - |
| Interest on net pension obligation | - |
| Adjustment to annual required contribution | <u>-</u> |
| Annual pension cost | 593,419 |
| Contributions made | <u>593,419</u> |
| Increase (decrease) in net pension obligation | - |
| Net Pension obligation, beginning of year | <u>-</u> |
| Net pension obligation, end of year | <u><u>\$ -</u></u> |

The annual required contribution for the current year was determined as part of the September 30, 2012 (most recent) actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 7.5% reinvestment rate of return (net of administrative expenses) and (b) projected salary increases based on credited service. Both (a) and (b) included an inflation component of 3.0%. The assumptions include a 3.0% post-retirement benefit increase. The Plan's amortization method is the level percentage of pay, closed over 28 years as of September 30, 2012. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four year period. The entry age normal cost method does provide for the calculation of an unfunded actuarial accrued liability.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

8. Defined Benefit Plan (Continued)

Funding Policy (Continued):

The Plan's three year trend information is summarized as follows:

Three Year Trend Information

| <u>Fiscal Year Ended</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|----------------------------------|--|--|---------------------------------------|
| 9/30/11 | \$ 683,663 | 100.0% | \$ - |
| 9/30/12 | 877,416 | 100.0 | - |
| 9/30/13 | 593,419 | 100.0 | - |

The Plan's table of required supplementary information is presented below:

Required Supplementary Information

Schedule of Funding Progress

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (A)</u> | <u>Actuarial Accrued Liability (AAL)- Frozen Entry age (B)</u> | <u>Unfunded AAL (UAAL) (B-A)</u> | <u>Funded Ratio (A/B)</u> | <u>Covered Payroll (C)</u> | <u>UAAL as a Percentage of Covered Payroll (B-A)/C)</u> |
|---|--|--|--|-----------------------------------|------------------------------------|---|
| 9/30/03 | \$ 1,024,779 | \$ 1,024,779 | \$ - | 100.0% | \$ 901,642 | 0.00% |
| 9/30/04 | 1,310,644 | 1,535,553 | 224,909 | 85.35 | 1,117,455 | 20.13 |
| 9/30/05 | 1,780,653 | 1,948,192 | 167,539 | 91.40 | 1,272,441 | 13.17 |
| 9/30/06 | 2,437,628 | 5,037,367 | 2,599,739 | 48.39 | 1,544,749 | 168.30 |
| 9/30/07 | 3,195,121 | 6,444,906 | 3,249,785 | 49.58 | 1,664,531 | 195.24 |
| 9/30/08 | 4,340,454 | 7,479,830 | 3,139,376 | 58.03 | 1,674,662 | 187.46 |
| 9/30/09 | 5,157,457 | 9,741,704 | 4,584,247 | 52.94 | 1,921,749 | 238.55 |
| 9/30/10 | 6,070,586 | 11,166,375 | 5,095,839 | 54.36 | 2,016,825 | 252.67 |
| 9/30/11 | 7,038,931 | 11,209,682 | 4,230,751 | 62.46 | 2,088,100 | 202.61 |
| 9/30/12 | 10,372,497 | 13,955,712 | 3,583,215 | 74.32 | 2,307,842 | 155.26 |

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

8. Defined Benefit Plan (Continued)

The Plan used the Aggregate Actuarial Cost Method for funding for the years ended September 30, 2001 through 2003. This schedule is not required when the aggregate actuarial cost method is used.

Analysis of the dollar of actuarial value of assets, actuarial accrued liability, or unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the system's funded status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan.

The unfunded actuarial accrued liability and annual payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

The above required schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing over time relative to the actuarial accrued liability for benefits.

| <u>Year Ended September 30</u> | <u>Annual Required Contribution</u> | <u>Percentage Contributed</u> |
|--|---|-----------------------------------|
| 2003 | \$ 117,752 | 100.00% |
| 2004 | 129,875 | 100.00 |
| 2005 | 234,725 | 100.00 |
| 2006 | 330,659 | 100.00 |
| 2007 | 393,582 | 100.00 |
| 2008 | 531,631 | 100.00 |
| 2009 | 635,362 | 100.00 |
| 2010 | 563,878 | 100.00 |
| 2011 | 683,663 | 100.00 |
| 2012 | 877,416 | 100.00 |
| 2013 | 593,419 | 100.00 |

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

8. Defined Benefit Plan (Continued)

Notes to the Required Schedules

The information presented in the required supplementary schedules presented above was determined as part of the actuarial valuations at the dated indicated. Additional information as of the latest (September 30, 2012 actuarial valuation follows:

| | |
|--------------------------------------|---------------------------------|
| Valuation date | September 30, 2012 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level percentage of pay, closed |
| Remaining amortization period | 28 years (as of 10/1/12) |
| Asset valuation method | 4 year smoothed market |
| Actuarial assumptions: | |
| Investments rate of return | 7.5% |
| Post retirement benefit increases | 3.0% |
| Projected salary increases: | |
| Service based, includes inflation at | 3.0% |
| Inflation rate | 3.0% |

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

9. Schedule of Investment and Administrative Expenses - Chapter 175
Pension Plan

The schedule of investment and administrative expenses , investment income and investment cost and fair value of the Firefighters' Pension Trust Fund for the fiscal year ended September 30, 2013 is as follows:

| | <u>Investment Expenses</u> | <u>Administrative Expenses</u> |
|------------------------------------|--------------------------------|------------------------------------|
| Legal fees | \$ - | \$ 5,227 |
| Actuary fees | - | 8,583 |
| Seminars and travel | - | 2,356 |
| Dues and subscriptions | - | 885 |
| Insurance | - | 2,098 |
| Custodial fees | 4,875 | - |
| Investment management fees - BH | 54,459 | - |
| | <u>54,459</u> | <u>-</u> |
| Total | \$ <u>59,334</u> | \$ <u>19,149</u> |

Appreciation (Depreciation) in Fair Value
of Investments

| <u>Investment Type</u> | <u>Realized Appreciation (Depreciation)</u> | <u>Unrealized Appreciation (Depreciation)</u> | <u>Total</u> |
|-----------------------------------|---|---|---------------------|
| U.S. Government securities | \$ - | \$ 18,510 | \$ 18,510 |
| U.S. Government agency securities | (1,111) | (43,298) | (44,409) |
| Corporate bonds | (3,208) | (12,155) | (15,363) |
| Certificates of deposit | - | (482) | (482) |
| Municipal obligations | - | 14,303 | 14,303 |
| Domestic stock | 171,849 | 1,114,795 | 1,286,644 |
| Total | \$ <u>167,530</u> | \$ <u>1,091,673</u> | \$ <u>1,259,203</u> |

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

9. Schedule of Investment and Administrative Expenses - Chapter 175

Pension Plan (Continued)

The Plan's investments at both fair value or adjusted cost as of September 30, 2013 are summarized as follows:

| <u>Investment</u> | <u>Cost</u> | <u>Fair Value</u> |
|-----------------------------------|----------------------|-----------------------|
| Certificates of deposit | \$ 300,000 | \$ 299,518 |
| U.S. Government securities | 95,163 | 113,671 |
| U.S. Government agency securities | 100,000 | 106,624 |
| Corporate bonds | 2,518,487 | 2,579,184 |
| Municipal obligations | 297,225 | 309,312 |
| Domestic stocks | 7,007,257 | 9,203,749 |
| Temporary investments | 784,003 | 784,003 |
| Total | <u>\$ 11,102,135</u> | <u>\$ 13,396,061</u> |

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

10. Florida Retirement System

All of the District's firefighters hired before January 1, 1996 participate in the Florida Retirement System (FRS), a contributory (currently 3.0%) cost-sharing, multiple-employer public employee retirement system.

The District's current elected officials and general employees also participate in this system.

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

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

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

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

10. Florida Retirement System (Continued)

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

| Membership Category | Retirement Benefit | Vesting | District Contributions Rate Actuarially Determined |
|------------------------|--|--------------------------------------|--|
| | | | Employer Contribution Rates At 9/30/13 |
| Regular | Enrolled prior to July 1, 2011, 1.6% times years of service times average compensation (5 highest years) if age 62 or 30 years of service at any age. | After 6 years of creditable service. | 6.95% of covered payroll |
| | Enrolled after July 1, 2011, 1.6% times years of services times average compensation (5 highest years) if age 65 with at least 8 years of service or 33 years of service at any age. | | |
| Elected Officials | Enrolled prior to July 1, 2011, 3.0% times years of service times average compensation (5 highest years) if age 62 or 30 years of service at any age | After 6 years of creditable service | 33.03% of covered payroll |
| | Enrolled after July 1, 2011, 3.0% times years of service times average compensation (5 highest years) if age 65 with at least 8 years of services or 33 years of service at any age. | | |
| Special Risk | Enrolled prior to July 1, 2011, 3.0% times years of service times average compensation (5 highest years) if age 55 with at least 6 years of service or 25 years of service regardless of age or age 52 with 25 years of special risk service and military service. | After 6 years of creditable service. | 19.06% of covered payroll |
| | Enrolled after July 1, 2011, 3.0% times years of service times average compensation (5 highest years) if age 60 with at least 8 years of service or 30 years of service regardless of age or age 57 with 30 years of special risk and military service. | | |

Deferred Retirement Option Program

The FRS Deferred Retirement Option Program (DROP) is available to a member when the member first reaches eligibility for normal retirement. DROP allows a member to retire while continuing employment for up to 60 months. During DROP participation, the member's retirement benefits (increased by a cost-of-living adjustment each July) accumulate in the FRS Trust Fund and earn monthly interest equivalent to an annual rate of 6.5% if entering before July 1, 2011 and 1.30% if

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

10. Florida Retirement System (Continued)

entering after July 1, 2011. The member must cease employment after a maximum of 60 months, must satisfy the termination requirements for retirement, and is subject to reemployment restrictions thereafter. The member's DROP accumulation may be paid out as a lump sum payment, a rollover, or a combination partial lump sum payment and rollover. Employers must pay contributions at a rate of 5.44% of salary for all DROP participants. FRS also provides disability and survivors' benefits.

The District's contributions include 1.11% for a post-retirement health insurance subsidy. FRS also provides disability and survivors' benefits. Benefits are established by Florida State Statute.

The contribution requirements of employers are established and may be amended by the Division of Retirement. The District's contributions and its required contributions for the six years ended September 30, 2013 are summarized as follows:

| <u>Year Ended September 30</u> | <u>District Contribution</u> | <u>Percentage Contributed</u> |
|--|----------------------------------|-----------------------------------|
| 2007 | \$ 575,552 | 100.00% |
| 2008 | 529,105 | 100.00 |
| 2009 | 541,453 | 100.00 |
| 2010 | 543,232 | 100.00 |
| 2011 | 451,395 | 100.00 |
| 2012 | 297,510 | 100.00 |
| 2013 | 317,786 | 100.00 |

FRS participants contributed 3.00% of their payroll for the fiscal year ended September 30, 2013. Employees' contributions are summarized as follows:

| <u>Year Ended September 30</u> | <u>Employee Contributions</u> |
|--|-----------------------------------|
| 2013 | \$ 48,262 |

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

11. **Welfare Benefit Plan**

District established a welfare benefit plan for the payment of certain medical expenses of eligible employees and designated dependents. Under this plan the District established a guaranteed loss fund. For the year ended September 30, 2013, the plan provides individual deductible up to \$40,000 aggregate of \$857,000 paid from this fund. The plan has purchased stop-loss insurance for claims in excess of the coverage provided. The reinsurance coverage has the aggregate reimbursement maximum of \$1,000,000. Settled claims have not exceeded the reinsurance coverage in any of the past three fiscal years.

The Current claims liability of \$35,600 reported as of September 30, 2013, based on information identified prior to the issuance of the financial statements, indicated that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability is based on the unpaid claims using past experience adjusted for current trends and any other factors that would modify past experience. Changes in the fund's claims liability amount during the year ended September 30, 2013 are as follows:

| <u>Liability Balance</u> <u>September 30, 2012</u> | <u>Current Claims and</u> <u>Changes in Estimates</u> | <u>Liability</u> <u>Claims Payments</u> | <u>Liability Balance</u> <u>September 30, 2013</u> |
|---|--|--|---|
| \$ <u>35,000</u> | \$ <u>1,332,762</u> | \$ <u>1,333,362</u> | \$ <u>35,600</u> |

12. **Reserved Net Position**

Pension Trust Funds - The net position in the Pension Trust Fund is reserved to indicate fund equity is restricted for future benefits to members of the District's Chapter 175 pension plan is summarized as follows as of September 30, 2013:

| | |
|--------------------------------------|----------------------|
| Firefighters' Pension Fund | \$ <u>13,594,685</u> |
| Net position restricted for pensions | \$ <u>13,594,685</u> |

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

13. Details of Constraints on Fund Balances of Governmental Funds

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

| | General | Capital | |
|----------------------------|---------------------|------------------|---------------------|
| | Fund | Projects | Total |
| | Fund | Fund | |
| Fund Balances: | | | |
| Restricted for: | | | |
| Equipment and improvements | \$ - | \$ 62,535 | \$ 62,535 |
| Committed to: | | | |
| Vacation and special pay | 25,000 | - | 25,000 |
| Unassigned | <u>4,104,177</u> | <u>-</u> | <u>4,104,177</u> |
| Total fund balances | \$ <u>4,129,177</u> | \$ <u>62,535</u> | \$ <u>4,191,712</u> |

14. Contingent Liabilities

The District did not receive federal grant funds during the year ended September 30, 2013 and is not, therefore, subject to the program compliance audit by the grantee under the Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations."

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

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

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

15. Tower Rental Income

The District currently leases certain property under the terms of two land lease agreements expiring variously through 2014. The leases require monthly payments of \$2,622 to the District. These leases are automatically extended for four additional five year periods unless terminated by the leasee at the end of any five year term. Revenues received during the year ended September 30, 2013 under these leases were \$34,809. The annual rent will increase at 3% of the previous year's annual rental.

16. Post-Employment Health Care Benefits

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

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

Plan Description and Funding Policy

Employees who retire from the District (District), and eligible dependents and survivors, are eligible to continue to participate in the District's health insurance programs at the "blended" employee group rate which is determined annually by the District and approved by the District Trustees. Retirees have 31 days to elect to enroll in the District's health insurance plan in which they were participating at the time of retirement unless otherwise stated in a plan document or collective bargaining agreement. As of September 30, 2013, a total of three eligible retirees and dependents were participating in the District's health program.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

16. Post-Employment Health Care Benefits (Continued)

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

Annual OPEB Cost and Net OPEB Obligation

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

| | <u>Annual OPEB Cost</u> | |
|--|-------------------------|------------------|
| | <u>9/30/12</u> | <u>9/30/11</u> |
| Annual required contribution (ARC) | \$ 76,000 | \$ 48,000 |
| Interest on net OPEB obligation | - | - |
| Annual OPEB cost | 28,000 | 28,000 |
| Adjustment to ARC | - | - |
| Annual OPEB cost | 104,000 | 76,000 |
| Contributions made (pay-as-you-go basis) | (20,000) | (20,000) |
| Increase in net OPEB obligation | 84,000 | 56,000 |
| Net OPEB obligation, beginning of year | - | - |
| Net OPEB obligation, end of year | <u>\$ 84,000</u> | <u>\$ 56,000</u> |

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

16. Post-Employment Health Care Benefits (Continued)

Required Supplementary Information

Funded Status and Funding Progress

The funded status of the plan as of October 1, 2011 was as follows:

| | <u>9/30/12</u> | <u>9/30/11</u> |
|--|-------------------------|-------------------------|
| Actuarial accrued liability | \$ 570,000 | \$ 542,000 |
| Actuarial value of plan assets | <u>-</u> | <u>-</u> |
| Unfunded actuarial accrued liability | \$ <u>570,000</u> | \$ <u>542,000</u> |
| Funded ratio | <u>0%</u> | <u>0%</u> |
| Covered payroll | \$ <u>4,793,659</u> | \$ <u>4,589,269</u> |
| Unfunded actuarial accrued liability as a percentage of covered payroll | <u>8%</u> | <u>8%</u> |

| <u>Year Ended September 30,</u> | <u>Annual OPEB Cost</u> | <u>Actual Contribution</u> | <u>Percentage Contributed</u> | <u>Net OPEB Obligation</u> |
|---|---------------------------------|--------------------------------|-----------------------------------|------------------------------------|
| 2010 | \$ 45,000 | \$ 17,000 | 37.8% | \$ 28,000 |
| 2011 | 48,000 | 20,000 | 41.2 | 56,000 |
| 2012 | 52,000 | 24,000 | 46.1 | 84,000 |

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

16. Post-Employment Health Care Benefits (Continued)

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

Actuarial Methods and Assumptions

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

| | |
|------------------------|--|
| Measurement Date | October 1, 2011 |
| Actuarial Cost Method | Projected Unit Credit |
| Amortization method | Closed |
| Amortization period | 29 years (as of October 1, 2011) |
| Discount rate | 4.00% |
| Asset Valuation Method | Market Value of Assets |
| CPI | 3.20% |
| Health Cost Trend Rate | Pre-medicare: 8% (grading down to 5.9% in 2050) Post-medicare: 9% (grading down to 5% in 2050) |
| Payroll Growth Rate | 3.5% annually |

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013.

17. Recently Issued and Implemented Accounting Pronouncements

Government Accounting Standards Board (GASB) Statement No. 61, "The Financial Reporting Entity: Omnibus" amends GASB No. 14 and GASB No. 34 to modify certain requirements for inclusion of component units in the financial reporting entity, to amend the criteria for reporting component units as if they were part of the primary government (i.e., blending) in certain circumstances and clarifies the reporting of equity interests in legally separate organization. The requirements of GASB No. 61 are effective in fiscal year 2013. The District implemented this statement in fiscal year 2013. Its implementation did not have any effect on the District's financial statements.

Government Accounting Standards Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" amends GASB No. 34. This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position by distinguishing them from assets and liabilities. Net position replaces the terminology net assets in the Statement of Net Position. The requirements of GASB No. 63 are effective in fiscal year 2013. Its implementation has introduced the new elements mentioned above to the Statement of Net Position and Balance Sheet.

OTHER REPORTS

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REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
September 30, 2013

AND

MANAGEMENT LETTER

AND

MANAGEMENT MEMORANDUM
ON REVIEW OF INTERNAL CONTROL STRUCTURE

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparisons for the general fund and the aggregate remaining fund information of the Palm Harbor Special Fire Control and Rescue District, Florida, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Palm Harbor Special Fire Control and Rescue District, Florida's (District) basic financial statements, and have issued our report thereon dated March 6, 2014.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Davidson, Jamison & Cristini, P.C.

March 6, 2014

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MANAGEMENT LETTER

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

We have audited the financial statements of the Palm Harbor Special Fire Control and Rescue District, Florida as of and for the fiscal year ended September 30, 2013 and have issued our report thereon dated March 6, 2014.

We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Compliance and Internal Control over Financial Reporting. Disclosures in that report, which are dated March 6, 2014, should be considered in conjunction with this management letter.

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 or schedule:

Those rules (Section 10.554(1)(i)(1)) require that we address in the management letter, if not already addressed in the auditor's report on internal controls and compliance, whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made on internal control and compliance issues during the preceding annual financial audit.

As required by the Rules of the Auditor General (Section 10.554(1)(i)(2)), the scope of our audit included a review of 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.

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

As required by the Rules of the Auditor General (Section 10.554(1)(i)(3)), the scope of our audit included a review of possible recommendations to improve the local government entity's financial management. In connection with our audit we did not have any such recommendations.

The Rules of the Auditor General (Section 10.554(1)(i)(4)) requires address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. Note: Fraud, noncompliance with provisions of laws or regulations and contracts or grant agreements, or abuse that does not warrant the attention of those charged with governance or internal control deficiencies that are not material weaknesses or significant deficiencies may be reported in the management letter based on professional judgment. In connection with our audit, we did not have any findings which warranted the attention of those charged with governance.

The Rules of the Auditor General (Section 10.554(1)(i)(5)) requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity as defined in publications cited in Rule 10.553 unless disclosed in the notes to the financial statements. Legal authority includes the general law, special acts, ordinances, resolutions, or other means by which the local government entity was created and is governed. This disclosure has been included in the District's Comprehensive Annual Financial Report for the fiscal year ended September 30, 2013.

The Rules of the Auditor General (Section 10.554(1)(i)(6)(a)) requires that the auditor state whether or not the governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes and identify the specific condition or conditions met. During the course of our audit of the District's financial statements for the fiscal year ended September 30, 2013, we found that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(i)(6)(b)) requires a statement as to whether or not the financial report 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 current audit period. We determined that the Comprehensive Annual Financial Report for the District for the fiscal year ended September 30, 2013 is in agreement with the annual financial report filed with the Florida Department of Financial Services for the fiscal year ended September 30, 2013.

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

The Rules of the Auditor General (Section 10.554(1)(i)6(c) and 10.556(7)) requires that we apply 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 them.

Pursuant to Chapter 119, Florida Statutes, this management letter is 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 management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Davidson, Jamison & Cristine, P.L.

March 6, 2014

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MEMORANDUM ON REVIEW
OF INTERNAL CONTROL STRUCTURE

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March 6, 2014

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

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparisons for the general fund and the aggregate remaining fund information which collectively comprise the basic financial statements of the Palm Harbor Special Fire Control and Rescue District as of and for the year ended September 30, 2013, and have issued our report thereon dated March 6, 2014.

We have issued our Report on Compliance and Internal Accounting Controls in Accordance with *Government Auditing Standards* dated March 6, 2014. Disclosures in that report, if any, should be considered in conjunction with this management memorandum.

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

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

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

2012-2013

A. Accounting and Financial Reporting for Pensions

2011-2012

A. Implementation of GASB Statement 63

A. Accounting and Financial Reporting for Pensions

Effective for the fiscal year ending September 30, 2014, the District will implement GASB Statement 68 which is an amendment of GASB Statement 27.

The early implementation is required for governments with defined benefit plans when there is no stand alone audited financial report. We have informed the Fire Pension Plan's actuary of this requirement.

Under this Standard, the District is required to report a liability on the government-wide statement of net position.

We recommend that the District's Finance Director and Fire Chief become familiar with this new standard.

2011-2012

A. Implementation of GASB Statement 63

Statement 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, And Net Position” is effective for the fiscal year ended September 30, 2013. This GASB has a significant effect on the Annual Financial Report that will be issued for that fiscal year. Last year we recommended that The District’s Commission become familiar with the new standards prior to the implementation date.

This recommendation has been implemented.

* * * * *

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

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

DAVIDSON, JAMIESON & CRISTINI, P.L.

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MANAGEMENT RESPONSE

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PALM HARBOR FIRE RESCUE

250 West Lake Road
Palm Harbor, Florida 34684-3909
(727) 784-0454 • FAX (727) 785-9131

Craig M. Maciuba
Fire Chief



May 19, 2014

Mr. John N. Davidson
Davidson, Jamieson & Cristini, P.L.
1956 Bayshore Blvd.
Dunedin, FL 34698-2503

Dear Mr. Davidson;

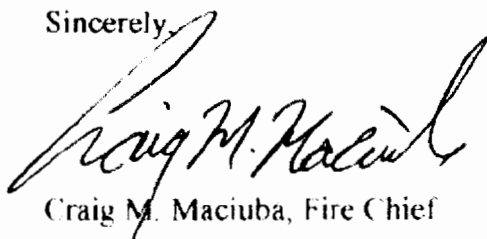
The following shall serve as our response to your Memorandum on Review of Internal Control Structure dated March 6, 2014 with the concurrence of the Board of Commissioners:

Current Year Item: Accounting and Financial Reporting for Pensions

We have begun and will continue researching the requirements of GASB 68 which is an amendment of GASB Statement 27 for implementation during our next audit cycle.

Your staff did a great job and we look forward to our continued relationship

Sincerely,



Craig M. Maciuba, Fire Chief

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