

**ESTERO FIRE RESCUE**

**BASIC FINANCIAL STATEMENTS  
TOGETHER WITH REPORTS OF  
INDEPENDENT AUDITORS**

**YEAR ENDED SEPTEMBER 30, 2010**

**ESTERO FIRE RESCUE  
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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, 2010, 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, 2010, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Note A to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, retroactively as of October 1, 2009. This Statement results in the District reporting a non current asset and a liability of an equal amount for its interest rate swap agreements since they are deemed to be effective hedges.

Board of Commissioners  
Estero Fire Rescue

Also as discussed in the Note A to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as of and for the year ended September 30, 2010. This Statement results in the District reporting a liability for postemployment benefits other than pensions that the District provides to its employees and retirees.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2011 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, 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 – vi, 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.

*Larson Allen LLP*  
**LarsonAllen LLP**

Fort Myers, Florida  
April 25, 2011

## **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, 2010. 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 2010 EFR's assets exceeded its liabilities, resulting in net assets of \$16,081,052 on a government-wide basis.
- Total net assets increased \$964,705 or 6.4 percent, in comparison to prior year.
- The increase to net assets is a positive indicator of financial performance improvement despite the economic down turn. The unrestricted balance of \$10,262,586 can be used to meet ongoing obligations of the District and fund amounts assigned by the Board.
- Total revenues decreased \$1,641,478, or 12.5 percent, in comparison to prior year significantly due to decreased property values.
- Total expenses increased \$181,348, or 1.8 percent, in comparison to prior year. This is primarily due to an increase in the compensated absences liability, an increase in station repairs which were unexpectedly comprehensive in nature, and an increase in personal costs due to the bargaining union contract negotiated subsequent to year-end but a change in annual payment dates resulted in a larger payroll accrual.

### **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, and equipment) 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; a fund is considered a separate accounting entity. The operation of funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources may be 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, 2010. The activity for restricted amounts 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 13. 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 2010 and 2009:

**Summary of Net Assets**

	2010	2009
<b>Assets:</b>		
Current and other assets	\$ 12,998,345	\$ 11,232,691
Capital Assets	11,610,733	12,204,871
Total Assets	\$ 24,609,078	\$ 23,437,562
<b>Liabilities:</b>		
Current liabilities	\$ 1,691,965	\$ 518,710
Non-current liabilities	6,836,061	7,802,505
Total Liabilities	8,528,026	8,321,215
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	5,364,654	5,066,691
Restricted	453,812	523,962
Unrestricted	10,262,586	9,525,694
Total Net Assets	16,081,052	15,116,347
 Total Liabilities And Net Assets	 \$ 24,609,078	 \$ 23,437,562

Current and other assets represent 52.8 percent of total assets. Current assets are comprised of unrestricted cash and investments of \$11,572,055, restricted cash of \$453,268, and other assets of \$973,022. The unrestricted cash and investments represent amounts that are available for spending at the District's discretion. 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 \$449,812 for repayment of debt and \$4,000 of grant matching funds.

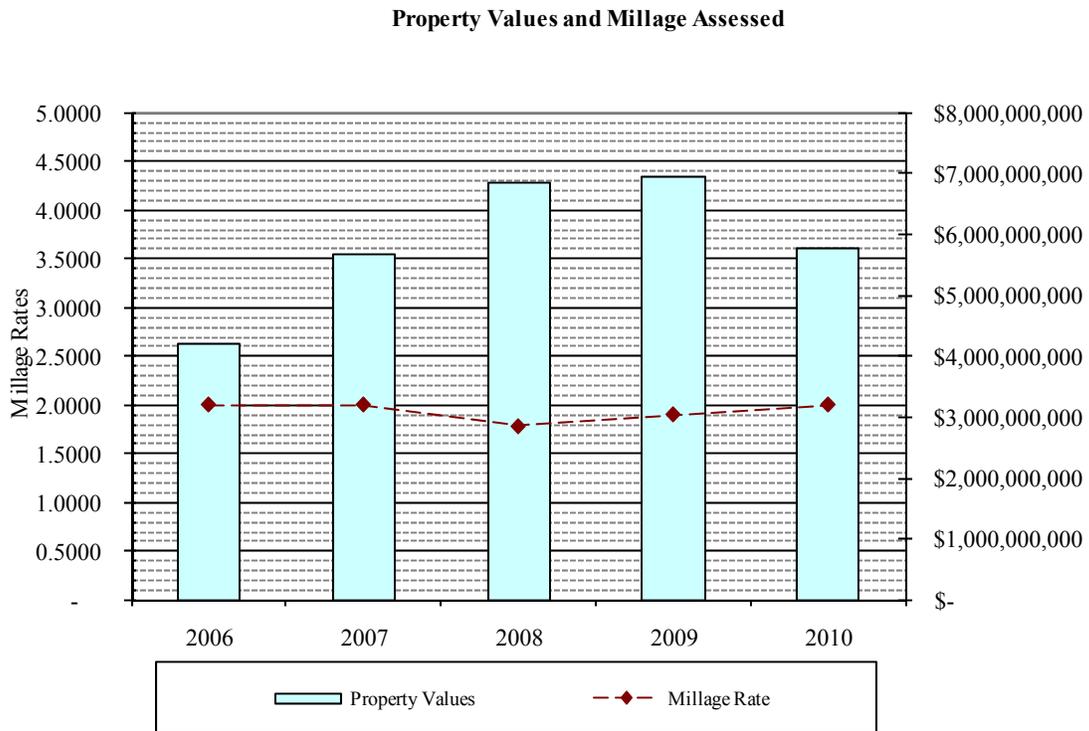
The following schedule reports the revenues, expenses, and changes in net assets for EFR for the current fiscal years 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Revenues:		
General Revenues		
Ad Valorem taxes	\$ 11,192,867	\$ 12,917,919
Interest	106,855	108,806
Gain (loss) on sale of capital assets	1,659	(36,357)
Other revenues	46,596	33,640
Program Revenues		
State and local grants	39,585	-
State Shared	19,200	20,564
Charges for Services	74,719	72,654
Impact Fees	11,707	17,440
Total Revenues	<u>11,493,188</u>	<u>13,134,666</u>
Expenses:		
Public Safety - Fire and Rescue Services	<u>10,528,483</u>	<u>10,347,135</u>
Increase in net assets	964,705	2,787,531
Net Assets - Beginning of the year	15,116,347	12,328,816
Net Assets - End of the year	<u>\$ 16,081,052</u>	<u>\$ 15,116,347</u>

### **Additional Financial Overview**

Total revenues decreased \$1,641,678 on a fund basis, or 12.5 percent, in comparison to prior year. Total Public Safety expenditures increased by \$181,348, or 1.8 percent, in comparison to prior year. Property values have increased by approximately \$1,559,279,785 or 37 percent in the past five years. However, the taxable property value decreased by 17 percent between 2009 and 2010. The District's millage rate of 1.9037 was increased in 2010 to 2.00 mils due to declining property values but continues to be one of the lowest fire district millage rates in the region. As a result, Ad Valorem tax revenues decreased by \$1,725,052, or 13.3 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 \$5,733, or 32.8 percent, in comparison to prior year and decreased 98 percent from five years ago. The decrease is due to a significant decline in new construction within the District’s boundaries. This compounded with no anticipated increase in Ad Valorem revenue due to current economic conditions will continue to create considerable challenges when budgeting for the future.

**Budgetary Highlights**

Esterio Fire Rescue adopts an annual budget for its General Fund as required by Florida Statute. Budget versus actual comparisons are reported on pages 9 and 10. 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 \$274,695 or 2.4 percent. This variance is significantly due to various reductions of operating costs such as; training, supplies, communications, travel, and not having to contribute the full estimated amount for the emergency light at Fire Station 42 (Coconut Point).

## Debt Administration

At September 30, 2010, EFR had \$6,246,080 of outstanding debt for notes payable. Total long-term liabilities of \$7,754,271, which includes notes payable, derivative fair market value, an implicit subsidy, compensated absences, and deferred compensation, decreased \$48,234, or 0.6 percent, in comparison to the prior year. The following is a schedule of the District's outstanding notes payable as of September 30, 2010 and 2009:

	<b>Outstanding Debt</b>	
	<u>2010</u>	<u>2009</u>
Renewal C (2002A)	\$ 3,189,787	\$ 3,611,280
Renewal B (2002B)	533,135	855,321
Series 2007A	<u>2,523,158</u>	<u>2,671,579</u>
Total	<u>\$ 6,246,080</u>	<u>\$ 7,138,180</u>

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 24-26.

## Capital Assets

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

The following is a schedule of EFR's capital assets as of September 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
<b>CAPITAL ASSETS</b>		
Land	\$ 1,941,090	\$ 1,941,090
Total Capital Assets not depreciated	<u>1,941,090</u>	<u>1,941,090</u>
Buildings and Improvements	9,309,805	9,298,880
Vehicles	4,265,060	4,303,727
Equipment	530,067	451,138
Total Capital Assets being depreciated	<u>14,104,932</u>	<u>14,053,745</u>
<b>ACCUMULATED DEPRECIATION</b>		
Buildings and Improvements	(1,421,706)	(1,114,725)
Vehicles	(2,723,025)	(2,420,812)
Equipment	(290,558)	(254,427)
Total Accumulated Depreciation	<u>(4,435,289)</u>	<u>(3,789,964)</u>
Total Capital Assets being depreciated, net	<u>9,669,643</u>	<u>10,263,781</u>
<b>CAPITAL ASSETS, NET</b>	<u>\$ 11,610,733</u>	<u>\$ 12,204,871</u>

Noteworthy capital asset activity that took place in fiscal year 2010 was as follows:

- EFR purchased and equipped a marine vessel in the amount of \$59,311. This purchase was partially funded by a grant for \$12,000 from the West Coast Inland Navigation District (WCIND) and provided for additional services to the community such as:
  - Rescue and transport of victims involved in marine accidents both offshore and inland waterways.
  - EMS patient care and transport of patients aboard marine vessels offshore and inland waterways.
  - Fire suppression of marine vehicles both offshore and inland waterways.
  - Joint operation with other public safety agencies to provide mass evacuation and or mass casualty assistance to offshore emergencies such as passenger ships, general aviation, and commercial aviation.
  - Assist LCSO and the US Coast Guard with marine patrol and boater safety and awareness.
- EFR also purchased EMS equipment for a total of \$66,898 including:
  - 4 AED's for \$4,436. These AED's replaced obsolete models. It is EFR's policy to maintain an AED in all EFR vehicles and facilities.
  - A four gas meter for the detection of hazardous materials in the amount of \$3,415.
  - Two cardiac monitors for \$56,000. These monitors replaced obsolete monitors that are needed on a daily basis for the front line responding apparatus. The monitors are compliant with the State of Florida Bureau of EMS's requirements.
  - Two bikes were purchased and equipped for \$3,047. EFR's bike program provides emergency standby and response for large events in Estero.
- EFR purchased 6 radios for \$16,581. Communication equipment is replaced routinely to enhance capability and memory capacity.
- Technology upgrades were made in the amount of \$18,628 and included replacing 5 computer stations and a new server that provided increased capacity and provisions for redundancy.

### **Economic Factors and Next Year's Budget Rates**

The following were factors considered when next year's budget (2010-2011) was prepared:

- Property values decreased again by approximately \$566,047,437 or 9.8 percent to \$5,194,938,022. Estero Fire Rescue is anticipating property values to level off, but will not anticipate any increases in revenue until economic factors can support such estimates.
- EFR did not budget for any new positions and will not fill any of the eight existing positions due to the uncertainty of the economy.
- EFR budgeted increase of approximately \$514K in personal services is significantly due to expected rising pension and insurance costs, and wages and benefits negotiated with the firefighter's bargaining unit.
- EFR anticipates decreasing fund balance by approximately \$1.0MM in an effort to maintain current services. This is the first budgeted deficit adopted by EFR. In an effort to mitigate future budgeted deficits, the Board adopted a new fund balance policy that establishes fund balance assignments and constraints including conditions for budgeted deficits.

### **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 Pkwy, Estero, Florida 33928 or by calling (239) 390-8000.*

**ESTERO FIRE RESCUE**  
**STATEMENT OF NET ASSETS**  
**September 30, 2010**

**ASSETS**

Cash and cash equivalents	\$ 6,490,656
Investments	5,081,399
Accounts receivable	18,332
Due from other governments	110,653
Restricted assets:	
Cash and cash equivalents	453,268
Due from other governments	544
Pension asset	273,642
Deferred outflow of resources	569,851
Capital assets:	
Land	1,941,090
Depreciable buildings, equipment and vehicles, net of accumulated depreciation	<u>9,669,643</u>

TOTAL ASSETS \$ 24,609,078

**LIABILITIES**

Accounts payable and accrued expenses	\$ 773,755
Long-term liabilities:	
Due within one year	918,210
Due in more than one year	<u>6,836,061</u>

TOTAL LIABILITIES 8,528,026

**NET ASSETS**

Invested in capital assets, net of related debt	5,364,654
Restricted for:	
Grant matching funds	4,000
Debt service	449,812
Unrestricted	<u>10,262,586</u>

TOTAL NET ASSETS 16,081,052

TOTAL LIABILITIES AND NET ASSETS \$ 24,609,078

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

**ESTERO FIRE RESCUE  
STATEMENT OF ACTIVITIES  
Year Ended September 30, 2010**

**PROGRAM EXPENSES**

Public Safety - Fire and Rescue Services	
Personal services	\$ 8,007,023
Operating	1,513,681
Depreciation	750,328
Interest and fiscal charges	257,451
TOTAL PROGRAM EXPENSES	<u>10,528,483</u>

**PROGRAM REVENUES**

State and local grants	39,585
State Shared	19,200
Charges for Services	74,719
Impact Fees	11,707
TOTAL PROGRAM REVENUES	<u>145,211</u>

NET PROGRAM EXPENSES	<u>10,383,272</u>
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**GENERAL REVENUES**

Ad Valorem taxes	11,192,867
Interest	106,855
Gain on sale of capital assets	1,659
Other revenues	46,596
TOTAL GENERAL REVENUES	<u>11,347,977</u>

INCREASE IN NET ASSETS	964,705
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<b>NET ASSETS - Beginning of the year</b>	<u>15,116,347</u>
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<b>NET ASSETS - End of the year</b>	<u><u>\$ 16,081,052</u></u>
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*The accompanying notes are an integral part of these financial statements.*

**ESTERO FIRE RESCUE**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**September 30, 2010**

	General Fund
<b>ASSETS</b>	
Cash and cash equivalents-unrestricted	\$ 6,490,656
Cash and cash equivalents-restricted	453,268
Investments-unrestricted	5,081,399
Accounts receivable-unrestricted	18,332
Due from other governments-unrestricted	110,653
Due from other governments-restricted	544
	<hr/>
TOTAL ASSETS	\$ 12,154,852
	<hr/> <hr/>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 773,755
<b>FUND BALANCES</b>	
Reserved for:	
Community safety fund	13,840
Debt service	449,812
Unreserved, reported in:	
General Fund	
Designated	10,806,209
Undesignated	111,236
	<hr/>
TOTAL FUND BALANCES	11,381,097
	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,154,852
	<hr/> <hr/>

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

**ESTERO FIRE RESCUE  
RECONCILIATION OF THE BALANCE SHEET –  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
September 30, 2010**

	<u>Amounts</u>
Total fund balances for governmental funds	\$ 11,381,097
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Pension assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	273,642
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	14,104,932
Less accumulated depreciation	<u>(4,435,289)</u>
	9,669,643
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	(3,189,787)
Series 2002B Promissory note payable	(533,135)
Series 2007A Promissory note payable	(2,523,158)
Termination benefit	(26,442)
Compensated absences	(752,898)
Implicit subsidy (OPEB)	<u>(159,000)</u>
	<u>(7,184,420)</u>
Total net assets of governmental activities	<u>\$ 16,081,052</u>

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

**ESTERO FIRE RESCUE  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
Year Ended September 30, 2010**

	General Fund
<b>REVENUES</b>	
Ad Valorem taxes	\$ 11,192,867
Intergovernmental:	
Federal grant	27,634
State shared	19,200
Local grant	11,951
Charges for services	74,719
Miscellaneous:	
Community safety fund donations - restricted	8,037
Impact fees	11,707
Interest	106,855
Other	38,559
TOTAL REVENUES	<u>11,491,529</u>
<b>EXPENDITURES</b>	
Current	
Public safety	
Personal services	8,006,651
Operating expenditures	1,513,679
Capital outlay	179,520
Debt service	
Principal reduction	892,102
Interest and fiscal charges	257,451
TOTAL EXPENDITURES	<u>10,849,403</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>642,126</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Proceeds from sale of capital assets	<u>24,990</u>
TOTAL OTHER FINANCING SOURCES	<u>24,990</u>
NET CHANGES IN FUND BALANCES	<u>667,116</u>
FUND BALANCES - Beginning of the year	<u>10,713,981</u>
FUND BALANCES - End of the year	<u>\$ 11,381,097</u>

*The accompanying notes are an integral part of these financial 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, 2010**

	<u>Amounts</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	\$ 667,116
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.	(570,808)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(23,332)
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.	
Repayments:	
Notes payable	892,102
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	(112,611)
Increase in termination benefits	(2,404)
Increase in implicit subsidy (OPEB)	(159,000)
Plus:	
Increase in pension advanced funding	<u>273,642</u>
Change in net assets of governmental activities	<u><u>\$ 964,705</u></u>

*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 – GENERAL FUND**  
**Year Ended September 30, 2010**

	General Fund			Variance with Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Ad Valorem taxes:				
Current	\$ 10,915,390	\$ 10,915,390	\$ 11,192,867	\$ 277,477
Subtotal - Ad Valorem Taxes	<u>10,915,390</u>	<u>10,915,390</u>	<u>11,192,867</u>	<u>277,477</u>
Intergovernmental:				
Federal Grant	18,765	-	27,634	27,634
State shared	23,021	23,021	19,200	(3,821)
State and local grants	12,000	12,000	11,951	(49)
Subtotal - Intergovernmental	<u>53,786</u>	<u>35,021</u>	<u>58,785</u>	<u>23,764</u>
Charges for services				
EMS standby	27,000	27,000	32,461	5,461
Public safety classes	10,000	10,000	15,938	5,938
Training	-	-	3,000	3,000
Inspection fees	25,000	25,000	23,320	(1,680)
Subtotal - Charges for services	<u>62,000</u>	<u>62,000</u>	<u>74,719</u>	<u>12,719</u>
Miscellaneous:				
Community safety fund donations-restricted	-	8,037	8,037	-
Impact fees	15,000	15,000	11,707	(3,293)
Interest				
Operating interest-unrestricted	75,000	75,000	106,855	31,855
Other				
Ambulance bay rent	13,217	13,217	13,217	-
Miscellaneous	-	-	25,342	25,342
Subtotal - Miscellaneous	<u>103,217</u>	<u>111,254</u>	<u>165,158</u>	<u>53,904</u>
<b>TOTAL REVENUES</b>	<u>11,134,393</u>	<u>11,123,665</u>	<u>11,491,529</u>	<u>367,864</u>
<b>EXPENDITURES</b>				
Current				
Public safety				
Personal services:				
Regular salaries and wages	5,017,676	4,904,864	4,904,864	-
Other salaries and wages	81,212	74,319	71,578	2,741
Overtime	239,900	254,202	254,202	-
Special pay	283,640	389,043	389,043	-
FICA taxes	430,116	430,116	418,534	11,582
Retirement contributions	956,296	956,296	965,105	(8,809)
Life, health insurance	809,940	805,505	795,890	9,615
Worker's and unemployment compensation	199,799	204,234	207,435	(3,201)
Subtotal - Personal services	<u>\$ 8,018,579</u>	<u>\$ 8,018,579</u>	<u>\$ 8,006,651</u>	<u>\$ 11,928</u>

(continued on next page)

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 – GENERAL FUND**  
**Year Ended September 30, 2010**

	General Fund			Variance with Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Operating expenditures:				
Property appraiser fees	\$ 98,228	\$ 96,628	\$ 91,184	\$ 5,444
Tax collector fees	250,264	250,264	222,874	27,390
Professional services	111,975	111,975	102,998	8,977
Accounting and auditing	25,000	26,600	26,600	-
Travel	46,125	46,125	25,584	20,541
Communications and freight services	89,956	89,956	61,941	28,015
Utility services	78,785	78,785	66,114	12,671
Rentals and leases	1,465	1,465	501	964
Insurance	103,743	103,743	102,490	1,253
Repair and maintenance services	347,358	352,728	388,595	(35,867)
Printing and binding	10,810	10,810	5,711	5,099
Promotional activities	1,500	9,537	7,502	2,035
Other current charges and obligations	13,833	16,676	16,676	-
Office supplies	20,850	15,454	12,212	3,242
Operating supplies	252,661	252,661	215,674	36,987
Training, subscriptions, memberships	159,153	153,783	110,889	42,894
Contributions to other governments	140,115	142,668	56,134	86,534
Subtotal - Operating expenditures	<u>1,751,821</u>	<u>1,759,858</u>	<u>1,513,679</u>	<u>246,179</u>
Capital outlay:				
Vehicles	-	59,312	50,503	8,809
Equipment	91,700	108,390	114,235	(5,845)
Buildings	51,000	27,000	14,782	12,218
Subtotal - Capital outlay	<u>142,700</u>	<u>194,702</u>	<u>179,520</u>	<u>15,182</u>
Debt Service:				
Principal retirement-unrestricted	893,101	893,101	892,102	999
Interest and fiscal charges-unrestricted	257,858	257,858	257,451	407
Subtotal - Debt Service	<u>1,150,959</u>	<u>1,150,959</u>	<u>1,149,553</u>	<u>1,406</u>
TOTAL EXPENDITURES	<u>11,064,059</u>	<u>11,124,098</u>	<u>10,849,403</u>	<u>274,695</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>70,334</u>	<u>(433)</u>	<u>642,126</u>	<u>642,559</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from sale of capital assets	-	-	24,990	24,990
TOTAL OTHER FINANCING	<u>-</u>	<u>-</u>	<u>24,990</u>	<u>24,990</u>
NET CHANGE IN FUND BALANCE	<u>70,334</u>	<u>(433)</u>	<u>667,116</u>	<u>667,549</u>
Beginning Fund Balance	9,535,576	10,713,981	10,713,981	-
TOTAL FUND BALANCE - BEGINNING	<u>9,535,576</u>	<u>10,713,981</u>	<u>10,713,981</u>	<u>-</u>
Ending Fund Balance	9,605,910	10,713,548	11,381,097	667,549
TOTAL FUND BALANCE - ENDING	<u>\$ 9,605,910</u>	<u>\$ 10,713,548</u>	<u>\$ 11,381,097</u>	<u>\$ 667,549</u>

**ESTERO FIRE RESCUE**  
**STATEMENT OF FIDUCIARY NET ASSETS – FIDUCIARY FUND**  
**September 30, 2010**

	Firefighters' Retirement Plan
<b>ASSETS</b>	
Cash and cash equivalents	\$ 26,637
Investments	6,632,564
Contributions receivable	<u>60,179</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 6,719,380</u></u>
<b>NET ASSETS</b>	
Held in trust for pension benefits	<u>\$ 6,719,380</u>
<b>TOTAL NET ASSETS</b>	<u>6,719,380</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 6,719,380</u></u>

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

**ESTERO FIRE RESCUE  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS –  
FIDUCIARY FUND  
Year Ended September 30, 2010**

	Firefighters' Retirement Plan
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 821,645
Plan members	117,544
State of Florida, insurance premiums	<u>327,823</u>
Total contributions	1,267,012
Investment income:	
Allocated investment income	<u>515,527</u>
TOTAL ADDITIONS	<u>1,782,539</u>
<b>DEDUCTIONS</b>	
Benefits paid	32,147
Administrative expenses	<u>28,703</u>
TOTAL DEDUCTIONS	<u>60,850</u>
NET INCREASE IN PLAN NET ASSETS	1,721,689
<b>PLAN NET ASSETS, October 1, 2009</b>	<u>4,997,691</u>
<b>PLAN NET ASSETS, September 30, 2010</b>	<u><u>\$ 6,719,380</u></u>

**ESTERO FIRE RESCUE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2010**

**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 the 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 allow the user to be able to determine if the District is in a better or worse financial position than the prior year.

**ESTERO FIRE RESCUE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE A ORGANIZATION AND NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Government-wide Financial Statements (Continued)**

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 non-exchange 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).

**Fund Financial Statements**

The accounts of the District are organized on the basis of funds; a fund is considered a separate accounting entity. The operation of funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources may be 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 non-major 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.

**ESTERO FIRE RESCUE  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE A ORGANIZATION AND NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 only major fund, the General Fund, is presented in 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.

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.

**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.

**ESTERO FIRE RESCUE  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE A ORGANIZATION AND NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus and Basis of Accounting (Continued)**

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.

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 fund:

The General Fund is the District's only major governmental and 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 and projects funded by loan proceeds. The community safety program is also accounted for in the District's General Fund and those funds are assigned to activities relating to promoting safety through education, for supporting the Estero Fire Rescue Explorer Program, providing smoke alarms and emergency relief.

**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.

**ESTERO FIRE RESCUE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE A ORGANIZATION AND NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments (Continued)**

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, buildings and improvements, 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:

<u>Asset</u>	<u>Years</u>
Buildings	3-35
Equipment	3-7
Vehicles	3-20

**ESTERO FIRE RESCUE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE A ORGANIZATION AND NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets and Budgetary Accounting**

The District has adopted an annual budget for the General Fund which included budgeted expenditures equal to budgeted revenue.

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

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 and as amended by the Fire Chief and Board of Commissioners.
5. The budget was adopted on a basis consistent with accounting principles generally accepted in the United States of America. From time to time there may be activity that differs from a basis consistent with GAAP. For the year ended September 30, 2010, no differences were noted.
6. The level of control for appropriations is exercised at the account level.
7. Appropriations for expenditures lapse at year-end.

The Board of Commissioners approved three (3) separate requests to transfer budget at the program level and/or the account level during the year ended September 30, 2010. 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, 2010, the Fire Chief approved two (2) 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 as a result of these transfers.

**Other Post Employment Benefits (OPEB)**

The District adheres to the requirements of GASB Statement Number 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension". The District implemented GASB 45, prospectively, for year ended September 30, 2010. Implementation provides (1) requiring systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service and (2) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. The actuarial value of the OPEB cost and liability for benefits is recorded in the Government-wide financial statements.

**ESTERO FIRE RESCUE  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010**

**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 are 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 balances represent tentative management plans. Unreserved, undesignated fund balance indicates funds that are available for current expenditure.

**ESTERO FIRE RESCUE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE A ORGANIZATION AND NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Derivatives**

For fiscal year ended September 30, 2010, the District implemented GASB statement number 53, "Accounting and Financial Reporting for Derivative Instruments".

Implementation of GASB 53 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 the financial statements to more fully understand a government's resources available to provide services. The application of inter-period 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 (hedging) and the information necessary to assess the government's objectives for derivative instruments, their significant terms, and the risks associated with the derivative instruments. The fair market value of the Districts hedging derivative instruments is reported as deferrals in the Statement of Net Assets.

**NOTE B CASH AND CASH EQUIVALENTS**

As of September 30, 2010, the District's cash and cash equivalents were as follows:

Governmental Funds	
Cash on hand	\$ 500
Demand Deposits	6,943,424
Total Governmental Funds	<u>6,943,924</u>
Pension Trust	
Cash with fiscal agent	<u>26,637</u>
Total Governmental Funds and Pension Trust	<u><u>\$ 6,970,561</u></u>

**ESTERO FIRE RESCUE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE B CASH AND CASH EQUIVALENTS (CONTINUED)**

**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 pursuant to Chapter 280. The Florida Security 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, 2010, the District's investments had the following credit risk structure:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating - Rating Agency</u>
Governmental Funds			
Certificate of Deposit	03/12/2011	\$ 3,050,015	
Certificate of Deposit	12/12/2010	2,031,384	
Total Governmental Funds		<u>5,081,399</u>	
Pension Trust			
External Investment Pool	N/A		
Fixed Income Funds		2,517,178	AA - Fitch Ratings
Equity Funds		4,115,386	AAA - S&P
Total Pension Trust		<u>6,632,564</u>	Not Rated
Total Governmental Funds and Pension Trust		<u>\$ 11,713,963</u>	

**ESTERO FIRE RESCUE  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE C INVESTMENTS (CONTINUED)**

**Custodial Credit Risk**

The District has no formal policy on managing credit risk; however F.S. 218.415(17) limits investments to 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 certificates 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.

As of September 30, 2010, 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 are 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 \$6,632,564 at September 30, 2010, 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, 2010, 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 AAA 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.

**ESTERO FIRE RESCUE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE D CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended September 30, 2010:

	Balance September 30 2009	Increases/ Additions	Decreases/ Deletions
Capital Assets Not Being Depreciated:			
Land	\$ 1,941,090	\$ -	\$ -
Total Capital Assets Not Being Depreciated	<u>1,941,090</u>	<u>-</u>	<u>-</u>
Capital Assets Being Depreciated:			
Buildings and Improvements	9,298,880	14,782	(3,857)
Vehicles	4,303,727	50,503	(89,170)
Equipment	451,138	114,235	(35,306)
Total Capital Assets Being Depreciated	<u>14,053,745</u>	<u>179,520</u>	<u>(128,333)</u>
Less Accumulated Depreciation:			
Buildings and Improvements	(1,114,725)	(310,801)	3,820
Vehicles	(2,420,812)	(372,419)	70,206
Equipment	(254,427)	(67,108)	30,977
Total Accumulated Depreciation	<u>(3,789,964)</u>	<u>(750,328)</u>	<u>105,003</u>
Total Capital Assets Being Depreciated, Net	<u>10,263,781</u>	<u>(570,808)</u>	<u>(23,330)</u>
Capital Assets, Net	<u>\$ 12,204,871</u>	<u>\$ (570,808)</u>	<u>\$ (23,330)</u>

**ESTERO FIRE RESCUE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE E LONG-TERM LIABILITIES**

**Summary of Long-Term Obligations**

The following is a summary of the long-term obligations at September 30, 2010:

	<u>Amount</u>
<p>\$4,440,086 Renewal Note C, dated September 11, 2007, payable to a financial institution. This note amends the original Promissory 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.</p>	\$ 3,189,787
<p>\$1,489,653 Renewal Note B, dated September 11, 2007, payable to a financial institution. This note amends the original Promissory 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.</p>	533,135
<p>\$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.</p>	2,523,158
<p>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.</p>	26,442

(continued on next page)

**ESTERO FIRE RESCUE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE E LONG-TERM LIABILITIES (CONTINUED)**

**Summary of Long-Term Obligations (Continued)**

	<u>Amount</u>
Fair market value of the District's hedging derivative instruments (Swaps)	569,851
Actuarial annualized funding estimates in the event the District chooses to fund its future obligation to provide optional post-employment healthcare, dental, vision, and life insurance coverage to eligible individuals.	159,000
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.	<u>752,898</u>
	<u><u>\$ 7,754,271</u></u>

The following is a summary of changes in long-term liabilities for the fiscal year ended September 30, 2010:

	Balance October 1 2009	Additions	Retirements / Adjustments	Balance September 30 2010	Amounts Due Within One Year
Renewal C (2002A)	\$ 3,611,280	\$ -	\$ (421,494)	\$ 3,189,786	\$ 436,461
Renewal B (2002B)	855,321	-	(322,186)	533,135	333,328
Series 2007A	2,671,579	-	(148,420)	2,523,159	148,421
Deferred compensation	24,038	2,404	-	26,442	-
Derivative Instruments	-	569,851	-	569,851	-
Implicit Subsidy (OPEB)	-	159,000	-	159,000	-
Compensated Absences	640,287	648,723	(536,112)	752,898	-
	<u>\$ 7,802,505</u>	<u>\$ 1,379,978</u>	<u>\$ (1,428,212)</u>	<u>\$ 7,754,271</u>	<u>\$ 918,210</u>

**ESTERO FIRE RESCUE  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE E LONG-TERM LIABILITIES (CONTINUED)**

The annual debt service requirements at September 30, 2010 were as follows:

Year Ending September 30	Renewal C (2002A)		Renewal B (2002B)		Series 2007A		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	469,770	75,481	-	-	148,421	91,024	618,191	166,505
2014	487,066	58,186	-	-	148,421	84,764	635,487	142,950
2015	505,002	40,249	-	-	148,421	78,504	653,423	118,753
Thereafter	837,847	25,490	-	-	1,781,054	454,151	2,618,901	479,641
	<u>\$ 3,189,786</u>	<u>\$ 399,830</u>	<u>\$ 533,135</u>	<u>\$ 15,298</u>	<u>\$ 2,523,159</u>	<u>\$ 909,538</u>	<u>\$ 6,246,080</u>	<u>\$ 1,324,666</u>
					Deferred Compensation Benefit		26,442	-
					Derivative Instruments		569,851	-
					Implicit Subsidy (OPEB)		159,000	-
					Accrued compensated absences		752,898	-
					Total Long-Term Debt		<u>\$ 7,754,271</u>	<u>\$ 1,324,666</u>

The District was required by the lender to establish a reserve account of \$435,000 which, as of September 30, 2010, 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, 2010, are listed in the following table. The notional value of the swaps declines as the associated loan balance declines.

Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values at September 30, 2010	Swap Termination	Counterparty Credit Rating
\$ 533,135	06/24/03	3.415%	65.0% of LIBOR + 1.56%	\$ (9,463)	4/24/2012	Aaa/AA+/AA
3,189,786	06/24/03	3.620%	65.0% of LIBOR + 0.90%	(206,006)	4/24/2017	Aaa/AA+/AA
2,523,159	09/24/08	4.160%	63.7% of LIBOR + 0.80%	(354,382)	9/24/2027	Aaa/AA+/AA
<u>\$ 6,246,080</u>				<u>\$ (569,851)</u>		

**ESTERO FIRE RESCUE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE F INTEREST RATE SWAP (CONTINUED)**

The swaps are associated with the promissory notes reported in Note E. The fair value of swaps at September 30, 2010 is included in long-term liabilities due in more than one year on the Statement of Net Assets. The combined fair value of the three swap agreements decreased by \$142,084 during the year ending September 30, 2010.

Because the variable interest rates have decreased below the fixed rates, the swaps have a negative fair value as of September 30, 2010. 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 are estimated using a proprietary pricing service and are provided to the District by the counterparty financial institution known to be high volume participants in this market.

As of September 30, 2010, 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 be liable to the counterparty for a payment equal to the swaps' fair value.

As of September 30, 2010, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate debt interest payments and net swap payments will vary (dollars in thousands).

Fiscal Year Ending September, 30	Variable Rate Debt		Interest Rate Swap, Net	Total
	Principal	Interest		
2011	\$ 918,210	\$ 57,921	\$ 167,470	\$ 1,143,601
2012	801,868	48,329	143,097	993,294
2013	618,191	41,743	124,762	784,696
2014	635,486	35,557	107,393	778,436
2015	653,422	29,198	89,555	772,175
Thereafter	2,618,903	111,460	368,181	3,098,544
	<u>\$ 6,246,080</u>	<u>\$ 324,208</u>	<u>\$ 1,000,458</u>	<u>\$ 7,570,746</u>

**ESTERO FIRE RESCUE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2010**

**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 Estero Fire Rescue
2. Plan 2 – 401(a) Defined Contribution Retirement Plan – Employees not within Plan 1

Except for those provisions that are mandated in Note H, 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, 2010, the District was required to contribute 20.97% 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.

**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 may be 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.

**ESTERO FIRE RESCUE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE G RETIREMENT PLANS (CONTINUED)**

**Plan 1 - Plan description and provisions - Firefighters' Retirement Plan (Continued)**

The District contributed 100% of the required contributions. As such, the District made employer contributions of \$821,645, \$726,676, and \$609,411 for the years ended September 30, 2010, 2009 and 2008, respectively. Covered payroll for the years ended September 30, 2010, 2009 and 2008 was \$3,918,193, \$3,943,220, and \$3,393,158, respectively.

The Employees contributed 100% of their respective required contributions to the Plan during the year ended September 30, 2010. Employee contributions for the years ended September 30, 2010, 2009 and 2008 were \$117,544, \$118,295 and \$101,797, 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 benefit is 100% of AFC, paid during the retiree's 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 permissible 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 actuarially reduced to reflect the commencement of benefits prior to retirement date.

**ESTERO FIRE RESCUE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE G RETIREMENT PLANS (CONTINUED)**

**Plan 1 - Plan description and provisions - Firefighters' Retirement Plan (Continued)**

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).

**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, 2010 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, 2010 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.

**ESTERO FIRE RESCUE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE G RETIREMENT PLANS (CONTINUED)**

**Plan 1 - Plan description and provisions - Firefighters' Retirement Plan (Continued)**

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.

A copy of the Plan's annual report for September 30, 2010 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 <u>within the Bargaining Unit (F.S. 175)-Plan 1</u>
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

**ESTERO FIRE RESCUE  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2010**

**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, 2010:

	<u>Firefighters' Retirement Plan - Plan 1 (09/30/10)</u>
Retirees and beneficiaries receiving benefits	2
Terminated Plan members entitled to but not yet receiving benefits	0
Vested active members	11
Non-vested active members	41
Total Active Members	<u>52</u>
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.

**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. The District has funding in excess of the annual required contribution as of September 30, 2010 in the amount of \$273,642. This amount is presented as a net pension asset in the statement of net assets.

The District funds the plan based on a funding method recommended by the Florida Department of Revenue. A contribution surplus reserve in the amount of \$235,728 is available at September 30, 2010. The contribution surplus reserve is restricted to funding the plan and it will be utilized in future years.

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.

**ESTERO FIRE RESCUE  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2010**

**NOTE G RETIREMENT PLANS (CONTINUED)**

**Plan 1 - Plan description and provisions - Firefighters' Retirement Plan (Continued)**

**Additional Information**

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

	Firefighters' Retirement Plan - Plan 1
	<hr/>
Valuation date	10/1/2010
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	5.41%
Cost of living adjustment	0%
Inflation	3.25%

**Plan 2 – Defined Contributions 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 40% after completion of two (2) years of credited service and increases at 20% per year. Normal retirement age is 52 years of age.

**ESTERO FIRE RESCUE  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010**

**NOTE G RETIREMENT PLANS (CONTINUED)**

**Plan 2 – Defined Contributions Retirement Plan – Employees Not Within the Bargaining Unit (Continued)**

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 5% of the employee's eligible compensation. Total District contributions to the Plan, including the employer 10% contributions and the employer match amount, for the years ended September 30, 2010, 2009 and 2008 were \$143,460, \$139,546 and \$195,496, respectively. The District contributed 100% of its required contributions for the year ended September 30, 2010. Employee contributions to the Plan were \$197,019, \$211,592 and \$219,044 for the years ended September 30, 2010, 2009 and 2008, respectively. The employee contributions are deposited to a Section 457 account which is a deferred compensation plan that is available to all employees of the District, as such, employee contribution amounts provided are made by participants of both District provided retirement plans.

**NOTE H OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**Description and provisions**

As mandated by F.S. 112.0801, the District provides optional post-employment healthcare, dental, vision, and life insurance coverage to eligible individuals.

Eligible individuals include all regular employees of the District who retire from active service and are eligible for retirement or disability benefits under one of the two retirement plans sponsored by the District. Under certain conditions, eligible individuals for healthcare coverage also include spouses and dependent children.

Retirees must pay a monthly premium as determined by the insurance carrier that is equal to the actual premiums paid by the District. The premium varies depending on whether the retiree elects single, couple, single plus children, or family coverage.

**ESTERO FIRE RESCUE  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2010**

**NOTE H OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**Description and provisions (Continued)**

Membership of the Plan consisted of the following at September 30, 2010:

	<u>OPEB Plan</u>
1. Number of participants included:	
Current retirees:	
Under age 65	0
Over age 65	0
Total current retirees	<u>0</u>
Active employees:	
Active employees fully eligible for benefits	3
Active employees not yet fully eligible for benefits	<u>61</u>
Total active employees	<u>64</u>
Total number of participants	<u><u>64</u></u>
2. Average age of active employees	39.1 years

**Funding and financial planning**

There is an implied subsidy in the healthcare insurance premium for retirees because the premium charged for these retirees is the same as the premium charged for active employees, who are younger than retirees on average.

In order for the District to anticipate its future obligation with respect to the post-employment healthcare coverage provided to retirees and their dependents, the District has projected the OPEB liability for a 20-year period beginning August 1, 2010.

The value of the future liability is recorded in the government-wide statements as required by GASB 45; however, the District is not currently funding this future liability and instead, uses the estimates and assumptions for financial planning only. The information provided below provides the District with annualized funding estimates in the event the District chooses to fund the estimated future obligation. The contributions noted are not actual amounts contributed by the District, but instead represent an allowable credit to substitute the premium portion that would be paid by the retiree.

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, "if" paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed fifteen years.

**ESTERO FIRE RESCUE  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2010**

**NOTE H OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**Funding and financial planning (Continued)**

The following table shows the components of the District’s annual OPEB cost for the year, the amount contributed to the plan, and changes in the District’s net OPEB obligation:

<b>Net OPEB Obligation</b>	
Annual required contribution	\$ 167,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	167,000
Contributions made	
Estimated Implicit Subsidy	8,000 <sup>a</sup>
Change in net OPEB obligation	159,000
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	\$ 159,000

a - The implicit subsidy or implicit rate subsidy is the difference between the actual and apparent cost of OPEB coverage. The actual cost for early retirees is higher than the average per-person premium for the active/retiree group. Plans in which retirees pay the average active/retiree rate (the apparent cost) give rise to an implicit rate subsidy; the employer pays the difference between the actual and apparent cost.

A schedule of employer contributions and a schedule of funding progress that include historical trend information about the annual required contributions of the employer are included as required supplementary information to the financial statements.

**Additional Information**

The following is a summary of the OPEB plan valuation methods and assumptions:

	OPEB
Valuation date	8/1/2010
Actuarial cost method	Projected unit credit
Amortization method	15-year open period; level-dollar payment
Investment return	4.00% per annum (includes inflation at 2.75% per annum)
Healthcare cost trend rate(s):	
Select rates	<u>Insurance Premiums</u> 10.00% for 2010/11 graded to 6.00% for 2018/19
Ultimate rate	5% per annum

**ESTERO FIRE RESCUE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE I 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 are performed for the District by the Lee County Tax Collector. No accrual for the property tax levy becoming due in November 2010 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 \$2.00 per \$1,000 (2.0000 mills) of the 2009 net taxable value of real property located within the District.

**ESTERO FIRE RESCUE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE J 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, 2010, the amortized balance of the liability owed by the District if the agreement was terminated is approximately \$83,581. 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, 2010, the District had contributed \$106,581. 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.

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, 2010 was \$26,442. 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.

**ESTERO FIRE RESCUE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE K RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; thefts 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 coverage's 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. As of September 30, 2010, the District has no further liability or reporting requirements for the self-insured health program as the run-out period has lapsed. The dental portion of the program remains self-funded and is administered by a new third party administrator.

At September 30, 2010, 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.

**NOTE L PRONOUNCEMENTS ISSUED, NOT YET ADOPTED**

In February 2009 GASB issued statement number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The District is required to implement this statement in fiscal year ending September 30, 2011. While early implementation is encouraged, the District has chosen not to implement this statement early.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**ESTERO FIRE RESCUE  
SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER  
AND OTHER CONTRIBUTING ENTITIES –  
FIREFIGHTERS’ RETIREMENT PLAN  
September 30, 2010**

Firefighters' Retirement Plan - Plan 1

Fiscal Year	Annual Required Contribution	Actual District Contribution	State Contribution *	State Frozen Contribution	Percentage Contributed	Net Pension Obligation (Asset)	(3)
2010	\$ 830,871	\$ 821,645	(1) \$ 276,689	\$ 51,134	100%	\$ (273,642)	(2)
2009	\$ 593,216	\$ 726,676	\$ 322,558	\$ 51,134	100%	\$ (231,734)	
2008	\$ 482,843	\$ 609,411	\$ 279,937	\$ 51,134	100%	\$ (47,140)	

\* At September 30, 2010, \$1,405,798 remains available from State premium tax for future benefits.

(1) Shortfall was funded by the Net Pension Asset.

(2) Contribution surplus reserve was \$235,728 at September 30, 2010.

(3) Net pension asset is based on cumulative contributions in excess of the ARC.

**ESTERO FIRE RESCUE  
SCHEDULE OF FUNDING PROGRESS  
FIREFIGHTERS' RETIREMENT PLAN  
September 30, 2010**

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
10/1/2010 *	\$ 4,732,004	\$ 6,685,999	\$ 1,953,995	70.8%	\$ 3,742,880	52.2%
10/1/2009 *	\$ 3,802,396	\$ 5,417,885	\$ 1,615,489	70.2%	\$ 3,626,884	44.5%
10/1/2008 *	\$ 3,186,640	\$ 4,124,370	\$ 937,730	77.3%	\$ 3,220,497	29.1%

\* Actuarial accrued liability is calculated using the entry age normal cost method for this purpose.

**ESTERO FIRE RESCUE  
 SCHEDULE OF OPEB EMPLOYER CONTRIBUTIONS  
 AND FUNDING PROGRESS  
 September 30, 2010**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>Year Ended September 30,</u>	<u>Annual Required Contribution</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>
2010	\$ 167,000	\$ 8,000	5%

**SCHEDULE OF FUNDING PROGRESS**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ([b - a] / c)</u>
8/1/2010	\$ -	\$ 770,000	\$ 770,000	0.0%	\$ 5,019,000	15.3%

**ADDITIONAL REPORTS OF  
INDEPENDENT AUDITOR**

## 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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 25, 2011. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

Board of Commissioners  
Estero Fire Rescue

**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.

*Larson Allen LLP*  
**LarsonAllen LLP**

Fort Myers, Florida  
April 25, 2011

## MANAGEMENT LETTER

Honorable Board of Commissioners  
Estero Fire Rescue  
Estero, Florida

We have audited 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, 2010, and have issued our report thereon dated April 25, 2011.

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 25, 2011, 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. No such recommendations were noted to improve financial management.
- 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.

Board of Commissioners  
Estero Fire Rescue

- 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, 2010, 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, 2010. 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.

*Larson Allen LLP*  
**LarsonAllen LLP**

Fort Myers, Florida  
April 25, 2011



**Estero Fire Rescue**  
21500 Three Oaks Parkway  
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(239) 390.8020 (Fax)  
[www.esterofire.org](http://www.esterofire.org)

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**RESPONSE TO MANAGEMENT LETTER**

April 25, 2011

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, 2010.

We have received the Auditor's Management Letter as required by Auditor General Rule 10.554(1)(h). We acknowledge that the Auditor found that there were no current year comments or recommendations.

Sincerely,

Scott A. Vanderbrook  
Fire Chief

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***"DEDICATED AND DRIVEN FOR THOSE WE SERVE"***