

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

ANNUAL FINANCIAL REPORT
FOR THE FISCAL
YEAR ENDED SEPTEMBER 30, 2020



Saltmarsh, Cleaveland & Gund, P.A.
Certified Public Accountants

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ANNUAL FINANCIAL REPORT
OF
PALM HARBOR SPECIAL FIRE CONTROL
AND RESCUE DISTRICT
FOR THE
FISCAL YEAR ENDED SEPTEMBER 30, 2020

PREPARED BY THE
OFFICE MANAGER

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

BOARD OF FIRE COMMISSIONERS

Casey Cane, Chairman

James Angle,
Vice Chair

Debbie Buschman,
Secretary/Treasurer

James Nelson,
Fire Commissioner

Julie Peluso,
Fire Commissioner

Fire Chief

Office Manager/Accountant

Scott J. Sanford

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, 2020

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PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

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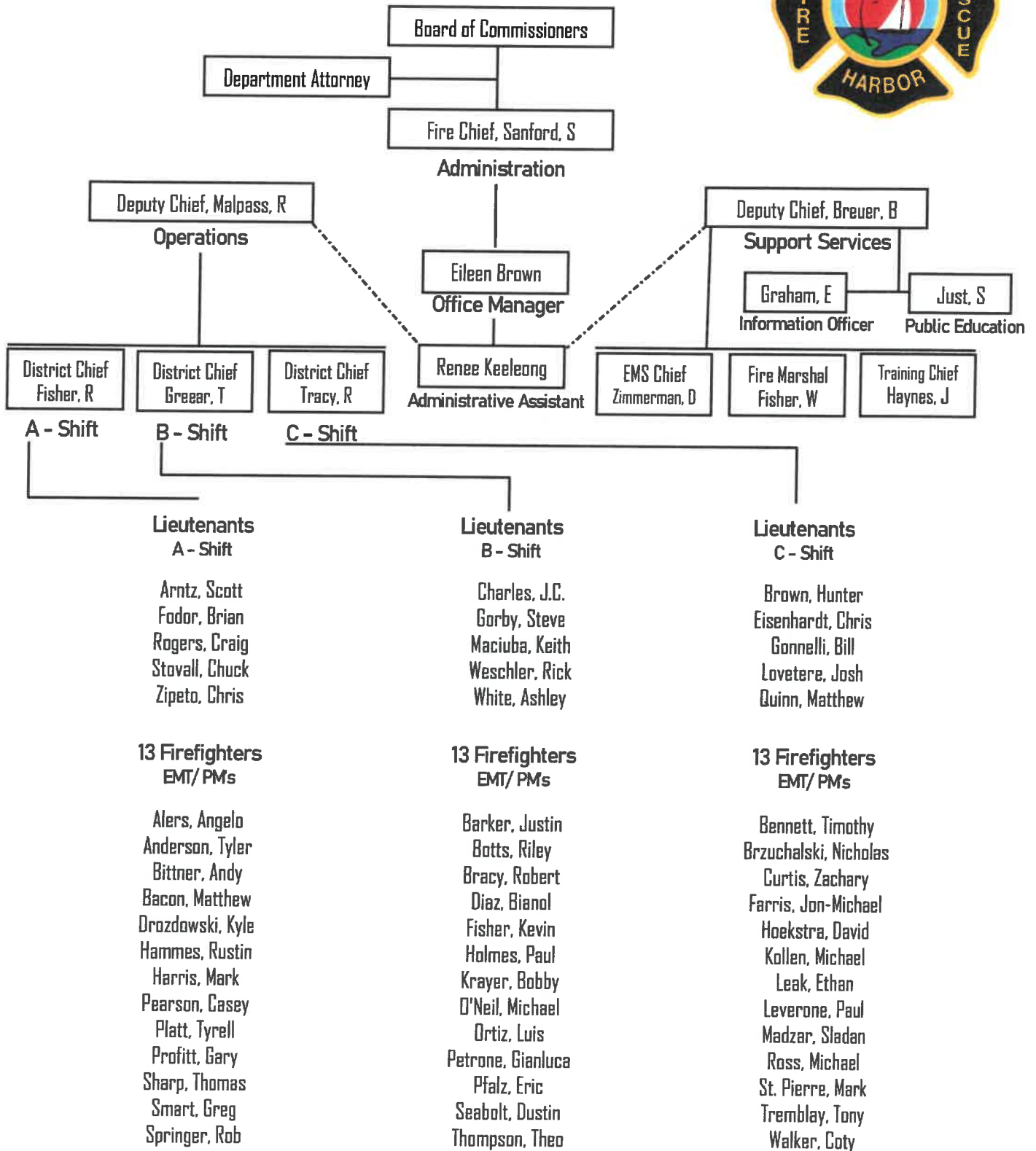
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Palm Harbor Fire Rescue 2020 Organizational Chart



Department Retirements:

Albenze, Mike

Department New Hires:

Anderson, Tyler Bacon, Matt
Botts, Riley Farris, Jon-Michael
Kollen, Mike Thompson, Theo

Department Promotions:

Fisher, William
Haynes, Jason
Zimmerman, Doug

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

LISTING OF DISTRICT OFFICIALS

ELECTED OFFICIALS

Commissioner	Julie A. Peluso
Commissioner	Casey Cane
Commissioner	James Nelson
Commissioner	James S. Angle
Commissioner	Debra Buschman

APPOINTED OFFICIALS

Chief of Department	Scott J. Sanford
Attorney	Andrew J. Salzman

DISTRICT OFFICERS

Rodney Malpass, Deputy Chief of Operations
Brent Breuer, Deputy Chief of Support Services
Jason Haynes, Training Chief
Doug Zimmerman, EMS Chief
William Fisher, Fire Marshall
Thomas Greear, District Chief
Raymond Tracy, District Chief
Ryan Fisher, District Chief

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FINANCIAL SECTION

This section contains the following subsections:

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

Notes to Financial Statements

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INDEPENDENT AUDITOR'S REPORT

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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, 2020, 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.

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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, 2020, 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 and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information for consistency with management's responses to our

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

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.



Tampa, Florida
July 1, 2021

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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, 2020

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, 2020.

FINANCIAL HIGHLIGHTS

- (A) The assets of the District exceeded its liabilities at the close of the 2020 fiscal year by \$18,759,621 (*net position*).
- (B) The District's net position increased by \$4,610,808 during the current fiscal year. The District received higher than budgeted ad valorem income, higher than expected interest income along with grant funds.
- (C) As of the close of the 2020 fiscal year, the District's governmental funds (general and capital projects funds) reported an ending fund balance of \$9,767,970, an increase of \$1,795,722 in comparison with the prior year. \$6,132,554 is available for spending at the District's discretion.
- (D) Outstanding debt, which includes compensated absences, OPEB obligations, pension, and capital leases at the end of fiscal year 2020 is \$1,556,389.

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, 2020

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 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, 2020

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 pages 66 through 72 of this report.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis
September 30, 2020

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 \$18,759,621 and \$14,148,806 at the fiscal years ended on September 30, 2020 and 2019.

The District's capital assets represent investments in land, buildings and improvements and equipment. Approximately 34% 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 \$11,107,034 and \$6,379,743 at years ended September 30, 2020 and 2019 may be used to meet the District's ongoing obligations to citizens and creditors and is shown in the following schedule:

	Governmental Activities	
	2020	2019
Cash	\$ 4,254,472	\$ 4,539,347
Investments	5,462,135	3,610,332
175 Plan net pension asset	4,837,701	-
Prepaid items	1,201	1,501
Capital assets, net	7,576,130	7,802,381
Receivables, net of allowance for uncollectibles	257,851	50,552
Total Assets	22,389,490	16,004,113
Deferred outflows	1,050,306	1,248,147
Long-term liabilities	1,339,990	1,373,918
Other liabilities	424,976	492,102
Total Liabilities	1,764,966	1,866,020
Deferred inflows	2,915,209	1,237,434
Net Position:		
Capital assets net of related debt	7,509,665	7,606,861
Restricted for capital projects	142,922	167,202
Unrestricted	11,107,034	6,374,743
Total Net Position	\$ 18,759,621	\$ 14,148,806

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis
September 30, 2020

The District's net position increased by \$4,610,808 during the current fiscal year primarily from higher than budgeted ad valorem income, higher than expected interest income and grant funding that was received. The District's net position increased by \$2,278,056 during the prior fiscal year, primarily from GASB 68 changes requiring the pension plan to be included in the AFR along with the unfunded liabilities of each plan, and the increase in depreciation of new apparatus.

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

	Governmental Activities	
	2020	2019
Revenues:		
Program Revenues:		
Charge for services	\$ 2,778,452	\$ 2,895,866
Impact fees	24,014	23,511
Federal and state grants	310,525	-
Total Program Revenues	3,112,991	2,919,377
General Revenues:		
Property taxes	9,159,811	8,620,215
Investment earnings	79,720	86,042
Other	347,061	567,897
Total General Revenues	9,586,592	9,274,154
Total Program and General Revenues	12,699,583	12,193,531
Expenses:		
Public Safety - EMS and Fire Protection	8,088,775	9,915,475
Total Expenses	8,088,775	9,915,475
Change in net position	4,610,808	2,278,056
Net position, beginning of year	14,148,813	11,870,757
Net position, end of year	\$ 18,759,621	\$ 14,148,813

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis September 30, 2020

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 \$9,625,048. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The unassigned fund balance represents 56.2% of total general fund expenditures.

The fund balance for the general fund increased \$1,820,002 during the current fiscal year. The key factors in this increase were higher than anticipated ad valorem and higher than anticipated interest income.

General Fund Budgetary Highlights

An annual budget is legally adopted for the general fund and was not amended during either 2020 or 2019. Revenues exceeded the budget by \$39,545 in 2020. Property taxes, representing 71.6% and 74.6% of the District's revenue increased by \$131,846 and \$129,144 over the current and prior year's budget.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis
September 30, 2020

	2020			2019		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:						
Property taxes	\$ 9,027,965	\$ 9,159,811	\$ 131,846	\$ 8,491,071	\$ 8,620,215	\$ 129,144
Other	3,582,104	3,489,803	(92,301)	2,895,256	3,498,775	603,519
Total Revenues	12,610,069	12,649,614	39,545	11,386,327	12,118,990	732,663
Expenditures:						
General government						
Debt service	135,581	135,581	-	135,581	135,581	-
Capital outlay	866,200	348,389	517,811	117,435	777,701	(660,266)
Public Safety -						
EMS and Fire Protection	10,709,743	10,425,123	284,620	10,049,965	10,083,134	(33,169)
Total Expenditures	11,711,524	10,909,093	\$ 802,431	10,302,981	10,996,416	\$ (693,435)
Other financing sources						
and (uses)	(948,545)	79,481	1,028,026	(1,083,346)	50,026	1,133,372
Net change in fund balance	<u>\$ (50,000)</u>	<u>\$ 1,820,002</u>	<u>\$ 1,870,002</u>	<u>\$ -</u>	<u>\$ 1,172,600</u>	<u>\$ 1,172,600</u>

Capital Assets

At the end of 2020 and 2019, the District's investment in capital assets for its governmental activities was \$7,576,130 and \$7,802,381 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements and equipment.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis
September 30, 2020

	2020			2019		
	Beginning Balance	Additions/ (Deletions)	Ending Balance	Beginning Balance	Additions/ (Deletions)	Ending Balance
Land	\$ 939,530	\$ -	\$ 939,530	\$ 939,530	\$ -	\$ 939,530
Buildings and Equipment	6,530,576	-	6,530,576	6,534,997	(4,421)	6,530,576
	6,082,255	(106,294)	5,975,961	5,408,703	673,552	6,082,255
Total capital assets	13,552,361	(106,294)	13,446,067	12,883,230	669,131	13,552,361
Less accumulated depreciation	5,749,980	119,957	5,869,937	5,260,549	489,431	5,749,980
Capital assets, net	<u>\$ 7,802,381</u>	<u>\$ (226,251)</u>	<u>\$ 7,576,130</u>	<u>\$ 7,622,681</u>	<u>\$ 179,700</u>	<u>\$ 7,802,381</u>

Total Capital Assets

Additional information on the District's capital assets can be found in note 5 on page 42 of this report.

LONG-TERM DEBT

At the end of 2020 and 2019, the District had total long-term debt outstanding made up of accrued sick and vacation payable, postemployment health care obligation, and capital improvement revenue note payable of \$1,556,389 and \$1,355,913, respectively.

More detailed information about the District's long-term debt can be found in note 6 on pages 43 through 46 of this report.

ECONOMIC FACTORS

The District's board of commissioners approved \$12,600,069 and \$11,388,325 budgets for the 2020 and 2019 fiscal years. This is an increase of 11.7% for FY 2020 and an increase of 5.2% for FY 2019.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis
September 30, 2020

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 Scott J. Sanford
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, 2020

<u>ASSETS</u>	<u>Primary Government</u>
Cash	\$ 4,254,472
Investments	5,462,135
Receivables, net of allowance for uncollectibles	257,851
Prepaid items	1,201
Net pension asset, 175 Plan	4,837,701
Capital Assets:	
Land	939,530
Buildings and improvements	6,530,576
Equipment	5,975,961
Accumulated depreciation	<u>(5,869,937)</u>
Total capital assets, net	<u>7,576,130</u>
TOTAL ASSETS	22,389,490
Deferred Outflows of Resources:	
Deferred outflows of resources	1,050,306
<u>LIABILITIES</u>	
Accounts payable	3,549
Accrued salaries and benefits payable	204,140
Accrued interest payable	888
Noncurrent liabilities:	
Due within one year	216,399
Due in more than one year	<u>1,339,990</u>
TOTAL LIABILITIES	1,764,966
Deferred Inflows of Resources:	
Deferred inflows of resources	2,915,209
<u>NET POSITION</u>	
Invested in capital assets, net of related debt	7,509,665
Restricted for capital projects	142,922
Unrestricted	<u>11,107,034</u>
TOTAL NET POSITION	<u>\$ 18,759,621</u>

See Notes to Financial Statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	<u>Primary Government</u>
EXPENSES - PUBLIC SAFETY:	
Personal services:	
Salaries	\$ 5,820,509
Insurance - employee	1,685,630
Payroll taxes	<u>424,646</u>
Total personal services expense	7,930,785
Other operating:	
Building/equipment maintenance	197,384
Contractual services	15,310
Professional services	61,850
Insurance - property/liability	131,948
Med/health services	38,024
Office supplies	26,097
Operating supplies/equipment	27,584
Computer hardware/software	10,644
Miscellaneous	13,851
Vehicle maintenance/fuel	177,416
Training, education, travel	49,786
Utilities	79,878
Fire prevention	12,691
Incentive program	23,150
Uniforms/clothing and bunker gear	87,232
Fees	288,284
Depreciation	517,538
Interest on long-term debt	<u>4,801</u>
Total other operating expense	<u>1,763,468</u>
TOTAL PROGRAM EXPENSES	9,694,253
PROGRAM REVENUES:	
Charges for services	2,778,452
Impact fees	24,014
Federal and state grants	<u>310,525</u>
Total program revenues	<u>3,112,991</u>
Net program expenses	(6,581,262)
GENERAL REVENUES:	
Property taxes	9,159,811
Tax collector fee rebate	55,789
Tower rental	69,822
Firefighters' educational incentive	16,563
Investment earnings	79,720
Hazmat reimbursement	117,959
Miscellaneous	86,929
Pension asset	<u>1,605,477</u>
TOTAL GENERAL REVENUES	<u>11,192,070</u>
CHANGE IN NET POSITION	4,610,808
NET POSITION - BEGINNING	<u>14,148,813</u>
NET POSITION - ENDING	\$ <u><u>18,759,621</u></u>

See Notes to Financial Statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2020

ASSETS	General	Capital Projects	Total Governmental Funds
Cash	\$ 4,217,130	\$ 37,342	\$ 4,254,472
Investments	5,356,555	105,580	5,462,135
Receivables (net of allowance for uncollectibles):			
Intergovernmental:			
State	4,600	-	4,600
County	200,000	-	200,000
Accounts	53,251	-	53,251
Prepaid item	1,201	-	1,201
TOTAL ASSETS	\$ 9,832,737	\$ 142,922	\$ 9,975,659
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 3,549	\$ -	\$ 3,549
Accrued salaries and benefits payable	204,140	-	204,140
Total liabilities	207,689	-	207,689
Fund balance:			
Restricted	1,201	142,922	144,123
Committed	3,491,293	-	3,491,293
Unassigned	6,132,554	-	6,132,554
Total fund balance	9,625,048	142,922	9,767,970
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,832,737	\$ 142,922	\$ 9,975,659

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, 2020

Fund balance - total governmental funds	\$	9,767,970
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	\$	13,446,067
Less accumulated depreciation		<u>(5,869,937)</u>
		7,576,130
Certain deferred outflows of resources are not available to pay current period expenditures and therefore are not reported in the funds		
Deferred outflows of resources related to pension plan		1,050,306
Certain assets are not available to pay current period expenditures and therefore are not reported in the funds		
Net pension asset 175 Plan		4,837,701
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.		
Accrued interest		(888)
Capital improvement revenue note		(66,465)
Post-employment health care obligation		(890,186)
Compensated absences		<u>(599,738)</u>
		(1,557,277)
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds		
Deferred inflows of resources related to pension plans		(2,915,209)
Net position of governmental activities	\$	<u><u>18,759,621</u></u>

See Notes to Financial Statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	General	Capital Projects	Totals Governmental Funds
	_____	_____	_____
REVENUES:			
Property taxes	\$ 9,159,811	\$ -	\$ 9,159,811
EMS services	2,754,396	-	2,754,396
Tax collector fee rebate	55,789	-	55,789
Intergovernmental revenue	310,525	-	310,525
Hazmat reimbursement	117,959	-	117,959
Firefighters' educational incentive	16,563	-	16,563
Impact fees	-	24,014	24,014
Interest	78,014	1,706	79,720
Tower rental	69,822	-	69,822
Charges for services	24,056	-	24,056
Miscellaneous	62,679	-	62,679
	_____	_____	_____
TOTAL REVENUES	12,649,614	25,720	12,675,334
EXPENDITURES - PUBLIC SAFETY:			
Personal services:			
Salaries	5,745,569	-	5,745,569
Retirement	1,380,020	-	1,380,020
Insurance - employee	1,685,630	-	1,685,630
Payroll taxes	424,646	-	424,646
	_____	_____	_____
Total personal services	9,235,865	-	9,235,865
Other operating:			
Building/equipment maintenance	145,513	-	145,513
Contractual services	15,310	-	15,310
Fees	288,284	-	288,284
Fire prevention	12,691	-	12,691
Insurance - property/liability	131,948	-	131,948
Med/health services	38,079	-	38,079
Miscellaneous	13,851	-	13,851
Office supplies	26,097	-	26,097
Operating supplies/equipment	27,534	-	27,534
Professional services	61,850	-	61,850
Computer hardware/software	10,644	-	10,644
Training, education, travel	49,786	-	49,786
Incentive program	23,150	-	23,150
Uniforms/clothing and bunker gear	87,232	-	87,232
Utilities	79,873	-	79,873
Vehicle maintenance/fuel	177,416	-	177,416
	_____	_____	_____
Total other operating	1,189,258	-	1,189,258
Capital outlay	348,389	-	348,389
Debt service:			
Principal	129,055	-	129,055
Interest and fiscal charges	6,526	-	6,526
	_____	_____	_____
Total debt service	135,581	-	135,581
	_____	_____	_____
TOTAL EXPENDITURES	10,909,093	-	10,909,093
EXCESS OF REVENUES OVER EXPENDITURES CARRIED FORWARD	\$ 1,740,521	\$ 25,720	\$ 1,766,241

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, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Totals Governmental Funds</u>
EXCESS REVENUES			
OVER EXPENDITURES			
BROUGHT FORWARD	\$ 1,740,521	\$ 25,720	\$ 1,766,241
OTHER FINANCING SOURCES (USES):			
Transfer to (from)	50,000	(50,000)	
Proceeds from insurance	331	-	331
Sale of surplus property	29,150	-	29,150
TOTAL OTHER FINANCING SOURCES (USES)	<u>79,481</u>	<u>(50,000)</u>	<u>29,481</u>
EXCESS OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES AND OTHER SOURCES	1,820,002	(24,280)	1,795,722
FUND BALANCE, OCTOBER 1	<u>7,805,046</u>	<u>167,202</u>	<u>7,972,248</u>
FUND BALANCE, SEPTEMBER 30	\$ <u><u>9,625,048</u></u>	\$ <u><u>142,922</u></u>	\$ <u><u>9,767,970</u></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, 2020

Net change in fund balance - total governmental funds		\$	1,795,722
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	\$	296,187	
Less current year depreciation		<u>(517,538)</u>	
			(221,351)
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		1,725	
Loss on disposition of equipment		(4,900)	
Debt payments		129,055	
Post-employment health care obligation		(255,091)	
Net pension asset		3,240,588	
Change in compensated absences		<u>(74,940)</u>	
			<u>3,036,437</u>
Change in net position of governmental activities		\$	<u><u>4,610,808</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, 2020

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL AND FINAL</u>	<u>ACTUAL AMOUNTS</u>		
REVENUES:				
Property taxes	\$ 9,027,965	\$ 9,159,811	\$	131,846
EMS services	2,728,604	2,754,396		25,792
Tax collector fee rebate	45,000	55,789		10,789
Intergovernmental revenue	500,000	310,525		189,475
Hazmat reimbursement	130,000	117,959		(12,041)
Firefighters' educational incentive	-	16,563		16,563
Interest	65,500	78,014		12,514
Tower rental	66,000	69,822		3,822
Charges for services	22,000	24,056		2,056
Miscellaneous	25,000	62,679		37,679
	<hr/>	<hr/>		<hr/>
TOTAL REVENUES	12,610,069	12,649,614		39,545
EXPENDITURES:				
Personal services:				
Salaries	5,687,701	5,745,569		(57,868)
Retirement	1,336,982	1,380,020		(43,038)
Insurance - employee	1,940,506	1,685,630		254,876
Payroll taxes	435,110	424,646		10,464
	<hr/>	<hr/>		<hr/>
Total personal services	9,400,299	9,235,865		164,434
Other operating:				
Building/equipment maintenance	150,000	145,513		4,487
Contractual services	17,640	15,310		2,330
Fees	266,033	288,284		(22,251)
Fire prevention	17,400	12,691		4,709
Insurance-property/liability	137,473	131,948		5,525
Med/health services	40,000	38,079		1,921
Miscellaneous	10,000	13,851		(3,851)
Office supplies	34,765	26,097		8,668
Operating supplies/equipment	27,750	27,534		216
Professional services	69,500	61,850		7,650
Computer hardware/software	20,000	10,644		9,356
Training, education, travel	62,200	49,786		12,414
Incentive program	27,000	23,150		3,850
Uniforms/clothing and bunker gear	87,500	87,232		268
Utilities	85,283	79,873		5,410
Vehicle maintenance/fuel	256,900	177,416		79,484
	<hr/>	<hr/>		<hr/>
Total other operating	1,309,444	1,189,258		120,186
Capital outlay	866,200	348,389		517,811
	<hr/>	<hr/>		<hr/>
Subtotal, carried forward	11,575,943	10,773,512		802,431

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, 2020

(CONTINUED)

	<u>BUDGETED AMOUNTS</u>		
	<u>ORIGINAL</u>		VARIANCE
	AND	ACTUAL	FAVORABLE
	<u>FINAL</u>	<u>AMOUNTS</u>	<u>(UNFAVORABLE)</u>
SUBTOTAL BROUGHT FORWARD	\$ 11,575,943	\$ 10,773,512	\$ 802,431
Debt service:			
Principal	132,929	132,929	-
Interest and fiscal charges	<u>2,652</u>	<u>2,652</u>	<u>-</u>
Total debt service	<u>135,581</u>	<u>135,581</u>	<u>-</u>
TOTAL EXPENDITURES	<u>11,711,524</u>	<u>10,909,093</u>	<u>802,431</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	898,545	1,740,521	841,976
OTHER FINANCING SOURCES (USES):			
Transfer from Capital Projects Fund		50,000	
Sale of surplus property		29,150	29,150
Proceeds from insurance	-	331	331
Operating reserve	(228,545)	-	228,545
Contingency reserve	(160,000)	-	160,000
SCBA bottle reserve	(20,000)	-	20,000
Capital reserves	(500,000)	-	500,000
Sick leave and vacation reserve	<u>(40,000)</u>	<u>-</u>	<u>40,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(948,545)</u>	<u>79,481</u>	<u>1,028,026</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	(50,000)	1,820,002	1,870,002
FUND BALANCES, OCTOBER 1	<u>7,805,046</u>	<u>7,805,046</u>	<u>-</u>
FUND BALANCES, SEPTEMBER 30	<u>\$ 7,755,046</u>	<u>\$ 9,625,048</u>	<u>\$ 1,870,002</u>

See Notes to Financial Statements.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUND

SEPTEMBER 30, 2020

ASSETS

	<u>Public Safety Pension Fund</u>
Receivables:	
Interest and dividends	\$ 49,199
State Excise Tax Rebate Supplement	<u>1,261</u>
Total receivables	50,460
Prepaid expenses	2,456
Investments at fair value:	
U.S. Government agency securities	277,494
Corporate bonds	4,636,749
Municipal bonds	200,021
Domestic stock	24,148,910
International stock	1,597,640
Temporary investment funds	<u>3,509,455</u>
Total investments	<u>34,370,269</u>
Total assets	34,423,185

LIABILITIES

Accounts payable	<u>39,249</u>
Total liabilities	<u>39,249</u>
Net position restricted for pensions	\$ <u><u>34,383,936</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, 2020

	<u>Public Safety Pension Fund</u>
Additions:	
Contributions:	
Employer	\$ 1,230,219
Plan members	<u>363,646</u>
Total contributions	1,593,865
Intergovernmental:	
State Excise Tax Rebate	426,363
State Excise Tax Rebate Supplement	<u>1,261</u>
Total intergovernmental	427,624
Investment income:	
Net appreciation (depreciation) in fair value of investments	3,937,885
Interest income	174,703
Dividend income	<u>326,494</u>
Total investment income (loss)	4,439,082
Less investment expenses	<u>119,013</u>
Net investment income (loss)	<u>4,320,069</u>
Total additions	6,341,558
Deductions:	
Pension benefits	704,192
Refund of contributions	4,572
Administrative expenses	<u>57,121</u>
Total deductions	<u>765,885</u>
Net increase in net position	5,575,673
Net position restricted for pensions:	
Beginning of year	<u>28,808,263</u>
End of year	\$ <u><u>34,383,936</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, 2020

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, 2020

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

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

District Pension Fund

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

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

Defined Benefit Pension Plan - During the fiscal year ended September 30, 2014 the Governmental Standards Board (GASB) adopted GASB 67, Financial Reporting for Pension Plans which became effective for the fiscal year ended September 30, 2014. In addition, GASB 68, Accounting and Financial Reporting for Pensions, was also effective for the fiscal year ended September 30, 2015 (Note 18). Thus, disclosures for both of those standards have been included in these financial statements.

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

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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

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

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

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

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

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

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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

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

Intergovernmental, taxpayer, and interest revenue are all susceptible to accrual. 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.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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

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

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

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

Assets, Liabilities, and Net Assets or Equity:

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

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

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

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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.

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 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, 2020

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, 2020, 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, 2020 was adopted by the Board of Commissioners in September 2019. 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, 2020

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 \$3,000 (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, 2020

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 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, 2020

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

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

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

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

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

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

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

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

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

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

1. Summary of Significant Accounting Policies (Continued)

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

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

Subsequent Events - Management has evaluated subsequent events through July 6, 2021, which is the date the financial statements were officially available to be issued.

2. Deposits and Investments

Deposits

At year-end the carrying amount of the District's deposits was \$4,254,472 and the bank balance was \$4,720,650. 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, 2020

2. Deposits and Investments (Continued)

Investments

Investments as of September 30, 2020 are presented as follows:

	<u>Bond Rating</u>	<u>Fair Value</u>	<u>Weighted Average Duration (Years)</u>
Domestic Stock	N/A	\$ 24,148,910	N/A
International Stock	N/A	1,597,640	N/A
U.S. Government agency securities	A-AA	277,494	6.8
Corporate Bonds	A-AA	4,636,749	8.5
Municipal Bonds	A-AA	200,021	2.5
Temporary investments	N/A	<u>3,509,455</u>	N/A
 Total Pension Trust Fund investments		 \$ <u><u>34,370,269</u></u>	

Certificates of deposit held at September 30, 2020, at cost, are summarized as follows:

Certificate of Deposit, 0.85% (matures March 24, 2021)	N/A	\$ 460,344	N/A
Certificate of Deposit, 0.85%, (matures March 21, 2021)	N/A	105,580	N/A
Certificate of Deposit, 0.40%, (matures August 8, 2021)	N/A	1,873,101	N/A
Certificate of Deposit, 1.95%, (matures October 1, 2020)	N/A	1,073,855	N/A
Certificate of Deposit, 1.66% (matures December 19, 2020)	N/A	1,332,078	N/A
Certificate of Deposit, 1.00%, (matures March 12, 2021)	N/A	228,632	N/A
Certificate of Deposit, 1.95%, (matures October 1, 2020)	N/A	<u>388,545</u>	N/A
 Total Certificates of Deposit		 \$ <u><u>5,462,135</u></u>	

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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

Investments (continued)

The domestic stocks, international stocks, U.S. Government and agency securities, corporate bonds, municipal bonds, and temporary investments 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, 2020.

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

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

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

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

3. Investment Measurement at Fair Value

Fair Value Hierarchy

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

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

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

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

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

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

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

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

3. Investment Measurement at Fair Value (Continued)

Fair Value Hierarchy (Continued)

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

The Plan categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following total recurring fair value measurements as of September 30, 2020:

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

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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

Fair Value Hierarchy (Continued)

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

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

3. Investment Measurement at Fair Value (Continued)

Fair Value Hierarchy (Continued)

Pension Trust Fund	September 30,	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level	2020			
U.S. Government agency securities	\$ 277,494	\$ -	\$ 277,494	\$ -
Corporate bonds	4,636,749	-	4,636,749	-
Municipal bonds	200,021	-	200,021	-
Domestic stock	24,148,910	24,148,910	-	-
International stock	1,597,640	1,597,640	-	-
Temporary investments	3,509,455	3,509,455	-	-
Total investments measured at fair value	\$ <u>34,370,269</u>	\$ <u>29,256,005</u>	\$ <u>5,114,264</u>	\$ <u>-</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

4. Receivables

Receivables at September 30, 2020, consist of the following:

	<u>General Fund</u>
Receivables:	
Intergovernmental:	
State	\$ 4,600
County	200,000
Accounts	<u>53,251</u>
 Gross receivables	 257,851
 Less: Allowance for uncollectibles	 <u>-</u>
 Net total receivables	 \$ <u><u>257,851</u></u>

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

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

5. Capital Assets

Capital asset activity for the year ended September 30, 2020 was as follows:

	Balance October 1, 2019	Increases	Decreases	Balance September 30, 2020
<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	6,530,576	-	-	6,530,576
Equipment	<u>6,082,255</u>	<u>296,187</u>	<u>(402,481)</u>	<u>5,975,961</u>
Total capital assets, being depreciated	12,612,831	296,187	(402,481)	12,506,537
Less accumulated depreciation for:				
Buildings and improvements	(2,322,448)	(138,667)	-	(2,461,115)
Equipment	<u>(3,427,532)</u>	<u>(378,871)</u>	<u>397,581</u>	<u>(3,408,822)</u>
Total accumulated depreciation	<u>(5,749,980)</u>	<u>(517,538)</u>	<u>397,581</u>	<u>(5,869,937)</u>
Total capital assets, being depreciated, net	<u>6,862,851</u>	<u>(221,351)</u>	<u>(4,900)</u>	<u>6,636,600</u>
Governmental activities capital assets, net	<u>\$ 7,802,381</u>	<u>\$ (221,351)</u>	<u>\$ (4,900)</u>	<u>\$ 7,576,130</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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 \$67,791 are due through December 2020 with interest at 3.99%.

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

Long-term debt is summarized as follows:

<u>Description</u>	<u>Balance</u> <u>October 1,</u> <u>2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>September 30,</u> <u>2020</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Capital improvement revenue note, 3.99%	\$ 195,520	\$ -	\$ 129,055	\$ 66,465	\$ 66,465
Post-employment health obligation (Note 15)	635,095	255,091	-	890,186	-
Compensated absences	<u>524,798</u>	<u>74,940</u>	<u>-</u>	<u>599,738</u>	<u>149,934</u>
	<u>\$ 1,355,413</u>	<u>\$ 330,031</u>	<u>\$ 129,055</u>	<u>\$ 1,556,389</u>	<u>\$ 216,399</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

6. General Long Term Debt (Continued)

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

Year ending September 30,	Capital Improvement Revenue Note
2021	\$ 67,793
Total payments due	67,793
Less interest	1,328
Outstanding principal	\$ <u>66,465</u>

Compensated Absences

Compensated absence benefits are summarized as follow:

Annual Leave:

Employees who earn more than two week's annual leave per year may, with the approval of the District, elect to convert annual leave to supplemental leave or HAS (within the Internal Revenue Service HAS contribution limits) for all annual leave in excess of two (2) weeks to be earned during that fiscal year providing: two (2) weeks minimum leave has been or is being taken at that time, and no vacation carried over from prior years shall be converted. Request for conversion of annual leave will be submitted to the Fire Chief or designate of the intent to "convert" annual leave by September 1st of each fiscal year.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

6. General Long Term Debt (Continued)

Annual Leave (Continued)

Sick Leave:

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 Option 1 or 2.5% each year up to a maximum of 62.5% after 25 years as per below Option 2:

The amount of sick hours an employee is allowed to cash out or convert is capped at the following:

- 40-hour employees - 1000 hours
- Shift employee - 1300 hours

CASH OUT PEEP

Option 1: Cash out as per outlined in Section 11 of this article (see maximum hour accumulation requirement). To be eligible for this option the employee must submit written notice at least one (1) month prior to the separation date and receive the payment prior to separation date.

Option 2: Rolled into the employee's PEEP account as per section 11 of this article (see maximum hour accumulation requirement).

To be eligible for this option the employee must submit written notice at least two (2) weeks prior to separation date.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

6. General Long Term Debt (Continued)

The total liability as of September 30, 2020 for accrued annual leave is recorded as the liability entitled “compensated absences.”

	<u>Vacation Leave</u>	<u>Sick Leave</u>	<u>Total Compensated Absences</u>
September 30, 2020	\$ <u>361,181</u>	\$ <u>238,557</u>	\$ <u>599,738</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, 2020

7. Deferred Compensation Plan (Continued)

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

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

8. Designations

A portion of the Firefighters' Pension Trust Fund net position is designated for benefits that accrue in relation to the Share accounts. Allocations to the Share plan accounts for the year ended September 30, 2020 are presented below as determined in the most recent annual valuation available for the year ended September 30, 2020:

Designated for Share accounts (Actuary's estimate)	\$ <u>2,839,563</u>
Total designated plan net position	2,839,563
Undesignated plan net position	<u>31,544,373</u>
Total plan net position	\$ <u><u>34,383,936</u></u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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

The schedule of investment and administrative expenses, investment income and investment cost and fair value of the Firefighters' Pension Trust Fund for the fiscal year ended September 30, 2020 is as follows:

	<u>Investment Expenses</u>	<u>Administrative Expenses</u>
Legal fees	\$ -	\$ 15,272
Actuary fees	-	21,284
Seminars and travel	-	2,711
Dues and subscriptions	-	880
Insurance	-	3,294
Custodial fees	12,219	-
Investment management fees - BH	106,794	-
Administrator	-	13,680
	<u> </u>	<u> </u>
Total	\$ <u>119,013</u>	\$ <u>57,121</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 agency securities	\$ (30,313)	\$ 25,327	\$ (4,986)
Corporate bonds	20,376	115,569	135,945
Municipal obligations	-	(158)	(158)
International stock	77,281	41,853	119,134
Domestic stock	<u>427,957</u>	<u>3,259,993</u>	<u>3,687,950</u>
Total	\$ <u>495,301</u>	\$ <u>3,442,584</u>	\$ <u>3,937,885</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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

The Plan's investments at both cost and fair value as of September 30, 2020 are summarized as follows:

<u>Investment</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. Government agency securities	\$ 225,409	\$ 277,494
Corporate bonds	4,371,979	4,636,749
Municipal bonds	189,000	200,021
Domestic stock	15,724,911	24,148,910
International stock	1,567,310	1,597,650
Temporary investments	<u>3,509,455</u>	<u>3,509,455</u>
Total	<u>\$ 25,588,064</u>	<u>\$ 34,370,279</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

10. Defined Benefit 175 Pension Plan

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

During the fiscal year ended September 30, 2014 the District adopted Governmental Accounting Standards Board (GASB) Statement 67, Financial Reporting for Pension Plans. During the fiscal year ended September 30, 2015 the District adopted (GASB) Statement 68, Accounting and Financial Reporting for Pensions. Since separate trust financial statements have not been issued for this fire pension plan and are only reported as a fiduciary fund in these statements all of the disclosures required by GASB 67 and 68 have been reported in these statements. Further, the District has chosen to use September 30, 2020 as the measurement date for GASB 68 reporting purposes.

Plan Description:

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

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

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

10. Defined Benefit 175 Pension Plan (Continued)

Plan Membership as of October 1, 2019:

Inactive Plan members or beneficiaries currently receiving benefits	7
Inactive Plan members entitled to but not yet receiving benefit	2
Active Plan members	<u>55</u>
 Total	 <u>64</u>

Benefits Provided:

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

A summary of the benefits can be found in the October 1, 2019 Actuarial Valuation Report for the Palm Harbor Special Fire Control and Rescue District Firefighters' Pension Plan prepared by Foster & Foster Actuaries and Consultants.

Chapter 175 Share Accounts:

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

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

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

Contributions

Member Contributions:

1.0% of Salary (3.0% Benefit Accrued Rate)

4.3% of Salary (3.5% Benefit Accrued Rate)

7.6% of Salary (4.0% Benefit Accrued Rate)

District and State Contributions:

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

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

10. Defined Benefit 175 Pension Plan (Continued)

Net Pension Liability

The measurement date is September 30, 2020.

The measurement period for pension expense was October 1, 2019 to September 30, 2020.

The reporting period is October 1, 2019 through September 30, 2020.

The Sponsor's Net Pension Liability was measured as of September 30, 2020.

The Total Pension Liability used to calculate the Net Pension Liability was determined as of that date.

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2019 updated to September 30, 2020 using the following actuarial assumptions.

Inflation	3.00%
Salary Increases	3.50% - 14.00%
Discount Rate	7.50%
Investment Rate of Return	7.50%

GASB 68

Mortality Rate Healthy Active Lives:

Female: PubS.H-2010 for Employees, set forward one year.

Male: PubS.H-2010 for Employees, set forward one year.

Mortality Rate Healthy Retiree Lives:

Female: PubG.H-2010 (Below Median) for Healthy Retirees.

Male: PubG.H-2010 (Below Median) for Healthy Retirees, set forward one year.

Mortality Rate Beneficiary Lives:

Female: PubG.H-2010 (Below Median) for Healthy Retirees.

Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.

Mortality Rate Disabled Lives:

80% PubG.HY-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

10. Defined Benefit 175 Pension Plan (Continued)

All rates are projected generationally with Mortality Improvement Scale MP-2018. We feel this assumption sufficiently accommodates future mortality improvements.

The previously described mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2019 FRS valuation report for special risk employees, with appropriate adjustments made based on plan demographics.

90% of active deaths are assumed to be service-incurred.

The most recent actuarial study used to review the other significant assumptions was dated July 1, 2016.

The Long-Term Expected Rate of Return on Pension Plan investments can be determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expenses and inflation) are developed for each major asset class.

For 2020 the inflation rate assumption of the investment advisor was 2.50%.

These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the Pension Plan's target asset allocations as of September 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Range</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	55%	40% - 75%	4.90%
International Equity	15%	0% - 25%	7.00%
Intermediate Fixed	30%	25% - 45%	2.50%
Total	<u>100%</u>		

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

10. Defined Benefit 175 Pension Plan (Continued)

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.50 percent.

The projection of cash flows used to determine the Discount Rate assumed that Plan Member contributions will be made at the current contribution rates and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on these assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Concentrations

The Plan did not hold investments in any one organization that represents 5% or more of the Pension Plan's Fiduciary Net Position.

Rate of Return

For the year ended September 30, 2020, the annual money-weighted average rate of return on Pension Investments, net of Pension Plan investment expense, was 14.69 percent.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actuarially invested.

Deferred Retirement Option Program

Eligibility: Satisfaction of Normal Retirement requirements.

Participation: Not to exceed 60 months.

Rate of Return: At Member's election:

- 1) Fixed Rate 6.5% compounded monthly, or
- 2) Actual net rate of investment return (total return net of brokerage commissions, management fees, and transaction costs) credited each fiscal quarter.

BAC-DROP

Eligibility: Satisfaction of Normal Retirement requirements. BAC-DROP allows a Member to effectively retire at an earlier point in time (using Credited Service, Average Final Compensation, and Plan provisions in effect on that earlier date), but not prior to the first eligibility date for Normal Retirement.

Participation: Up to 36 months. The Member must terminate employment no later than the first day of the month following entry to the BAC-DROP.

Rate of Return: 6.50% fixed, effective annual rate.

The DROP balance as of September 30, 2020 is \$0.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

10. Defined Benefit 175 Pension Plan (Continued)

The components of the Net Pension Liability of the Sponsor on September 30, 2020 were as follows:

Total Pension Liability	\$	29,546,235
Plan Fiduciary Net Position		<u>34,383,936</u>
Sponsor's Net Pension Liability (Asset)	\$	<u><u>(4,837,701)</u></u>
Plan Fiduciary Net Position as a		
percentage of Total Pension Liability (Asset)		<u><u>(116.38%)</u></u>

The Long-Term Expected Rate of Return on Pension Plan Investments can be determined using building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expenses and inflation) are developed for each major asset class.

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.50 percent.

The projection of cash flows used to determine the Discount Rate Assumed that Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term expected Rate of Return on Pension Plan investments was applied to all period of projected benefit payments to be determine the Total Pension Liability.

	1% Decrease	Current	1% Increase
	6.50%	Discount Rate	8.50%
	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>

District's Net

Pension Liability (Asset)	\$	<u><u>(386,107)</u></u>	\$	<u><u>(4,837,701)</u></u>	\$	<u><u>(8,430,849)</u></u>
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PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

10 Defined Benefit 175 Pension Plan (Continued)

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

For the year ended September 30, 2020, the District recognized a pension expense of \$333,967.

On September 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 673,186	\$ 501,484
Changes of assumptions	97,660	674,300
Net difference between projected and actual earnings on		
Pension plan investments	<u>-</u>	<u>1,715,504</u>
Total	<u>\$ 770,846</u>	<u>\$ 2,891,288</u>

**PENSION EXPENSE AND DEFERRED OUTFLOWS
OF RESOURCES AND DEFERRED INFLOWS OF
RESOURCES RELATED TO PENSION (CONTINUED)**

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

Year ended September 30:

2021	\$ (743,256)
2022	\$ (473,889)
2023	\$ (238,504)
2024	\$ (457,871)
2025	\$ (35,458)
Thereafter	\$ (171,464)

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

11. Restricted Net Position

Pension Trust Funds - The net position in the Pension Trust Fund is reserved to indicate fund equity is restricted for future benefits to members of the District’s Chapter 175 pension plan is summarized as follows as of September 30, 2020:

Firefighters’ Pension Fund	\$ <u>34,383,936</u>
Net position restricted for pensions	\$ <u><u>34,383,936</u></u>

12. Details of Constraints on Fund Balances of Governmental Funds

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

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Fund Balances:			
Restricted for:			
Prepaid item	\$ 1,201	\$ -	\$ 1,201
Equipment and improvements	-	142,922	142,922
Committed to:			
Vacation and special pay	488,566	-	488,566
Capital improvements	2,581,109	-	2,581,109
Station No. 68	40,000	-	40,000
SCBA	381,618	-	381,618
Unassigned	<u>6,132,554</u>	<u>-</u>	<u>6,132,554</u>
Total fund balance	\$ <u><u>9,625,048</u></u>	\$ <u><u>142,922</u></u>	\$ <u><u>9,767,970</u></u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

13. Contingent Liabilities

The District did not receive federal grant funds during the year ended September 30, 2020 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.

On January 20, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the District is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

14. Tower Rental Income

The District currently leases certain property under the terms of three land lease agreements expiring variously through 2023. These leases are automatically extended for four additional five year periods unless terminated by the lessee at the end of any five year term. Revenues received during the year ended September 30, 2020 under these leases were \$69,822. The annual rent will increase at 3% of the previous year's annual rental.

15. Post-Employment Health Care Benefits

GASB Statement No. 75: *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 75 by the Palm Harbor Special Fire Control and Rescue District was October 1, 2017. Accordingly, the District did obtain an actuarial valuation in accordance with GASB 75 standards as of October 1, 2019 and discloses the following:

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

15. Post-Employment Health Care Benefits (Continued)

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 Board. 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, 2020, nine eligible retirees were participating in the District’s health program.

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 as an irrevocable trust has not been established to fund the plan. The plan does not issue a separate financial report.

As of October 1, 2019, the following employees were covered by the benefit terms:

Active Plan Members or Beneficiaries currently	
Retirees	9
Active plan members	<u>66</u>
Total	<u>75</u>

Benefits Provided:

Retirees may participate in the group insurance plans offered by the District but they are required to contribute 100% of the active premiums.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

15. Post-Employment Health Care Benefits (Continued)

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 75. 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. Since GASB Statement 75 only requires an actuarial valuation every year, the District's last valuation was for the fiscal year ended September 30, 2020.

TOTAL OPEB LIABILITY

The measurement date is September 30, 2020.

The measurement period for the OPEB expense was October 1, 2019 to September 30, 2020.

The reporting period is October 1, 2019 through September 30, 2020.

Economic Assumptions:

The Total OPEB Liability was determined by an actuarial valuation as of October 1, 2019 using the following assumptions:

The medical trend assumption was updated since the previous valuation. The trend was developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The current valuations uses the SOA Model that was released in October 2010 and updated in September 2019. The following assumptions were used as input variables into this model.

Rate of Inflation	2.5%
Rate of Growth in Real Income / GDP per capita	1.5%
Extra Trend due to Technology and other factors	1.1%
Expected Health Share of GDP in 2029	20.0%
Health Share of GDP Resistance Point	25.0%
Year for Limiting Cost Growth to GDP Growth	2075

The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of an SOA Project Oversight Group.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

15. Post-Employment Health Care Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation

Discount Rate:

The discount rate used to determine the liabilities under GASB 75 depends upon Palm Harbor Fire Rescue's funding policy. The discount rate for governments that do not refund benefits is based on 20-year general obligation bond (GO bond) rates.

The discount rate assumption for disclosure purposes for the fiscal year ended 9/30/2020 is 2.41%, the 20-year GO bond index as of 9/30/2020.

The discount rate assumption for disclosure purposes for the 2019 fiscal year is 2.75%, the 20-year GO bond index as of 9/30/2019. The rate at the beginning of the year 2019 fiscal was 3.83%, the 20-year GO bond index as of 9/30/2018.

Funding Policy

The District will pay benefits on a pay-as-you-go basis.

OPEB Expense:

For the year ended September 30, 2020, the District will recognize OPEB Expense of \$24,900.

CHANGES IN TOTAL OPEB LIABILITY

Balance as of September 30, 2019	\$	635,095
Changes for a Year:		
Service Cost		27,416
Interest		16,751
Difference Between Expected and Actual Experience		-
Changes in Assumptions		(17,878)
Changes of Benefit Terms		-
Benefit Payments		(51,962)
Experience Losses/(Gains)		280,764
Net changes		<u>255,091</u>
Balance as of September 30, 2020	\$	<u>890,186</u>
Funded status		0.0%

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

15. Post-Employment Health Care Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation

Sensitivity of the Total OPEB Liability to changes in the Discount Rate:

The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>1.41%</u>	<u>2.41%</u>	<u>3.41%</u>
Total OPEB Liability (Asset)	\$ 932,632	\$ 890,186	\$ 848,803

Sensitivity of Total OPEB Liability to changes in the Healthcare Cost Trend Rates:

The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Medical Trend Rate	1% Increase
	<u>3.00%</u>	<u>4.00%</u>	<u>5.00%</u>
Total OPEB Liability (Asset)	\$ 830,192	\$ 890,186	\$ 959,224

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

15. Post-Employment Health Care Benefits (Continued)

Deferred Inflows/Outflows of Resources Related to OPEB

For the fiscal year ended September 30, 2020-, Palm Harbor Fire Rescue recognized an OPEB expense of \$75,966. At September 30, 2020 Palm Harbor Fire Rescue reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows <u>of Resources</u>	Deferred Inflows <u>of Resources</u>
Differences between expected and actual experience	\$ 249,568	\$ -
Changes of assumptions	<u>29,892</u>	<u>23,921</u>
Total	<u>\$ 279,460</u>	<u>\$ 23,921</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

15. Post-Employment Health Care Benefits (Continued)

\$279,460 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to measurement date will be recognized as a reduction of the net OPEB liability in the year ending September 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in the expenses as follows:

<u>Fiscal</u> <u>Year Ended</u> <u>September 30,</u>	<u>Measurement</u> <u>Date</u>	<u>Earnings</u> <u>(Inflow)/Outflow</u>
2021	9/30/2021	\$ 31,799
2022	9/30/2022	31,799
2023	9/30/2023	31,799
2024	9/30/2024	31,799
2025	9/30/2025	31,799
Thereafter	9/30/2026 and thereafter	96,544

REQUIRED SUPPLEMENTARY
INFORMATION FOR
SINGLE EMPLOYER FIREFIGHTERS' 175
DEFINED BENEFIT PENSION PLAN
UNDER GASB 68

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PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY 175 PLAN

Last Seven Fiscal Years

	<u>September 30, 2020</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Total pension liability:							
Service cost	\$ 1,592,930	\$ 1,346,869	\$ 1,260,250	\$ 1,123,107	\$ 958,896	\$ 808,434	\$ 835,842
Interest	2,137,987	1,946,665	1,662,319	1,585,879	1,224,258	1,268,794	1,097,202
Share Plan allocation	15,401	53,743	-	-	-	-	39,749
Changes of benefit terms	-	(21,904)	-	(521,336)	-	-	-
Difference between expected and actual experience	319,419	(274,947)	238,591	333,660	(450,681)	(168,553)	-
Change of assumptions	(741,735)	-	-	-	195,321	-	-
Benefit payments, including refunds of employee contributions	<u>(724,629)</u>	<u>(276,065)</u>	<u>(280,316)</u>	<u>(334,849)</u>	<u>(279,543)</u>	<u>(182,698)</u>	<u>(549,173)</u>
Net change in total pension liability	2,599,373	2,774,361	2,880,844	2,186,461	1,648,251	1,725,977	1,423,620
Total pension liability - beginning	<u>26,946,862</u>	<u>24,172,501</u>	<u>21,291,657</u>	<u>19,105,196</u>	<u>17,456,945</u>	<u>15,730,968</u>	<u>14,307,348</u>
Total pension liability ending (a)	\$ <u><u>29,546,235</u></u>	\$ <u><u>26,946,862</u></u>	\$ <u><u>24,172,501</u></u>	\$ <u><u>21,291,657</u></u>	\$ <u><u>19,105,196</u></u>	\$ <u><u>17,456,945</u></u>	\$ <u><u>15,730,968</u></u>
Plan fiduciary net position:							
Contributions - employer	\$ 1,230,219	\$ 993,378	\$ 1,000,275	\$ 1,171,341	\$ 578,401	\$ 561,334	\$ 550,197
Contributions - state	427,624	465,966	266,213	257,086	387,021	407,277	451,972
Contributions - employee	363,646	309,466	266,837	251,689	217,200	182,236	164,272
Net investment income (loss)	4,320,069	892,240	2,871,157	2,765,240	1,843,485	(912,196)	1,439,727
Benefit payments, including refunds of employee contributions	(708,764)	(276,065)	(280,316)	(334,849)	(279,543)	(182,698)	(549,173)
Administrative expense	<u>(57,121)</u>	<u>(45,566)</u>	<u>(54,762)</u>	<u>(49,057)</u>	<u>(52,876)</u>	<u>(36,213)</u>	<u>(27,118)</u>
Net change in plan fiduciary net position	5,575,673	2,339,419	4,069,404	4,061,450	2,693,688	19,740	2,029,877
Plan fiduciary net position - beginning	<u>28,808,263</u>	<u>26,468,844</u>	<u>22,399,440</u>	<u>18,337,990</u>	<u>15,644,302</u>	<u>15,624,562</u>	<u>13,594,685</u>
Plan fiduciary net position - ending (b)	\$ <u><u>34,383,936</u></u>	\$ <u><u>28,808,263</u></u>	\$ <u><u>26,468,844</u></u>	\$ <u><u>22,399,440</u></u>	\$ <u><u>18,337,990</u></u>	\$ <u><u>15,644,302</u></u>	\$ <u><u>15,624,562</u></u>
Net pension liability (asset) (a) - (b)	\$ <u><u>(4,837,701)</u></u>	\$ <u><u>(1,861,401)</u></u>	\$ <u><u>(2,296,343)</u></u>	\$ <u><u>(1,107,783)</u></u>	\$ <u><u>767,206</u></u>	\$ <u><u>1,812,643</u></u>	\$ <u><u>106,406</u></u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

RELATED RATIOS 175 PLAN

Last Seven Fiscal Years

	September 30, 2020	September 30, 2019	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015	September 30 2014
Plan fiduciary net position as a percentage of the total pension liability	<u>116.38%</u>	<u>106.91%</u>	<u>109.48%</u>	<u>105.20%</u>	<u>95.98%</u>	<u>89.61%</u>	<u>99.32%</u>
Covered employee payroll	\$ <u>4,876,456</u>	\$ <u>4,158,599</u>	<u>3,593,786</u>	\$ <u>3,390,111</u>	\$ <u>2,934,578</u>	\$ <u>2,564,927</u>	\$ <u>2,223,147</u>
Net pension liability as a percentage of covered employee payroll	<u>(99.21)%</u>	<u>(44.76)%</u>	<u>(63.90)%</u>	<u>(32.68)%</u>	<u>26.14%</u>	<u>70.67%</u>	<u>4.76%</u>

Notes to Schedule:

Changes of benefit terms:

For measurement date 09/30/2019, amounts reported as changes of benefit terms resulted from the provisions of Chapter 112.1816, Florida Statutes. The Statutes state that, effective July 1, 2019, a death or disability (under the Plan's definition of total and permanent disability) for a Firefighter due to the diagnosis of cancer or circumstances that arise out of the treatment of cancer will be treated as duty-related.

Changes of assumptions:

For measurement date 09/30/2020, as mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in Milliman's July 1, 2019 FRS valuation report for special risk employees, with appropriate adjustments made based on plan demographics.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS 175 PLAN

Last Seven Fiscal Years

	September 30, 2020	September 30, 2019	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015	September 30, 2014
Actuarially Determined Contributions	\$ 1,543,394	\$ 1,395,210	\$ 1,255,668	\$ 1,307,226	\$ 1,101,640	\$ 946,461	\$ 962,423
Contribution in relation to the Actuarially Determined Contribution	<u>1,642,442</u>	<u>1,404,521</u>	<u>1,255,668</u>	<u>1,307,226</u>	<u>1,101,640</u>	<u>946,461</u>	<u>962,421</u>
Contribution deficiency (excess)	\$ <u>(99,048)</u>	\$ <u>(9,311)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered Employee Payroll	\$ 4,876,456	\$ 4,158,599	\$ 3,593,786	\$ 3,390,111	\$ 2,934,578	\$ 2,564,927	\$ 2,237,247
Contributions as a percentage of Covered Employee Payroll	33.68%	33.77%	34.94%	38.56%	37.54%	36.90%	43.02%

Notes to Schedule

Valuation Date:

10/1/2018

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

Methods and assumptions used to determine contribution rates can be found in the October 1, 2018 Actuarial Valuation for the Palm Harbor Special Fire Control and Rescue District Firefighters' Pension Plan prepared by Foster & Foster Actuaries and Consultants.

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURNS - 175 PLAN

Last Seven Fiscal Years

	<u>September 30, 2020</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Annual money-weighted rate of return net of investment expenses	<u>14.69%</u>	<u>3.13%</u>	<u>12.86%</u>	<u>14.86%</u>	<u>11.75%</u>	<u>12.66%</u>	<u>12.60%</u>

REQUIRED SUPPLEMENTARY
INFORMATION FOR
POST EMPLOYMENT BENEFITS
OTHER THAN PENSIONS (OPEB)
UNDER GASB 75

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PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE CHANGES IN OPEB LIABILITY

Last Three Fiscal Years

Measurement date:	September 30, <u>2020</u>	September 30, <u>2019</u>	September 30, <u>2018</u>
Service Cost	\$ 27,416	\$ 22,062	\$ 22,441
Interest	16,751	22,063	20,510
Difference Between Expected and Actual Experience	-	-	-
Changes in Assumptions	(17,878)	37,364	(11,470)
Changes of Benefit Terms	-	-	-
Experience Gains	280,764	-	-
Benefit Payments	<u>(51,962)</u>	<u>(44,899)</u>	<u>(37,966)</u>
Net change in total OPEB liability	255,091	36,590	(6,485)
Total OPEB liability - Beginning of Year	<u>635,095</u>	<u>598,505</u>	<u>604,990</u>
Total OPEB liability - End of Year	<u>\$ 890,186</u>	<u>\$ 635,095</u>	<u>\$ 598,505</u>
Funded status	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>

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PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

PLAN FIDUCIARY NET POSITION

Last Three Fiscal Years

Measurement date:	September 30, <u>2020</u>	September 30, <u>2019</u>	September 30, <u>2018</u>
<u>Contributions - Employer</u>	\$ 51,962	\$ 44,899	\$ 37,966
Net investment income	-	-	-
Administrative expenses	-	-	-
Benefit payments (net of retiree contributions)	<u>(561,962)</u>	<u>(44,899)</u>	<u>(37,966)</u>
Net changes in Fiduciary Net Position	-	-	-
Fiduciary Net Position - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fiduciary Net Position - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB Liability	<u>\$ 890,186</u>	<u>\$ 635,095</u>	<u>\$ 598,505</u>
Fiduciary Net Position as a % of			
Total OPEB Liability	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>

PALM HARBOR SPECIAL FIRE CONTROL AND RESCUE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISCOUNT RATE

Last Three Fiscal Years

	<u>September 30,</u> <u>2020</u>	<u>September 30,</u> <u>2019</u>	<u>September 30,</u> <u>2018</u>
Change of assumptions	<u>2.41%</u>	<u>2.75%</u>	<u>3.83%</u>

Note: Because the OPEB Plan does not depend on salary,
we do not have salary information.

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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, 2020

AND

MANAGEMENT LETTER

AND

ATTESTATION LETTER

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, 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, 2020, 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 July 1, 2021.

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.



Tampa, Florida
July 1, 2021

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the Palm Harbor Special Fire Control and Rescue District, Florida as of and for the fiscal year ended September 30, 2020 and have issued our report thereon dated July 1, 2021.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditors Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General Disclosures in those reports and schedule, which are dated July 1, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

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

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

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This disclosure has been included in the District's Comprehensive Annual Financial Report for the fiscal year ended September 30, 2020.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7) Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the Palm Harbor Special Fire Control and Rescue District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Section 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Palm Harbor Special Fire Control and Rescue District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Additional Matters

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

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

Purpose of this Letter

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



Tampa, Florida
July 1, 2021

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ATTESTATION REPORT

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INDEPENDENT ACCOUNTANT’S REPORT

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

We have examined the Palm Harbor Special Fire Control and Rescue District’s compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2020. Management is responsible for the District’s compliance with those requirements. Our responsibility is to express an opinion on the District’s compliance based on our examination.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2020.

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



Tampa, Florida
July 1, 2021

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MEMORANDUM ON REVIEW
OF INTERNAL CONTROL STRUCTURE

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July 1, 2021

Board of Fire 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 & Rescue District as of and for the year ended September 30, 2020, and have issued our report thereon dated July 1, 2021.

We have issued our Report on Compliance and Internal Accounting Controls in Accordance with *Government Auditing Standards* dated July 1, 2021. 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 & 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.

2019-2020

- A. Performance Review

2018-2019

- A. Bank Reconciliations

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2019-2020

A. Performance Review

Recently the State Legislature passed HB 1103 relating to special district accountability. This bill could create a new section of law, Section 189.0695. It provides that certain specified independent special districts must contract with an independent entity to conduct a performance review. Performance review means an examination of a program, activity or function of a governmental entity, conducted in accordance with applicable government auditing standards or auditing and evaluation standards of other appropriate authoritative bodies.

We recommend that the Fire Chief follow this new legislation.

2018-2019

A. **Bank Reconciliations**

During last year's audit we found several instances when the monthly bank reconciliation did not agree to the District's general ledger.

At that time we recommended that the District work with their QuickBooks consultant to resolve this issue.

This recommendation has been implemented.

* * * * *

This memorandum is intended solely for the use of the District's Board of Fire Commissioners, management, the Pinellas County, Florida Board of County Commissioners and the Florida Auditor General and is not intended to be and should not be read by anyone other than specified parties.

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

SALTMARSH, CLEVELAND & GUND, P.A. .

MANAGEMENT'S 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



Scott J. Sanford
Fire Chief

July 1, 2021
Jeanine Bittinger
Saltmarsh, Cleaveland, & Gund, CPA
201 N. Franklin Street, Suite 1625
Tampa, Florida 33602

Dear Ms. Bittinger,

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


Current Year Item: Performance Review

We have reviewed your recommendation regarding the recent change the State Legislature made by passing HB 1103 relating to special district accountability. We are aware that certain specified independent special districts must contract with an independent entity to conduct a performance review. We understand that a performance review means an examination of a program, activity, or function of a governmental entity, conducted in accordance with applicable government auditing standards or auditing and evaluation standards of other appropriate authoritative bodies.

In response to this recommendation, the District is currently working with the Florida Association of Special Districts to create a request for proposal (RFP) for the required performance review. Once established, the District will comply with the required change.

As always, it was a pleasure working with your team.

Sincerely,


Scott J. Sanford
Chief of Department

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