ESTERO FIRE RESCUE

BASIC FINANCIAL STATEMENTS TOGETHER WITH REPORTS OF INDEPENDENT AUDITORS

YEAR ENDED SEPTEMBER 30, 2009

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Estero Fire Rescue
Estero, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Estero Fire Rescue (the "District") as of and for the year ended September 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 District, as of September 30, 2009, and the respective changes in financial position and the budgetary comparison for each major fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2010 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages i – vii, the schedule of employer contributions and the schedule of funding progress are not a required part of the basic financial statements, but they are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

LarsonAllen LLP

LarsonAllen LLP

Fort Myers, Florida
April 27, 2010

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Management's Discussion and Analysis

(unaudited)

This discussion and analysis of Estero Fire Rescue's (EFR) financial statements is designed to introduce the basic financial statements and provide an analytical overview of EFR's financial activities for the fiscal year ended September 30, 2009. The basic financial statements are comprised of the government-wide financial statements, governmental fund financial statements, and notes. We hope this will assist readers in identifying significant financial issues and changes in EFR's financial position.

Estero Fire Rescue Highlights

- At close of fiscal year 2009 EFR's assets exceeded its liabilities, resulting in net assets of $15,116,347 on a government-wide basis.
- Total net assets increased $2,787,531 or 22.6 percent, in comparison to prior year.
- The increase to net assets is a positive indicator of financial performance improvement. The unrestricted balance of $9,525,694 can be used to meet ongoing obligations of the District and fund amounts designated by the Board.
- Total revenues increased $680,226, or 5.4 percent, in comparison to prior year.
- Total expenses increased $257,113, or 2.5 percent, in comparison to prior year. This is primarily due to an increase in depreciation for the first full year of the new Administration Complex and an increase in interest charges related to the new debt issued in 2007.

Government-wide Financial Statements

Government-wide financial statements (Statement of Net Assets and Statement of Activities found on pages 3 and 4) are intended to allow a reader to assess a government's operational accountability. Operational accountability is defined as the extent to which the government has met its operation objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to meet its objectives for the foreseeable future. Government-wide financial statements concentrate on the District as a whole and do not emphasize fund types.

The Statement of Net Assets (Page 3) presents information on all of EFR's assets and liabilities, with the difference between the two reported as net assets. EFR's capital assets (land, property, equipment and construction in progress) are included in this statement and reported net of their accumulated depreciation, when applicable.

The Statement of Activities (Page 4) presents revenue and expense information showing how EFR's net assets changed during the fiscal year. Both statements are measured and reported using the economic resource measurement focus (revenues and expenses) and the accrual basis of accounting (revenue recognized when earned and expenses recognized when a liability is incurred).

Fund Financial Statements

The accounts of EFR are organized on the basis of governmental funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. EFR is reporting all financial activity in the General Fund for the fiscal year ended September 30, 2009. The activity for restricted funds is administered separately; however, for reporting purposes there is no need or requirement to report the restricted activity in separate funds.

Fund financial statements (found on pages 5 and 7) are prepared on the modified accrual basis using the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available as net current assets. Grant revenue, however, is recognized when the grant related expense is incurred.

Notes to the Financial Statements

The *notes* to the financial statements explain in detail some of the data contained in the preceding statements and begin on page 15. These notes are essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

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

The following is a condensed summary of net assets for the primary government for fiscal years 2009 and 2008:

Summary of Net Assets

	2009	2008
Assets:		
Current and other assets	$ 11,232,691	$ 8,946,281
Capital Assets	12,204,871	12,664,455
Total Assets	$ 23,437,562	$ 21,610,736
Liabilities:		
Current liabilities	$ 518,710	$ 725,564
Non-current Liabilities	7,802,505	8,556,356
Total Liabilities	8,321,215	9,281,920
Net Assets:		
Invested in capital assets, net of related debt	5,066,691	4,659,915
Restricted	523,962	739,811
Unrestricted	9,525,694	6,929,090
Total Net Assets	15,116,347	12,328,816
Total Liabilities And Net Assets	$ 23,437,562	$ 21,610,736

Current and other assets represent 47.9 percent of total assets. Current assets are comprised of unrestricted cash and investments of $10,501,953, restricted cash of $519,628 and other assets of $211,110. The unrestricted cash and investments represent amounts that are available for spending at the District's discretion. Restricted cash is comprised of the remaining proceeds from the notes and will be used for growth related expenditures. Additionally, restricted cash includes impact fees restricted for debt repayment and the debt reserve required by the notes.

The investment in capital assets are comprised of land and improvements, buildings, vehicles, and equipment, net of accumulated depreciation and the outstanding related debt used to acquire the assets. The Restricted Net Assets is comprised of $466,856 for repayment of debt; $46,885 represents unspent proceeds to finance the completion of the new administration building, and $10,221 for the community safety program, which includes promoting public safety through education, supporting the Estero Fire Rescue Explorer Program, providing smoke alarms and emergency relief.

The following schedule reports the revenues, expenses, and changes in net assets for EFR for the current fiscal years 2009 and 2008:

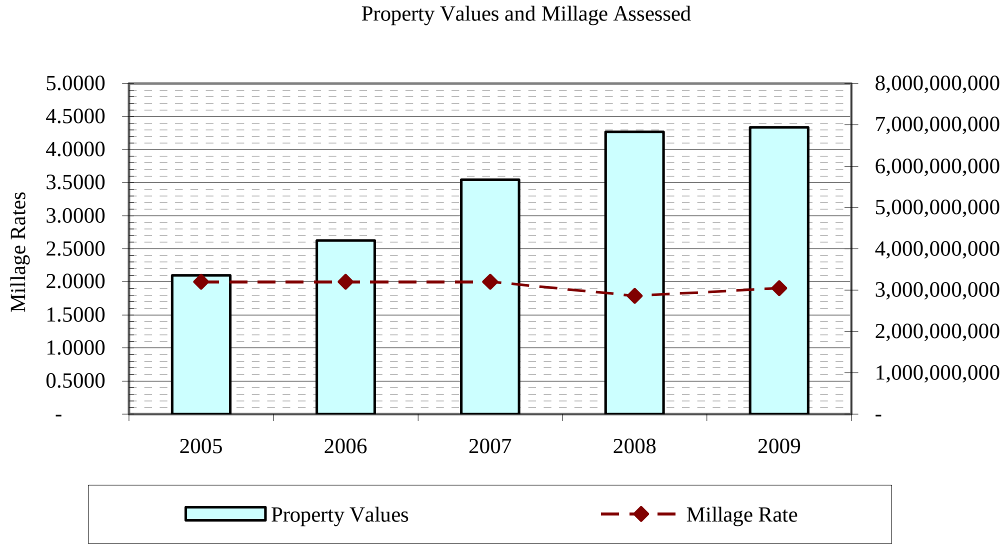
Summary of Activities and Changes in Net Assets

		2009		2008
Revenues:				
General Revenues				
Ad Valorem taxes	$	12,917,919	$	11,948,391
Interest		108,806		265,780
Gain (loss) on sale of capital assets		(36,357)		(103,849)
Other revenues		33,640		61,125
Program Revenues				
Federal grants		-		54,190
State Shared		20,564		21,554
Charges for services		72,654		91,823
Impact fees		17,440		115,426
Total Revenues		13,134,666		12,454,440
Expenses:				
Public Safety - Fire and Rescue Services		10,347,135		10,090,022
Increase in net assets		2,787,531		2,364,418
Net Assets - Beginning of the year		12,328,816		9,964,398
Net Assets - End of the year	$	15,116,347	$	12,328,816

Additional Financial Overview

Total revenues increased $567,234 on a fund basis, or 4.5 percent, in comparison to prior year. Total Public Safety expenditures increased by $101,598 or 1.1 percent, in comparison to prior year. Property values have increased by approximately $4,119,981,381 or 146 percent in the past five years. The taxable property value increased only 2.5 percent between 2008 and 2009. The District's millage rate of 1.78 was increased in 2009 to 1.90 mils due to tax reform legislation but continues to be one of the lowest fire district millage rates in the region. As a result, Ad Valorem tax revenues increased by $969,528 or 8 percent in comparison to the prior year.

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



Impact fee receipts decreased $97,986, or 84.9 percent, in comparison to prior year. The decrease is due to a significant decline in new construction within the District's boundaries. Additionally EFR had to refund $30,119 of impact fees collected in the previous year to the County due to cancelled permits. This compounded with an anticipated decrease in Ad Valorem revenue due to tax reform and the additional debt incurred for an administration facility will continue to create considerable challenges when budgeting for the future.

Budgetary Highlights

Estero Fire Rescue adopts an annual budget for its General Fund as required by Florida Statute. Budget versus actual comparisons are reported on pages 9 through 12. Budget transfers are made from time to time in the General Fund to manage unanticipated costs as they relate to originally estimated amounts. The General Fund difference between the final budgeted expenditures and actual expenditures represents a favorable variance of $853,343 or 7.5 percent. This variance is significantly due to a reduction in healthcare costs and also the methodology of budgeting for those healthcare costs at an estimated maximum cost exposure which is the most practical way of budgeting for a self-funded healthcare program. In 2009 EFR transitioned to a traditional fixed fee premium healthcare program.

Debt Administration

At September 30, 2009, EFR had $7,138,180 of outstanding debt for notes payable. Total long-term liabilities of $7,802,505 which includes notes payable, compensated absences, and deferred compensation, decreased $753,851 or 8.8 percent in comparison to the prior year. The following is a schedule of the District's outstanding notes payable as of September 30, 2009 and 2008:

Outstanding Debt

	2009	2008
Renewal C (2002A)	$ 3,611,280	$ 4,017,825
Renewal B (2002B)	855,321	1,166,715
Series 2007A	2,671,579	2,820,000
Total	$ 7,138,180	$ 8,004,540

The General Fund is currently responsible for payment of the debt. Impact Fees designated for debt will be used for debt as they become available.

Additional information on the District's long-term debt can be found in Note E on pages 27-29.

Capital Assets

Non-depreciable capital assets include land and improvements. Depreciable assets include buildings, vehicles and equipment.

The following is a schedule of EFR's capital assets as of September 30, 2009 and 2008:

Capital Assets

	2009	2008
CAPITAL ASSETS		
Land	$ 1,941,090	$ 1,941,090
Construction in progress	-	-
Total Capital Assets not depreciated	1,941,090	1,941,090
Buildings and Improvements	9,298,880	9,232,298
Vehicles	4,303,727	4,420,463
Equipment	451,138	420,524
Total Capital Assets being depreciated	14,053,745	14,073,285
ACCUMULATED DEPRECIATION		
Buildings and Improvements	(1,114,725)	(810,415)
Vehicles	(2,420,812)	(2,335,406)
Equipment	(254,427)	(204,099)
Total Accumulated Depreciation	(3,789,964)	(3,349,920)
Total Capital Assets being depreciated, net	10,263,781	10,723,365
CAPITAL ASSETS, NET	$ 12,204,871	$ 12,664,455

Noteworthy capital asset activity that took place in fiscal year 2009 was as follows:

- EFR purchased a trailer for the Explorers for the amount of $4,067.
- EFR purchased additional items needed for the Administration Complex in the amount of $68,921. The significant items purchased were for technology to complete the training center and the security system in the Administration Complex.

- EFR incurred costs of $26,000 for technology and communication which included 8 replacement computers, and one server.
- EFR incurred costs of $4,399 to purchase a cabinet to increase the equipment carried on an administration vehicle.
- EFR incurred a cost of $2,624 to replace 2 ice machines
- EFR purchased 2 pieces of exercise equipment for the fitness program in the amount of $8,496.
- EFR purchased 32 new air packs and 2 RIT packs for a total cost of $186,203
- EFR incurred costs of $36,061 for emergency rescue and training equipment including 5 AED's, a 2 extrication tools, an apparatus nozzle, and 3 gas detectors.

Economic Factors and Next Year's Budget Rates

The following were factors considered when next year's budget (2009-2010) was prepared:

- Property values decreased by $1,198,499,348 or 17.2 percent to $5,744,942,059. Estero Fire Rescue is anticipating property values to continue to decline.
- EFR did not budget for any new positions and did not fill eight existing positions due to the uncertainty of the economy, and future legislation.
- EFR budgeted decrease of approximately $975K in personal services is significantly due to a negotiated pay freeze per the bargaining unit contract. Additionally a decrease in the budget was recognized due to lower workers compensation insurance cost and transitioning to a traditional premium health insurance program.
- EFR anticipates increasing reserves by approximately $2.3M in an effort to maintain current services with an anticipated decrease in future revenues and budgeting for the General Fund to pay debt service due to the decline of impact fees which historically funded debt repayment.

Request for Information

The financial report is designed to provide the reader an overview of Estero Fire Rescue. Questions regarding any information provided in this report should be directed to:
Estero Fire Rescue 21500 Three Oaks Parkway, Estero FL 33928 or by calling (239) 390-8000.

ESTERO FIRE RESCUE
STATEMENT OF NET ASSETS
September 30, 2009

ASSETS	
Cash and cash equivalents	$ 5,501,953
Investments	5,000,000
Accounts receivable	67,234
Due from other governments	139,542
Restricted assets:	
Cash and cash equivalents	519,628
Due from other governments	4,334
Capital assets:	
Land and improvements	1,941,090
Depreciable buildings, equipment and vehicles, net of accumulated depreciation	10,263,781
TOTAL ASSETS	$ 23,437,562
LIABILITIES	
Accounts payable and accrued expenses	$ 518,710
Noncurrent liabilities:	
Compensated absences:	
Expected to be paid in one year	33,957
Expected to be paid after one year	606,330
Long-term liabilities:	
Due within one year	892,101
Due in more than one year	6,270,117
TOTAL LIABILITIES	8,321,215
NET ASSETS	
Invested in capital assets, net of related debt	5,066,691
Restricted for:	
Community safety fund	10,221
Capital projects	46,885
Debt service	466,856
Unrestricted	9,525,694
TOTAL NET ASSETS	15,116,347
TOTAL LIABILITIES AND NET ASSETS	$ 23,437,562

The accompanying notes are an integral part of these statements.

ESTERO FIRE RESCUE
STATEMENT OF ACTIVITIES
Year Ended September 30, 2009

PROGRAM EXPENSES		
Public Safety - Fire and Rescue Services		
Personal services	$	7,856,612
Operating		1,452,317
Depreciation		747,597
Interest and fiscal charges		290,609
TOTAL PROGRAM EXPENSES		10,347,135
PROGRAM REVENUES		
Operating Grants and Contributions		
State Shared		20,564
Charges for Services		72,654
Impact Fees		17,440
TOTAL PROGRAM REVENUES		110,658
NET PROGRAM EXPENSES		10,236,477
GENERAL REVENUES		
Ad Valorem taxes		12,917,919
Interest		108,806
Loss on sale of capital assets		(36,357)
Other revenues		33,640
TOTAL GENERAL REVENUES		13,024,008
INCREASE IN NET ASSETS		2,787,531
NET ASSETS - Beginning of the year		12,328,816
NET ASSETS - End of the year	$	15,116,347

The accompanying notes are an integral part of these statements.

ESTERO FIRE RESCUE
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2009

	General Fund
ASSETS	
Cash and cash equivalents-unrestricted	$ 5,501,953
Cash and cash equivalents-restricted	519,628
Investments-unrestricted	5,000,000
Accounts receivable-unrestricted	67,234
Due from other governments-unrestricted	139,542
Due from other governments-restricted	4,334
TOTAL ASSETS	$ 11,232,691
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable and accrued expenses	$ 518,710
TOTAL LIABILITIES	518,710
FUND BALANCES	
Reserved for:	
Community safety fund	10,221
Capital additions	46,885
Debt service	466,856
Unreserved, reported in:	
General Fund	
Designated	10,060,958
Undesignated	129,061
TOTAL FUND BALANCES	10,713,981
TOTAL LIABILITIES AND FUND BALANCES	$ 11,232,691

The accompanying notes are an integral part of these statements.

ESTERO FIRE RESCUE
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
September 30, 2009

		Amounts
Total fund balances for governmental funds		$10,713,981
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Capital assets not being depreciated:		
Land & improvements		1,941,090
Capital assets being depreciated:		
Building, Equipment and Vehicles	14,053,745	
Less accumulated depreciation	(3,789,964)	
		10,263,781
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Series 2002A Promissory note payable	(3,611,280)	
Series 2002B Promissory note payable	(855,321)	
Series 2007A Promissory note payable	(2,671,579)	
Deferred compensation benefit	(24,038)	
Compensated absences	(640,287)	
		(7,802,505)
Total net assets of governmental activities		$15,116,347

The accompanying notes are an integral part of these statements.

ESTERO FIRE RESCUE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended September 30, 2009

	General Fund	Impact Fee Fund	Capital Improvement Fund	Total Governmental Funds
REVENUES				
Ad Valorem taxes	$ 12,917,919	$ -	$ -	$ 12,917,919
Intergovernmental:				
State shared	20,564	-	-	20,564
Charges for services	72,654	-	-	72,654
Miscellaneous:				
Impact fees	-	17,440	-	17,440
Interest	107,412	1,091	303	108,806
Other	33,640	-	-	33,640
TOTAL REVENUES	13,152,189	18,531	303	13,171,023
EXPENDITURES				
Current				
Public safety				
Personal services	7,853,233	-	-	7,853,233
Operating expenditures	1,452,012	-	305	1,452,317
Capital outlay	267,850	-	68,922	336,772
Debt service				
Principal reduction	721,967	144,393	-	866,360
Interest and fiscal charges	239,026	51,583	-	290,609
TOTAL EXPENDITURES	10,534,088	195,976	69,227	10,799,291
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,618,101	(177,445)	(68,924)	2,371,732
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	102	12,300	-	12,402
Interfund transfer in	505,742	-	-	505,742
Interfund transfer out	-	(458,857)	(46,885)	(505,742)
TOTAL OTHER FINANCING SOURCES	505,844	(446,557)	(46,885)	12,402
NET CHANGES IN FUND BALANCES	3,123,945	(624,002)	(115,809)	2,384,134
FUND BALANCES - Beginning of the year	7,590,036	624,002	115,809	8,329,847
FUND BALANCES - End of the year	$ 10,713,981	$ -	$ -	$ 10,713,981

The accompanying notes are an integral part of these statements.

ESTERO FIRE RESCUE

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

Year Ended September 30, 2009

	Amounts
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	$ 2,384,134
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(410,825)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(48,759)
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.	
Repayments:	
Notes payable	866,360
Some expenses reported in the statement of activities do (do not) require the use of current financial resources and therefore are (are not) reported as expenditures in the government funds.	
Less:	
Increase in compensated absences	(88,471)
Increase in deferred compensation benefit	(24,038)
Decrease in prepaid insurance	(60,707)
Plus:	
Decrease in self-insurance claims due but not paid	169,837
Change in net assets of governmental activities	$ 2,787,531

The accompanying notes are an integral part of these statements.

ESTERO FIRE RESCUE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
Year Ended September 30, 2009

	General Fund			
REVENUES	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Ad Valorem taxes:				
Current	$ 12,674,858	$ 12,674,858	$ 12,917,919	$ 243,061
Subtotal - Ad Valorem Taxes	12,674,858	12,674,858	12,917,919	243,061
Intergovernmental:				
State shared	21,101	21,101	20,564	(537)
Subtotal - Intergovernmental	21,101	21,101	20,564	(537)
Charges for services				
EMS standby	54,000	54,000	30,311	(23,689)
Public safety classes	14,450	14,450	15,003	553
Inspection fees	28,500	28,500	27,340	(1,160)
Subtotal - Charges for services	96,950	96,950	72,654	(24,296)
Miscellaneous:				
Community safety fund donations-restricted	-	-	14,671	14,671
Interest				
Operating interest-unrestricted	100,000	100,000	107,412	7,412
Other				
Ambulance bay rent	13,217	13,217	13,217	-
Miscellaneous	-	-	5,752	5,752
Subtotal - Miscellaneous	113,217	113,217	141,052	27,835
TOTAL REVENUES	12,906,126	12,906,126	13,152,189	246,063
EXPENDITURES				
Current				
Public safety				
Personal services:				
Regular salaries and wages	5,162,210	5,140,093	4,870,077	270,016
Other salaries and wages	99,522	76,522	70,274	6,248
Overtime	241,550	292,517	273,943	18,574
Special pay	287,702	281,852	281,275	577
FICA taxes	443,010	443,010	412,275	30,735
Retirement contributions	917,835	917,835	866,222	51,613
Life, health insurance	1,452,616	1,452,616	922,528	530,088
Worker's and unemployment compensation	389,232	389,232	217,346	171,886
Subtotal - Personal services	8,993,677	8,993,677	7,913,940	1,079,737

The accompanying notes are an integral part of these statements.

ESTERO FIRE RESCUE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL FUND
Year Ended September 30, 2009

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Operating expenditures:				
Property appraiser fees	$ 81,462	$ 81,462	$ 72,524	$ 8,938
Tax collector fees	280,000	280,000	257,004	22,996
Professional services	191,985	191,985	106,808	85,177
Accounting and auditing	29,700	29,700	27,640	2,060
Travel and per diem	51,119	51,119	34,231	16,888
Communications and freight services	93,026	93,026	57,257	35,769
Utility services	79,422	79,422	75,345	4,077
Rentals and leases	2,715	2,715	1,706	1,009
Insurance	149,026	149,026	111,933	37,093
Repair and maintenance services	380,394	380,394	295,496	84,898
Printing and binding	12,392	12,392	4,125	8,267
Promotional activities-unrestricted	3,443	3,443	4,537	(1,094)
Promotional activities-restricted	-	-	4,207	(4,207)
Other current charges and obligations-unrestricted	12,569	42,448	46,187	(3,739)
Office supplies	21,803	21,803	20,866	937
Operating supplies	311,981	312,221	211,345	100,876
Training, publications, subscriptions, memberships	174,199	174,199	79,855	94,344
Contributions to other governments	247,225	247,225	40,946	206,279
Subtotal - Operating expenditures	2,122,461	2,152,580	1,452,012	700,568
Capital outlay:				
Vehicles-unrestricted	12,000	10,000	8,466	1,534
Equipment-unrestricted	109,782	294,860	262,363	32,497
Subtotal - Capital outlay	121,782	304,860	270,829	34,031
Debt Service:				
Principal retirement-unrestrictec	-	-	721,967	(721,967)
Interest and fiscal charges-unrestricted	-	-	239,026	(239,026)
Subtotal - Debt Service	-	-	960,993	(960,993)
TOTAL EXPENDITURES	11,237,920	11,451,117	10,597,774	853,343
EXCESS OF REVENUES OVER EXPENDITURES	1,668,206	1,455,009	2,554,415	1,099,406
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets-unrestricted	-	-	102	102
Interfund transfer in	-	-	505,742	505,742
Interfund transfer out	(965,000)	(965,000)	-	965,000
TOTAL OTHER FINANCING SOURCES	(965,000)	(965,000)	505,844	505,844
NET CHANGE IN FUND BALANCE	703,206	490,009	3,060,259	1,605,250
Beginning Fund Balance-unrestrictec	6,537,547	6,537,547	7,653,722	1,116,175
TOTAL FUND BALANCE - BEGINNING	6,537,547	6,537,547	7,653,722	1,116,175
Ending Fund Balance-unrestrictec	7,240,753	7,027,556	10,190,019	3,162,463
Ending Fund Balance-restrictec	-	-	523,962	523,962
TOTAL FUND BALANCE - ENDING	$ 7,240,753	$ 7,027,556	$ 10,713,981	$ 3,686,425

The accompanying notes are an integral part of these statements.

ESTERO FIRE RESCUE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
IMPACT FEE FUND
Year Ended September 30, 2009

	Impact Fee Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Impact fees	$ 150,000	$ 150,000	$ 17,440	$ (132,560)
Interest	500	500	1,091	591
Other	22,186	22,186	-	(22,186)
TOTAL REVENUES	172,686	172,686	18,531	(131,969)
DEBT SERVICE				
Principal retirement	819,785	819,785	144,393	675,392
Interest and fiscal charges	292,066	292,066	51,583	240,483
Subtotal - Debt service	1,111,851	1,111,851	195,976	915,875
TOTAL EXPENDITURES	1,111,851	1,111,851	195,976	915,875
EXCESS OF REVENUES UNDER EXPENDITURES	(939,165)	(939,165)	(177,445)	761,720
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	-	-	12,300	12,300
Interfund transfer in	965,000	965,000	-	(965,000)
Interfund transfer out	-	-	(458,857)	(458,857)
TOTAL OTHER FINANCING SOURCES	965,000	965,000	(446,557)	(1,411,557)
NET CHANGE IN FUND BALANCE	25,835	25,835	(624,002)	(649,837)
FUND BALANCE - BEGINNING	435,000	435,000	624,002	189,002
FUND BALANCE - ENDING	$ 460,835	$ 460,835	$ -	$ (460,835)

The accompanying notes are an integral part of these financial statements.

ESTERO FIRE RESCUE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL IMPROVEMENT FUND
Year Ended September 30, 2009

	Capital Improvement Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Interest	$ 500	$ 500	$ 303	$ (197)
TOTAL REVENUES	500	500	303	(197)
EXPENDITURES				
Current				
Public safety				
Operating Expenditures	100	100	305	(205)
Capital outlay				
Admin Building	-	-	68,922	(68,922)
Subtotal - Capital outlay	-	-	68,922	(68,922)
TOTAL EXPENDITURES	100	100	69,227	(69,127)
EXCESS OF REVENUES UNDER EXPENDITURES	400	400	(68,924)	(68,930)
OTHER FINANCING SOURCES				
Interfund transfer out	-	-	(46,885)	(46,885)
TOTAL OTHER FINANCING SOURCES	-	-	(46,885)	(46,885)
NET CHANGE IN FUND BALANCE	400	400	(115,809)	(116,209)
FUND BALANCE - BEGINNING	40,000	40,000	115,809	75,809
FUND BALANCE - ENDING	$ 40,400	$ 40,400	$ -	$ (40,400)

The accompanying notes are an integral part of these financial statements.

ESTERO FIRE RESCUE
STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUND
September 30, 2009

		Firefighters' Retirement Plan
ASSETS		
Cash and cash equivalents	$	63,993
Investments		4,899,553
Contributions receivable		34,145
TOTAL ASSETS	$	4,997,691
NET ASSETS		
Held in trust for pension benefits		4,997,691
TOTAL NET ASSETS		4,997,691
TOTAL LIABILITIES AND NET ASSETS	$	4,997,691

The accompanying notes are an integral part of these statements.

ESTERO FIRE RESCUE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUND
Year Ended September 30, 2009

	Firefighters' Retirement Plan
ADDITIONS	
Contributions:	
Employer	$ 726,676
Plan members	118,295
State of Florida, insurance premiums	373,692
Total contributions	1,218,663
Investment income:	
Allocated investment income	186,989
TOTAL ADDITIONS	1,405,652
DEDUCTIONS	
Benefits paid	18,305
Administrative expenses	25,515
TOTAL DEDUCTIONS	43,820
NET INCREASE IN PLAN NET ASSETS	1,361,832
PLAN NET ASSETS, October 1, 2008	3,635,859
PLAN NET ASSETS, September 30, 2009	$ 4,997,691

The accompanying notes are an integral part of these statements.

NOTE A - ORGANIZATION AND NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and nature of activities

Estero Fire Rescue (the "District") is an independent special taxing district located in southern Lee County, Florida. The District was established on June 25, 1976 by Laws of Florida, Chapter 76-408. The District's governing legislation was recreated, reenacted and codified by Laws of Florida, Chapter 2000-437 on July 5, 2000. The District is governed by a five-member (5) elected Board of Commissioners. Commissioners serve on a staggered four (4) year term basis.

The District provides fire control and rescue services, fire safety inspections, fire prevention education and EMS services. In providing these services, the District operates and maintains four (4) station houses, an administrative building and the related equipment and employs 64 professional firefighters and administrative and support personnel.

Summary of significant accounting policies

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

Reporting entity

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

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the District and do not emphasize fund types. These governmental activities comprise the primary government. General governmental and intergovernmental revenues support the governmental activities. The purpose of the government-wide financial statements is to

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

Government-wide Financial Statements, continued

allow the user to be able to determine if the District is in a better or worse financial position than the prior year. The effect of all interfund activity between governmental funds has been removed from the government-wide financial statements.

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

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

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

Program revenues are considered to be revenues generated by services performed and/or by fees charged such as fire prevention fees (inspection fees).

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

Fund Financial Statements

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

Fund financial statements for the District's governmental and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds, in the aggregate, for governmental funds. The fiduciary statement includes financial information for the firefighters' pension fund. The fiduciary fund represents assets held by the District in a trustee capacity for the benefit of other individuals.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collected within the current period or soon thereafter to pay liabilities of the current period.

The District's major funds are presented in separate columns on the governmental fund financial statements. The definition of a major fund is one that meets certain criteria set forth in GASB Statement Number 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB 34).

Fiduciary Fund

A Fiduciary Fund accounts for assets held by the government in a trustee capacity or as an agent on behalf of others. Specifically, a trust fund accounts for assets held by the government under the terms of a formal trust agreement. The District has one fiduciary fund: a pension trust fund - the Retirement Plan and Trust for the Firefighters of Estero Fire Rescue.

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

Measurement Focus and Basis of Accounting

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

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

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

Revenues susceptible to accrual are property taxes, interest on investments, charges for services and intergovernmental revenues. Property taxes are recorded as revenues in the fiscal year in which they are levied, provided they are collected in the current period or within sixty days thereafter. Interest on invested funds is recognized when earned.

Intergovernmental revenues that are reimbursements for specific purposes or projects are recognized when all eligibility requirements are met.

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

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

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

Measurement Focus and Basis of Accounting, continued

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Major Funds

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the District. Restricted funds are accounted for separately within the General Fund. Restricted activities include those activities related to impact fees which are further explained in the following two paragraphs. Additionally, the community safety program is accounted for in the District's General Fund and those activities are restricted to those relating to promoting safety through education, for supporting the Estero Fire Rescue Explorer Program, providing smoke alarms and emergency relief.

The Impact Fee Fund (a special revenue fund) consists of fees imposed by Lee County based on new construction within the District. The fees are restricted and can only be used for certain capital expenditures, or repayments of debt issued to acquire those capital expenditures, associated with growth within the District.

The Capital Improvement Fund (a special revenue fund) was established to account for the proceeds of two notes payable totaling $8,800,000 that were issued during the year ended September 30, 2002. The proceeds from the additional debt issued in 2007 were also accounted for in this fund. The proceeds were restricted for capital costs that meet all of the requirements governing the use of impact fees.

The remaining fund balances for the Capital Improvement Fund and the Impact Fee Fund were transferred into the General Fund on September 30, 2009. Accordingly, no balance sheet is presented for these two funds at September 30, 2009.

Fiduciary Fund

The Fiduciary Fund is excluded from the government-wide financial statements because the resources of that fund are not available to support the District's programs. The only type of fiduciary fund the District maintains is a pension trust fund - the Retirement Plan and Trust for the Firefighters of Estero Fire Rescue.

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

Investments

The District adheres to the requirements of GASB Statement Number 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," as well as GASB Statement Number 25, "Financial Reporting for Defined Benefit Pension Plans," in which all investments are reported at fair value.

Investments, including restricted investments, consist of the Florida Municipal Pension Trust Fund, money market accounts, and time deposits.

The District's Firefighters' Retirement Plan is part of a collectively managed single-employer plan, and therefore reports all income (loss) from investments as allocated investment income as it is not feasible to allocate specific components of income to a specific plan.

Capital Assets

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

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

All capital assets are valued at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. No debt-related interest expense is capitalized as part of general capital assets in accordance with GASB 34.

The acquisition of land and construction projects utilizing resources received from Federal and State agencies are capitalized when the related expenditure is incurred.

Maintenance, repairs and minor renovations are not capitalized. Expenditures that materially increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement, the cost and related accumulated depreciation is eliminated from the respective accounts.

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

Asset	Years
Buildings	3-35
Equipment	3-7
Vehicles	3-20

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

Budgets and Budgetary Accounting

The District has adopted annual budgets for the General, Impact Fee and Capital Improvement Funds which included budgeted expenditures equal to budgeted revenue.

The District follows these procedures in establishing budgetary data for the General, Impact Fee, and the Capital Improvement Funds:

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

The Board of Commissioners approved two (2) separate requests to transfer budget at the program level and/or the account level during the year ended September 30, 2009. The Fire Chief has the authority to reclassify budgeted amounts at the account level up to $10,000, and such reclassifications are performed as needed. During the year ended September 30, 2009, the Fire Chief approved three (3) separate requests to transfer budgeted amounts at the account level. These transfers were reclassification transactions necessary to appropriately manage the budget. Overall expenditure amounts were not changed.

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

Compensated absences

The District's employees accumulate annual personal leave, based on the number of years of continuous service and the bargaining unit contract. Upon termination of employment, employees can receive payment of accumulated annual leave, if certain criteria is met. Annually the District will purchase banked hours in excess of 200 hours for general employees, 500 hours for 40 hour chief officers, and 600 hours for 56 hour chief officers and employees. The cost of personal leave benefits (compensated absences) are expended in the General Fund when payments are made to employees. However, the liability for all accrued vacation and personal leave benefits is recorded in the government-wide financial statements - Statement of Net Assets.

Accounts Receivable

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

Management estimates

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

Fund equity

In the governmental fund financial statements, reservation of fund balance indicates amounts that are limited for a specific purpose, not appropriable for expenditure, or are legally segregated for a specific future use. Designations of fund balance represent tentative management plans. Unreserved, undesignated fund balance indicates funds that are available for current expenditure.

NOTE B - CASH AND CASH EQUIVALENTS

As of September 30, 2009, the District's cash and cash equivalents were as follows:

Governmental Funds	
Cash on hand	$ 300
Demand Deposits	6,021,281
Total Governmental Funds	6,021,581
Pension Trust	
Cash with Fiscal Agent	63,993
Total Governmental Funds and Pension Trust	$ 6,085,574

Custodial Credit Risk

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

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

The Pension Trust Fund cash and cash equivalents were held by a financial and investment institution and insured up to certain limits specific to the Trustee/Custodian institution and Retirement Trust Funds.

NOTE C - INVESTMENTS

As of September 30, 2009, the District's investments had the following credit risk structure:

Investment	Maturities	Fair Value
Governmental Funds		
Certificate of Deposit	03/12/2010	$ 1,000,000
Certificate of Deposit	12/12/2009	2,000,000
Certificate of Deposit	03/12/2010	2,000,000
Total Governmental Funds		5,000,000
Pension Trust		
External Investment Pool	N/A	
Fixed Income Fund		2,049,330
Equity Funds		2,850,223
Total Pension Trust		4,899,553
Total Governmental Funds and Pension Trust		$ 9,899,553

Custodial Credit Risk

The District has no formal policy on managing credit risk; however F.S. 218.415(17) limits investments in the Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, money market funds registered with the Securities and Exchange Commission with the highest credit quality rating from a nationally recognized rating agency, time deposits and direct obligations of the U.S. Treasury.

The certificate of deposits are considered a public deposit and are entirely covered by federal depository insurance or by collateral pursuant to the Public Depository Security Act (Florida Statute 280) of the State of Florida.

The Pension Trust Funds' investment policy pursuant to Section 112.661(10), Florida Statutes, states that securities should be held with a third party custodian; and all securities purchased by, and all collateral obtained by the Pension Fund should be properly designated as an asset of the Pension Fund.

NOTE C - INVESTMENTS, CONTINUED

Custodial Credit Risk, continued

As of September 30, 2009, the Firefighters Retirement Pension Trust Fund equity investments were held with a third-party custodian as required by Florida Statutes. Its investments in the external pool is not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical book entry form.

Credit Risk

The Firefighters' Retirement Pension Trust investment with the Florida Municipal Pension Trust Fund investment pool (the Pool) totaled $4,899,553 at September 30, 2009, and is controlled by the Firefighters' Retirement Plan Board of Trustees' policy. This policy provides for investments in mutual funds consisting of treasury notes, federal agency guaranteed securities, corporate bonds, notes and/or equities and real estate.

The Pool's investment guidelines establish a minimum bond fund credit rating of AA. As of September 30, 2009, the Pool's two fixed income funds, the Broad Market High Quality Bond Fund and the 0-2 Year High Quality Bond Fund was rated AA by Fitch Ratings and AAAf by S&P ratings, respectively.

Interest Rate Risk

Investments shall be invested to provide sufficient liquidity to pay obligations as they come due per F.S. 218.415(17). As a means of managing its exposure to fair value losses arising from increasing interest rates, the Pool limits the duration of its Broad Market High Quality Bond Fund to no greater than 7 years and a maximum maturity of 31 years, and limits the duration of its 0-2 Year High Quality Bond Fund to no greater than 1.25 years and a maximum maturity of 2 years.

NOTE D - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2009:

	Balance October 1 2008	Increases/ Additions	Decreases/ Deletions	Balance September 30 2009
Capital Assets Not Being Depreciated:				
Land	$ 1,941,090	$ -	$ -	$ 1,941,090
Total Capital Assets Not Being Depreciated	1,941,090	-	-	1,941,090
Capital Assets Being Depreciated:				
Buildings and Improvements	9,232,298	71,546	(4,964)	9,298,880
Vehicles	4,420,463	221,867	(338,603)	4,303,727
Equipment	420,524	43,359	(12,745)	451,138
Total Capital Assets Being Depreciated	14,073,285	336,772	(356,312)	14,053,745
Less Accumulated Depreciation:				
Buildings and Improvements	(810,415)	(309,274)	4,964	(1,114,725)
Vehicles	(2,335,406)	(376,718)	291,312	(2,420,812)
Equipment	(204,099)	(61,605)	11,277	(254,427)
Total Accumulated Depreciation	(3,349,920)	(747,597)	307,553	(3,789,964)
Total Capital Assets Being Depreciated, Net	10,723,365	(410,825)	(48,759)	10,263,781
Capital Assets, Net	$ 12,664,455	$ (410,825)	$ (48,759)	$ 12,204,871

NOTE E - LONG-TERM LIABILITIES

The following is a summary of the long-term obligations at September 30, 2009:

	Amount
$4,440,086 Renewal Note C, dated September 11, 2007 payable to a financial institution. This note amends the original Promisory Note 2002A for $6,100,000. The amendment increased the amortization schedule from 7 years to 15 years and revised the variable interest rate of 65% of LIBOR plus 0.9% to 0.80%. Additionally, the original fixed rate via an ISDA Master Agreement (Swap) was reduced from 3.72% to 3.62%. The note proceeds (held in the Capital Project Account) are to be used for financing and refinancing the improvement of fire department facilities. The note is collateralized by a pledge of impact fees and other non-ad valorem revenue with the final principal and interest due April 24, 2017.	$ 3,611,280
$1,489,653 Renewal Note B, dated September 11, 2007 payable to a financial institution. This note amends the original Promisory Note 2002B for $2,700,000. The amendment increased the amortization schedule from 7 years to 10 years, and revised the variable interest rate of 65% of LIBOR plus 1.56% to 1.00%. Additionally, the original fixed rate via an ISDA Master Agreement (Swap) was reduced from 3.975% to 3.415%. The note proceeds (held in the Capital Project Account) are to be used for financing and refinancing the improvement of fire department facilities. The note is collateralized by a pledge of impact fees and other non-ad valorem revenue with the final principal and interest due April 24, 2012.	$ 855,321

NOTE E - LONG-TERM LIABILITIES, CONTINUED

$4,000,000 Promissory Note, Series 2007A dated September 11, 2007 payable to a financial institution. The District only borrowed $2,820,000. The note is payable over 20 years in monthly principal payments of $12,368 plus interest. The variable interest rate of 63.7% of LIBOR plus .80% has changed to a fixed rate of 4.16% commencing on October 24, 2008 via the amendment to the original ISDA Master Agreement (Swap) dated September 11th, 2007. The fixed rate applies to $2,820,000. The District is obligated to pay principal and interest on the $2,820,000 fixed Swap arrangement beginning in October 2008. The note proceeds have been used for financing the construction of fire department facilities. The note is collateralized by a pledge of impact fees and other non-ad valorem revenue with the final installment due September 24, 2027.	$ 2,671,579
The Fire Chief is the only contracted employee of the District. The employment contract includes a deferred compensation benefit equal to one week of salary for every year of service, from November 2, 1998.	24,038
Non-current portion of compensated absences. Employees of the District are entitled to annual personal leave time, based on length of service and job classification.	640,287
	$ 7,802,505

The following is a summary of changes in long-term liabilities for the fiscal year ended September 30, 2009:

	Balance October 1 2008	Additions	Retirements / Adjustments	Balance September 30 2009	Amounts Due Within One Year
Renewal C (2002A)	$ 4,017,825	$ -	$ (406,545)	$ 3,611,280	$ 421,494
Renewal B (2002B)	1,166,715	-	(311,394)	855,321	322,186
Series 2007A	2,820,000	-	(148,421)	2,671,579	148,421
Deferred Compensation Benefit	-	24,038	-	24,038	-
Compensated Absences	551,816	598,780	(510,309)	640,287	33,957
	$ 8,556,356	$ 622,818	$ (1,376,669)	$ 7,802,505	$ 926,058

NOTE E - LONG-TERM LIABILITIES, CONTINUED

The annual debt service requirements at September 30, 2009 were as follows:

	Renewal C (2002A)		Renewal B (2002B)		Series 2007A		Totals	
Year Ending September 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	$ 421,494	$ 123,760	$ 322,186	$ 24,184	$ 148,421	$ 109,804	$ 892,101	$ 257,748
2011	436,461	108,804	333,328	13,043	148,421	103,544	918,210	225,391
2012	453,640	91,620	199,807	2,255	148,421	97,551	801,868	191,426
2013-2027	2,299,685	199,408	-	-	2,226,316	708,443	4,526,001	907,851
	$ 3,611,280	$ 523,592	$ 855,321	$ 39,482	$ 2,671,579	$ 1,019,342	$ 7,138,180	$ 1,582,416
Deferred compensation benefit							24,038	-
Accrued compensated absences							640,287	-
Total Long-Term Debt							$ 7,802,505	$ 1,582,416

The District was required by the lendor to establish a reserve account of $435,000 which as of September 30, 2009 was funded by the loan proceeds. The reserve account is recorded in the General Fund.

NOTE F - INTEREST RATE SWAP

In order to protect against the potential of rising interest rates, the District entered into interest rate swap agreements in fiscal 2003. On September 11, 2007 the District amended its swap agreements by reducing the two existing fixed rates and including a fixed rate for the new debt acquired in 2007. The existing fixed rates were decreased from 3.98% to 3.415% and 3.72% to 3.62%. The new debt swapped to a fixed rate of 4.16% on October 24, 2008. The intention of the swaps is to effectively change the District's variable interest rate on the associated loans to fixed rates.

The terms, including the fair values and credit ratings of the outstanding swaps as of September 30, 2009, are listed in the following table. The notional value of the swaps declines as the associated loan balance declines.

Fiscal Year 2009

Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values at September 30, 2009	Swap Termination	Counterparty Credit Rating
$ 855,321	06/24/03	3.415%	65.0% of LIBOR + 1.56%	$ (18,589)	4/24/2012	Aaa/AA+/AA
3,611,280	06/24/03	3.620%	65.0% of LIBOR + 0.90%	(151,773)	4/24/2017	Aaa/AA+/AA
2,671,579	09/24/08	4.160%	63.7% of LIBOR + 0.80%	(257,405)	9/24/2027	Aaa/AA+/AA
$ 7,138,180				$ (427,767)		

The swaps are associated with the promissory notes reported in Note E.

Because the variable interest rates have decreased below the fixed rates, the swaps have a negative fair value as of September 30, 2009. The negative fair value may be countered by increases in total interest payments required under the variable rate loans, creating higher synthetic interest rates. Because the coupons on the District's variable-rate bonds adjust to changing interest rates, the loans do not have corresponding fair value increases. The fair value estimates are provided to the District by the counterparty financial institution known to be high volume participants in this market.

As of September 30, 2009, the District was not exposed to credit risk because the swaps had a negative fair value. The District or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If at the time of termination the swaps have a negative value, the District would liable to the counterparty for a payment equal to the swaps' fair value.

NOTE G - RETIREMENT PLANS

The District has funded retirement costs in two ways:

(1) Plan 1 - Florida Municipal Pension Trust - Certified firefighters as qualified under the Plan (F.S. 175) - Retirement Plan and Trust for the Firefighters of the Estero Fire Rescue District
(2) Plan 2 - 401(a) Defined Contribution Retirement Plan - Employees not within Plan 1

The District does not currently provide benefits to its retired employees other than the benefits indicated below:

Plan 1 - Plan description and provisions - Firefighters' Retirement Plan

On December 1, 2000, the District resolved to establish a retirement plan for its full-time firefighters. All full-time certified firefighters of the District are eligible to participate in the Chapter 175 Municipal Firefighters Pension Trust Fund of Estero Fire Rescue (the "Plan"). The Plan became effective December 1, 2000. Firefighters become participants in the Plan immediately upon hire. For the year ended September 30, 2009, the District was required to contribute 18.42% of covered payroll (excludes overtime, bonuses, and lump sum payments for accrued annual leave, and sick time) of the qualified and participating employees. Participating employees are required to make regular contributions to the Plan in the amount of 3% of their covered payroll. Employees vest immediately in their own contributions. Benefits under the Plan vest after ten (10) years of creditable service. Employees who elect normal retirement at or after age 55 with ten (10) years of creditable service or 25 years of service and age 52, are entitled to a monthly retirement benefit. Employees may elect early retirement after 10 years of creditable service. The Plan also includes certain disability and death benefits.

NOTE G - RETIREMENT PLANS, CONTINUED

Plan 1 - Plan description and provisions - Firefighters' Retirement Plan, continued

Contributions - Contributions to the Plan are derived from three sources; employees: 3% of compensation paid by the employee, State funds: (insurance premium tax per Florida Statute Chapter 175) and the employer: remaining amount necessary to meet the actuarial funding requirement. The State contribution is based on property fire insurance premiums collected within the District and is applied up to an approved "frozen" limit. The District (employer) is required to fund the difference each year between the total contributions from all other sources for the year and the total funding cost for the year pursuant to the most recent actuarial valuation of the Plan. The total cost for any year equals total normal cost plus the additional amounts sufficient to amortize the unfunded past service liability over a 35 year period commencing the first year of the Plan's inception.

The District contributed 100% of the required contributions. As such, the District made employer contributions of $726,676, $609,411 and $307,711 for the years ended September 30, 2009, 2008 and 2007, respectively. Covered payroll for the years ended September 30, 2009, 2008 and 2007 was $3,943,220 $3,393,158 and $2,578,377, respectively.

The Employees contributed 100% of their respective required contributions to the Plan during the year ended September 30, 2009. Employee contributions for the years ended September 30, 2009, 2008 and 2007 were $118,295 and $101,797 and $75,365 respectively.

Pension benefits - Employees with 10 or more years of service are entitled to annual pension benefits, beginning at the earlier of age 55 with 10 years of credited service or 25 years credited service and attainment of age 52, equal to 2% per year of creditable service prior to January 1, 2003 and 3% for all years after January 1, 2003, of their average final monthly compensation (AFC) over the 5 highest years within the last 10 years of service, however, if salary records are unavailable, AFC can be determined based on data since plan inception. Maximum

NOTE G - RETIREMENT PLANS, CONTINUED

Plan 1 - Plan description and provisions - Firefighters' Retirement Plan, continued

benefit is 100% of AFC, paid during the retirees lifetime with a minimum of 120 monthly benefit payments. Monthly payments can be modified to provide a social security level income payment option, and a lump sum payment is permissable if monthly payment is less than $100 and the total commuted value of the remaining monthly income payments to be paid do not exceed $5,000.

The plan permits early retirement with 10 years of credited service. Applicable benefits are reduced by 3% for each year before normal retirement. If employees terminate before rendering 10 years of credited service, they forfeit the right to receive their portion of the accumulated plan benefits, except for the employee contributed portion. Employees may purchase credit years of service up to a maximum of five years for prior military or fire service when specific criteria are met. Additionally, employees eligible for normal retirement can elect to participate in a Deferred Retirement Option Plan in lieu of terminating employment as a firefighter.

Death and Disability benefits - Upon the death of any vested member, whether or not still in active employment, a survivor benefit is payable to a beneficiary or joint pensioner starting when the member would have reached early or normal retirement age. The benefit is equal to the vested pension benefit and is payable for 10 years. The beneficiary may also elect to receive an immediate benefit payable for 10 years which is actuarily reduced to reflect the commencement of benefits prior to retirement date.

Active employees who become totally and permanently disabled receive a monthly benefit equal to 42% of AFC for line of duty disabilities or 25% of AFC for other than line of duty disabilities.

Income recognition - Allocated investment income is recorded on the accrual basis. Investments are reported at market value. Short-term investments are reported at cost, which approximates market value. Since the Plan is collectively managed with other government's plans, investment income is allocated to each plan as a net amount, as it is not feasible to specifically allocate income (loss) by individual component of income (loss).

NOTE G - RETIREMENT PLANS, CONTINUED

Plan 1 - Plan description and provisions - Firefighters' Retirement Plan, continued

Actuarial present value of accumulated plan benefits - Accumulated plan benefits are those future periodic payments that are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Under the aggregate actuarial cost funding method, the present value of benefits, less all assets, are equated to the present value of future employer contributions, and of future employee contributions, if any. The required contribution is then expressed as a percentage of current payroll. Benefits payable under all circumstances; retirement, death, disability and termination of employment, are included, to the extent they are deemed attributable to employee service rendered to the valuation date.

The actuarial present value of accumulated plan benefits is determined by an actuary and is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuations as of September 30, 2009 were (a) life expectancy of participants (the RP-2000 Annuity Mortality Table was used) (b) retirement age assumptions (the assumed average retirement age was 55) and (c) investment return. The October 1, 2008 actuary valuation reflected assumed average rates of return of 7.5%. The foregoing actuarial assumptions are based on the presumption that the Plan will continue. If the Plan terminated, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

Payment of benefits - Benefit payments to participants are recorded upon distribution. A summary of certain Plan details and trend information is included below.

The Plan is a single-employer defined benefit retirement plan and trust. The Plan is totally administered by the Florida Municipal Pension Trust Fund/Florida League of Cities, Inc. The Florida Municipal Pension Trust Fund acts as the trustee of the Plan.

NOTE G - RETIREMENT PLANS, CONTINUED

Plan 1 - Plan description and provisions - Firefighters' Retirement Plan, continued

A copy of the Plan's annual report for September 30, 2009 and a complete detail of the Plan can be obtained by writing The Florida League of Cities, Inc., P.O. Box 1757, Tallahassee, Florida, 32302-1757 or by calling (850) 222-9684.

The following is a summary of the Single Employer-Defined Benefit Plan, including funding policies, contribution methods, benefit provisions and trend information:

	Florida Municipal Pension Trust Fund for Certified Firefighters within the Bargaining Unit (F.S. 175)-Plan 1
Year established and governing authority	District Resolution (Effective 12/1/00)
Governing authority	Board of Trustees of Plan.
Determination of contribution requirements:	Actuarially determined.
Employer (District)	Based upon age of employees. Contributions are required in addition to State Revenue received under Chapter 175 (insurance premium tax refunds).
Plan members	3% of Covered payroll.
Funding of administrative costs	Employer
Period required to vest	10 years
Post retirement benefit increase	Cost of living increase of 0% each year.
Eligibility for distribution (Normal retirement)	Earlier of age 55 with 10 years of credited service or age 52 and 25 years credited service.
Provisions for:	
Disability benefits	Yes
Death benefits	Yes
Early retirement	Yes
Deferred Retirement Option Plan	Yes
Credited Service Buy Back	Yes
Normal form of benefit	Ten year certain and life.

NOTE G - RETIREMENT PLANS, CONTINUED

Plan 1 - Plan description and provisions - Firefighters' Retirement Plan, continued

Membership of the Plan consisted of the following at September 30, 2009:

	Firefighters' Retirement Plan - Plan 1
Retirees and beneficiaries receiving benefits	2
Terminated Plan members entitled to but not yet receiving benefits	0
Vested active members	7
Non-vested active members	45
Total	52
Number of participating employers	1
Number of participating state agencies	1

Trend Information

A schedule of funding progress and a schedule of employer contributions that include historical trend information about the annual required contributions of the employer are included as required supplementary information to the financial statements. The schedule of funding progress presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE G - RETIREMENT PLANS, CONTINUED

Annual Pension Cost, Net Pension Obligation and Reserves

Current year annual pension costs for the Firefighters' Pension Trust Fund are shown in the trend information provided. There is no net pension obligation for the Plan at September 30, 2009 in the respective audited financial statements.

The plan assets are legally reserved for the payment of the respective plan member benefits within the Plan. There are no assets legally restricted for plan benefits other than those assets within the Plan. The Firefighters' Pension Trust Fund held certain investments at year end. There are no long-term contracts for contributions.

Additional Information

The following is a summary of the Single Employer-Defined Benefit Plan, including valuation methods and assumptions:

	Firefighters' Retirement Plan - Plan 1
Valuation date	10/1/2008 (2nd Revision)
Actuarial cost method	Aggregate Actuarial Cost Method
Amortization method	N/A
Remaining amortization period	N/A
Actuarial asset valuation method	Five-year Smoothed Market Value
Actuarial assumptions:	
Investment rate	7.5%
Projected salary	5%
Cost of living adjustment	0%
Inflation	3.25%

NOTE G - RETIREMENT PLANS, CONTINUED

Plan 2 - Defined Contribution Retirement Plan - Employees Not Within the Bargaining Unit

The District established a Governmental Money Purchase Plan (401(a)), a defined contribution plan, on October 5, 2001, for the District's full time general employees, who are not participants in the firefighters' pension trust. Participants are eligible to participate upon their hire date. The Plan is completely administered by the Plan custodian, the Florida Municipal Pension Trust Fund. Employees are immediately vested 100% in their own contributions. Participants vest in the employer's Plan contributions 100% after completion of five (5) years of credited service. Vesting begins at forty (40%) percent after completion of two (2) years of credited service and increases at 20% per year. Normal retirement age is 52 years of age.

The Plan requires the District to make contributions equal to 10% of the qualified employee's compensation, excluding bonuses and lump sum payments, except for the Fire Chief, as the Board resolved to contribute 18% of his compensation which is to be inclusive of the required employer match portion. The Plan also allows the employee participants to make contributions. Employee contributions are deposited into the respective employee's deferred compensation plan (Section 457 Plan) account. Therefore, the employee's contributions are maintained separately from those of the employer (District) contributions. The Plan also requires the employer to match the employee's voluntary contributions dollar for dollar up to five (5%) percent of the employee's compensation. Total District contributions to the Plan, including the employer 10% contributions and the employer match amount, for the years ended September 30, 2009, 2008, and 2007 were $139,546, $195,496, and $216,612 (includes forfeitures of $26,560), respectively. The District contributed 100% of its required contributions for the year ended September 30, 2009. Employee contributions to the Plan were $211,592, $219,044, and $190,570 for the years ended September 30, 2009, 2008, and 2007,

NOTE H - PROPERTY TAXES

Property taxes are levied after formal adoption of the District's budget and become due and payable on November 1 of each year and are delinquent on April 1 of the following year. Discounts on property taxes are allowed for payments made prior to the April 1 delinquent date. Tax certificates are sold to the public for the full amount of any unpaid taxes and must be sold not later than June 1 of each year. The billing, collection, and related recordkeeping of all property taxes is performed for the District by the Lee County Tax Collector. No accrual for the property tax levy becoming due in November 2009 is included in the accompanying financial statements, since such taxes are collected to finance expenditures of the subsequent period.

Procedures for collecting delinquent taxes, including applicable tax certificate sales and tax deed sales, are provided for by Florida Statutes. The enforceable lien date is approximately two years after taxes become delinquent and occurs only upon request of a holder of a delinquent tax certificate.

Important dates in the property tax cycle are as follows:

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

The Board of Commissioners of the District levied ad valorem taxes at a millage rate of $1.9037 per $1,000 (1.9037 mils) of the 2008 net taxable value of real property located within the District.

NOTE I - COMMITMENTS AND CONTINGENCIES

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

On April 8, 2003 the District entered into an agreement with Lee County in which the County paid the District $118,836 for the right to use space at the Three Oaks Fire Station for Lee County owned emergency vehicles and assigned Lee County personnel. This agreement is for a term of 25 years and can be terminated by either party upon giving the other party a written 365 day notice. Should the right to use be terminated by the District, the sums paid to the District by the County shall be repaid to the County on a pro-rata basis for the years that the space was made available over the term of this agreement. At September 30, 2009 the amortized balance of the liability owed by the District if the agreement was terminated is approximately $88,334. Currently, there has been no interest by either party to terminate the agreement.

The District entered into a Traffic Signal Agreement in 2007 with a local developer or its assigns to share the cost of the construction of an emergency flashing traffic signal. Under this agreement, the financial obligation to the District for this improvement is 50% of the total design/permit/construction costs up to $150,000. At September 30, 2009 the District had contributed $50,446. Upon the emergency flashing traffic signal converting to a fully operational traffic signal, the District is entitled to a reimbursement of their contributed cost share less their pro rata share of the total cost of the fully operating traffic signal based on the District’s traffic impact to the signal. Currently there is no anticipated date as to when or if the emergency flashing signal will convert to a fully operational traffic signal.

The District also entered a Reciprocal Easement and Access Agreement in 2006 with a Developer Trust or its assigns for the construction of a Joint Entry Drive (east of the fire station) at Coconut Point. Contingent upon the property (Tract 1D-3) directly east to the fire station being sold, The District is entitled to a reimbursement of approximately $22,000 from the purchaser for their share of the construction cost of the joint driveway incurred by the District. There is no scheduled sale of this property at this time.

NOTE I - COMMITMENTS AND CONTINGENCIES, CONTINUED

The District's Fire Chief is the only employee with an employment contract. The contract contains various commitments associated with the potential termination of the Fire Chief, including but not limited to, deferred compensation benefit. The estimated liability for the deferred compensation benefit at September 30, 2009 was $24,038. This liability is considered a long-term liability and is recorded in the Statement of Net Assets as deferred compensation benefits expected to be paid after one year. There is currently no expected termination of the Fire Chief.

NOTE J - RISK MANAGEMENT

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

Insurance for workers compensation, general/professional liability, automobile, and property is provided by a commercial insurance carrier. Workers compensation risk of loss is transferred to the insurance carrier with limits of liability of $1,000,000 per accident or disease. The District retains the risk of loss up to a deductible amount (ranging from $500 to $2,500) with the risk of loss in excess of this amount transferred to the insurance carrier with limits of liability amounts (ranging from $2,000 to $1,000,000 per occurrence) for general/professional liability, automobile and property. The District pays annual premiums for this insurance coverage. There were no significant reductions in insurance coverage as compared to the prior year. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

In March of 2004 the District established a self-insured employee health benefit program. The District administered the insurance activities in the General Fund. The District absorbed losses related to the health, dental and life benefit up to aggregate annual loss fund limits. Excess and other specific coverages were purchased from third-party carriers. Claims that were filed or settled after the end of the fiscal year of occurrence were charged to the year of occurrence. Consequently, the District's total liability within any one year was limited to the annual loss fund limits.

The District terminated the self-insured program as of September 30, 2008 and purchased a traditional health and life insurance plan. The self-insured plan had a six month run-out period to allow for all claims incurred prior to September 30, 2008 to be processed. The dental portion of the program remains self-funded and is administered by a new third party administrator.

NOTE J - RISK MANAGEMENT, CONTINUED

At September 30, 2009 the District's dental plan had liabilities equal to the amounts reflected as reserved and unasserted claims. These amounts were calculated by the third-party self-insurance program's underwriters and actuaries, based on industry standards. These liabilities are subject to adjustments in future years, which would be recorded as claim expenses when they are estimated. However, the amounts are insignificant to the financial statements as a whole and do not exceed more than the average monthly dental claims, and therefore are not reported.

Changes in the plans claims liability for the year ended September 30, 2009, 2008, 2007, and 2006 were as follows:

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
Self-Insurance Group Health/Dental:				
2009	169,837	5,589	(175,426)	-
2008	95,292	772,530	(697,985)	169,837
2007	168,155	1,340,033	(1,412,896)	95,292
2006	51,103	875,333	(758,281)	168,155

NOTE K - PRONOUNCEMENTS ISSUED, NOT YET ADOPTED

In July 2004 the Governmental Accounting Standards Board ("GASB") issued statement number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The District is required to implement this statement in fiscal year September 30, 2010. While early implementation is encouraged the District has chosen not to implement this statement early.

This Statement improves the relevance and usefulness of financial reporting by (a) requiring systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan.

In June 2008 GASB issued statement number 53, *Accounting and Financial Reporting for Derivative Instruments*. The District is required to implement this statement in fiscal year September 30, 2010. While early implementation is encouraged the District has chosen not to implement this statement early.

NOTE K - PRONOUNCEMENTS ISSUED, NOT YET ADOPTED, CONTINUED

Per GASB, “the guidance in this Statement improves financial reporting by requiring governments to measure derivative instruments, with the exception of SGICs that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. These improvements should allow users of those financial statements to more fully understand a government's resources available to provide services. The application of interperiod equity means that changes in fair value are recognized in the reporting period to which they relate. The changes in fair value of hedging derivative instruments do not affect investment revenue but are reported as deferrals. On the other hand, the changes in fair value of investment derivative instruments (which include ineffective hedging derivative instruments) are reported as part of investment revenue in the current reporting period. The disclosures provide a summary of the government's derivative instrument activity and the information necessary to assess the government's objectives for derivative instruments, their significant terms, and the risks associated with the derivative instruments.”

NOTE L - DIFFERENCE BETWEEN BUDGETED AND ACTUAL RESULTS

Budgets are adopted on a basis consistent with GAAP except as follows:

General Fund

The amounts paid in advance for health and vision insurance coverage for the subsequent year are not budgeted for in the current year. Additionally, capital asset replacement reimbursed with insurance proceeds was not budgeted.

General Fund:

Excess of revenues over expenditures (GAAP basis)	$ 2,618,101
Basis Difference:	
Amounts paid in prior year for current year insurance premiums budgeted	(60,707)
Capital asset replacement reimbursed with insurance proceeds for a prior year expense not budgeted	(2,979)
Excess of revenues over expenditures (Non-GAAP budgetary basis)	$ 2,554,415

REQUIRED
SUPPLEMENTARY INFORMATION

ESTERO FIRE RESCUE
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FIREFIGHTERS' RETIREMENT PLAN
September 30, 2009

Firefighters' Retirement Plan - Plan 1

Fiscal Year	Annual Required Contribution		Actual District Contribution		State Contribution		State Frozen Contribution	Percentage Contributed	Net Pension Obligation (Overfunded)
2009	$ 700,702	(2)	$ 726,676		$ 373,692	*	$ 51,134	100%	N/A
2008	$ 482,843		$ 609,411		$ 331,071		$ 51,134	100%	N/A
2007	$ 466,364		$ 307,711	(1)	$ 269,187		$ 51,134	100%	N/A
2006	$ 356,526		$ 233,252	(1)	$ 185,628		$ 51,134	100%	N/A
2005	$ 326,944		$ 181,824	(1)	$ 140,205		$ 51,134	100%	N/A
2004	$ 268,985		$ 141,618	(1)	$ 104,260		$ 51,134	100%	N/A
2003	$ 178,771		$ 198,496		$ 82,744		$ 51,134	100%	N/A
2002	$ 132,221		$ 136,343		$ 44,684		$ -	100%	N/A
2001	$ 82,933		$ 227,268		$ 17,375		$ -	100%	N/A

* At September 30, 2009, $1,129,109 remains available from State premium tax for future benefits.

(1) Contribution surplus reserve used to fund contribution shortfall. Contribution surplus reserve was $0 at September 30, 2009.

(2) Amount reflects the 2010 annual required contribution. The 2009 amount was not available due to revisions made to the valuation report during fiscal year ending September 30, 2009 to change the actuarial asset valuation method to a five-year smoothed market valuation.

ESTERO FIRE RESCUE
SCHEDULE OF FUNDING PROGRESS
FIREFIGHTERS' RETIREMENT PLAN
September 30, 2009

Firefighters' Retirement Plan - Plan 1

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Estimated Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
10/1/2008 *	$ 3,186,640	$ 4,124,370	$ 937,730	77.0%	$ 3,220,497	29.1%
10/01/07	$ 2,557,480	$ 2,557,480	$ -	100.0%	$ 2,523,966	0.0%
10/01/06	$ 1,806,377	$ 1,806,377	$ -	100.0%	$ 2,349,398	0.0%
10/01/05	$ 1,287,142	$ 1,287,142	$ -	100.0%	$ 1,779,521	0.0%
10/01/04	$ 843,731	$ 843,731	$ -	100.0%	$ 1,570,976	0.0%
10/01/03	$ 797,699	$ 797,699	$ -	100.0%	$ 1,233,795	0.0%
10/01/02	$ 391,816	$ 391,816	$ -	100.0%	$ 826,800	0.0%
10/01/01	$ 252,760	$ 252,760	$ -	100.0%	$ 529,918	0.0%

*Actuarial accrued liability is calculated using the entry age normal cost method for this purpose.
This information is intended to serve as a surrogate for the funded status and funding progress of the plan

ADDITIONAL REPORTS OF INDEPENDENT AUDITOR

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CPAs, Consultants & Advisors
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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*

Honorable Board of Commissioners
Estero Fire Rescue
Estero, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Estero Fire Rescue (the "District") as of and for the year ended September 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 27, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

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

LarsonAllen LLP

LarsonAllen LLP

Fort Myers, Florida
April 27, 2010

LarsonAllen LLP
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MANAGEMENT LETTER

Honorable Board of Commissioners
Estero Fire Rescue
Estero, Florida

We have audited the financial statements of Estero Fire Rescue (the "District") as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated April 27, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. We have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which is dated April 27, 2010, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. No such findings were noted in the preceding annual financial audit report.

- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes.

- Section 10.554(1)(i)3., 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 communicated the following such recommendations:

Current year findings or recommendations:

<u>2009-1</u>

Invoice routing procedures / Vendor credit balances:

Background:
During the performance of year end procedures we noted a few immaterial invoices for the purchase of equipment made from an approved vendor that were settled using an outstanding credit with that vendor. The invoices for these purchases were properly approved by the officer making the purchases; however the invoices were not routed to the Finance Department for inclusion in the general ledger. Board adopted SOG 704 assigns to the Finance Director the responsibility for assuring that all documentation is obtained to support all purchases made with District funds.

Issues:
The District's current purchasing policy procedure does not specifically require invoices to be routed to the Finance Department; nor does the District's current policy documentation detail procedures for the processing of vendor credit balances.

Recommendation:
It is our recommendation that District management communicate to all purchasing agents their responsibility to forward invoices to the Finance Department upon receipt of the invoice. In addition, we recommend the District add the following to current purchasing control policy documentation:

(1) a requirement that all invoices be forwarded to the Finance Department upon receipt.
(2) required procedures, in order of preference, for the handling of vendor credit balances.

<u>2009-2</u>

Documentation of the receipt of capital assets not being properly retained:

Background:
During the performance of year end audit procedures, we noted three instances in which the purchase of capital assets was not supported by documented evidence of the receipt of those assets.

Issue:
As mentioned above, SOG 704 assigns to the Finance Director the responsibility for assuring that all documentation is obtained to support all purchases made with District funds. The SOG states that all purchases of capital assets should be supported with a receiving report.

Recommendation:
It is our recommendation that District management communicate to all purchasing agents their responsibility to submit receiving documentation to the Finance Department upon receipt of all assets. In addition, we recommend adopting a policy requiring that District employees initial receiving documentation as evidence of receipt.

- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)6., 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 the management letter, unless disclosed in the notes to the financial statements. The District discloses this information in the notes to the financial statements.

- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. 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.

- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the District for the fiscal year ended September 30, 2009, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2009. In connection with our audit, we determined that these two reports were in agreement.

- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

LarsonAllen LLP

LarsonAllen LLP

Fort Myers, Florida
April 27, 2010

EXHIBIT

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RESPONSE TO MANAGEMENT LETTER

April 27, 2010

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

We are writing in response to your Management Letter for our audited financial statements for the year ended September 30, 2009.

We have received the Auditor's Management Letter as required by Auditor General Rule 10.554(1)(h).

Estero Fire Rescue has and will continue to aggressively address the issues noted in the Management Letter. The following responses are as they specifically relate to the Current Year Findings or Recommendations. In response thereto:

1. Invoice Routing Procedures/Vendor Credit Balances:

   Management agrees with the auditor's findings and recommendations. Management has revised the Purchasing Policy to include the requirement for all invoices to be sent to Finance. The requirement language has also been added to the purchase order form. Additionally, the Purchasing Policy has been revised to express that credit balances will be managed by Finance and require a check refund to the District unless there is an outstanding invoice equal to or greater than the amount of the credit balance. This language has also been added to the purchase order form.

2. Documentation of the Receipt of Capital Assets:

   Management agrees with the auditor's findings and recommendations. Management will communicate to all staff the requirement for documentation as expressed in the policy. Packing slips are not always received from vendors, and occasionally a delivery will be made to a fire station in the event the Administration Complex is closed. To reduce the likelihood of inadequate documentation for the receipt of purchases, management will provide message stamps at each potential receiving location that will appropriately document the date and employee name which received the items. Employees will receive guidance for stamping any documentation that may be provided with the shipment.

Sincerely,

Scott A. Vanderbrook
Fire Chief