

**ESTERO FIRE RESCUE DISTRICT**

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

**YEAR ENDED SEPTEMBER 30, 2023**

**ESTERO FIRE RESCUE DISTRICT  
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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Estero Fire Rescue District  
Estero, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Estero Fire Rescue District, Estero, Florida (the "District") as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2023 and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of the District's net proportionate share of net pension liability- pension plan and health insurance subsidy plan, schedules of district contributions- pension plan and health insurance subsidy plan and schedule of changes in the total OPEB liability and related ratios to be presented to supplement the basic financial statements. Such information is the responsibility of

management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Ashley, Brown & Smith, CPAs*

Punta Gorda, Florida  
May 14, 2024

## **Management's Discussion and Analysis**

(unaudited)

This discussion and analysis of the Estero Fire Rescue District's (the "District") financial statements is designed to introduce the basic financial statements and provide an analytical overview of the District's financial activities for the fiscal year ended September 30, 2023. 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 the District's financial position.

### **Estero Fire Rescue Highlights**

- At close of fiscal year 2023, the District's assets and deferred outflow of resources exceeded its liabilities and deferred inflow of resources, resulting in a net position of \$35,939,441 on a government wide basis.
- Total net position increased \$1,416,000, or 4.1 percent, in comparison to the prior year.
- The increase to net position is due primarily to an increase in current assets and capital assets as well as a decrease in non-current liabilities.
- The unrestricted balance of \$18,196,818 can be used to meet ongoing obligations of the District and fund amounts assigned by the Board.
- General and program revenues increased \$3,351,373, or 18.4 percent, in comparison to the prior year primarily due to an increase in property values which led to an increase in ad valorem revenue.
- Total program expenses reported an increase of \$3,509,789, or 21.1 percent, in comparison to the prior year. This increase is due to an increase in personnel expenses, operating costs, and total depreciation.

### **Government-wide Financial Statements**

Government-wide financial statements (Statement of Net Position and Statement of Activities found on pages 11 and 12) 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 Position (page 11) presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. The District'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 12) presents revenue and expense information showing how the District's net position changed during the fiscal year. Both statements are measured and reported using the economic resource measurement focus (revenues and expenses) and the accrual basis of accounting (revenue recognized when earned and expenses recognized when a liability is incurred).

### **Governmental Fund Financial Statements**

The accounts of the District 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. The District is reporting all financial activity in the General Fund for the fiscal year ended September 30, 2023. 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.

Governmental fund financial statements (found on pages 13 and 15) 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.

### **Fiduciary Fund Financial Statements**

Fiduciary funds reflect the net assets available for the District's firefighter retirement plan and the retiree insurance trust fund plan, as well as the related financial activity. These assets are not available to fund the District's operations, but are held strictly to fund the respective retirement benefits.

### **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 21. 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.

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The following is a condensed summary of net position for the primary government for fiscal years 2023 and 2022:

**Summary of Net Position**

	2023	2022
<b>Assets:</b>		
Current Assets	\$ 19,107,924	\$ 18,103,816
Capital Assets	17,514,292	16,015,019
Total Assets	36,622,216	34,118,835
<b>Deferred Outflow of Resources:</b>		
Accumulated Decreases in Fair Value Hedge	-	14,164
Deferred Amount on OPEB	812,633	901,969
Deferred Amount on VEBA	233,735	390,025
Deferred Amount on Pension	8,461,189	11,205,042
Total Deferred Outflow of Resources	9,507,557	12,511,200
Total Assets and Deferred Outflow of Resources	\$ 46,129,773	\$ 46,630,035
<b>Liabilities:</b>		
Current Liabilities	\$ 1,703,103	\$ 1,705,281
Unearned Revenue	24,879	24,879
Non-current Liabilities	4,437,081	6,157,931
Total Liabilities	6,165,063	7,888,091
<b>Deferred Inflow of Resources:</b>		
Deferred Amount on OPEB	1,068,064	480,218
Deferred Amount on VEBA	374,818	437,287
Deferred Amount on Pension	2,582,387	3,300,998
Total Deferred Inflow of Resources	4,025,269	4,218,503
Total Liabilities and Deferred Inflow of Resources	10,190,332	12,106,594
<b>Net Position:</b>		
Net Investment in Capital Assets	17,514,292	15,258,750
Restricted	228,331	583,421
Unrestricted	18,196,818	18,681,270
Total Net Position	35,939,441	34,523,441
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 46,129,773	\$ 46,630,035

Current assets represent 52.2 percent of total assets. Current assets are comprised of unrestricted cash and investments of \$18,273,858, restricted cash of \$76,224, and other assets of \$757,842. The unrestricted cash represents amounts that are available for spending at the District's discretion. Restricted cash includes impact fees restricted for debt repayment. The investment in capital assets is comprised of land and improvements, buildings, vehicles, and equipment, net of accumulated depreciation and the outstanding related debt used to acquire the assets.



The following schedule reports the revenues, expenses, and changes in net position for the District for the current fiscal years 2023 and 2022:

**Summary of Activities**

	2023	2022
Revenues:		
General Revenues		
Ad Valorem Taxes	\$ 19,088,112	\$ 16,936,092
Interest	484,180	72,741
Gain (Loss) on Sale of Capital Assets	2,825	29,008
Other Revenues	194,192	69,576
Program Revenues		
Federal, State, and Local Grants	453,473	5,000
Insurance Premium Tax for Firefighters' Pension	483,276	344,806
State Shared	29,840	27,002
Charges for Services	220,816	134,222
Impact Fees	628,721	615,615
Total Revenues	21,585,435	18,234,062
 Expenses:		
Public Safety - Fire and Rescue Services	20,169,435	16,659,646
 Increase in Net Position	1,416,000	1,574,416
 Net Position - Beginning of the Year	34,523,441	32,949,025
Net Position - End of the Year	\$ 35,939,441	\$ 34,523,441

Total revenues increased \$3,351,373, or 18.4 percent, in comparison to prior year. Total expenditures increased by \$3,509,789, or 21.1 percent, in comparison to prior year. This is primarily the result of increases in payroll expenses.

**Additional Financial Overview**

Property values have increased by approximately \$2,037,485,450, or 28.0 percent, in the past five years. The taxable property value has been increasing in the last 5 years and the area noticed an increase of 12.2 percent between fiscal years 2022 and 2023. The District adopted a millage rate of 2.13 for fiscal year 2023. The millage rate remained the same as the 2.13 adopted in 2022. Ad Valorem tax revenues increased by \$2,152,020, or 12.7 percent, in comparison to the prior year. Estero Fire Rescue's millage rate continues to be one of the lowest fire district millage rates in the region.

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

**Property Values and Millage Assessed**



Impact fee receipts increased \$13,106, or 2.1 percent, in comparison to the prior year; however, overall impact fees have experienced an average increase of 16.5 percent for the last five years. The five year trend of impact fee receipts compounded with the increase in property values is a positive indicator the economy is maintaining stability. The District will continue to anticipate conservative growth for budget purposes and long term planning.

**Budgetary Highlights**

Estero Fire Rescue adopts an annual budget for its General Fund as required by Florida Statute. Budget versus actual comparisons are reported on pages 17 and 18. 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 \$701,091, or 3.3 percent.













































**ESTERO FIRE RESCUE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2023**

**NOTE B CASH**

As of September 30, 2023, the District's cash was as follows:

General Fund		
Cash on Hand	\$	400
Demand Deposits		<u>17,049,560</u>
Total General Fund		17,049,960
Fiduciary Funds		
Cash with Fiscal Agent		<u>651,377</u>
Total General Fund and Fiduciary Funds	\$	<u><u>17,701,337</u></u>

**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 was held by a financial and investment institution and insured up to certain limits specific to the Trustee/Custodian institution and Retirement Trust Funds.

The Retiree Insurance Trust Fund was held by a financial and investment institution and utilized portfolio diversification in order to control this risk.

**ESTERO FIRE RESCUE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2023**

**NOTE C DEPOSITS AND INVESTMENTS**

**District Investment**

FL-FIT Cash Pool is a money market alternative that is managed to a dollar-in/dollar-out strategy. The portfolio management team utilizes a hybrid approach managing current market conditions and portfolio duration, to ensure maximum flexibility in all market conditions. The Cash Pool is rated AAf/S1+ by Fitch Ratings. Offering same day liquidity for transactions entered by 2:00 p.m. EST, while seeking to preserve principal and maximize yield, the Cash Pool provides an investment option for local governments short-term funds.

**District Investment – FV Maturity**

Investment Type	Investment Maturities (in years)				
	Total Fair Value	Less than 1	1 to 5	6 to 10	More than 10
Florida Fixed Income Trust	\$ 1,300,122	\$ 1,300,122	\$ -	\$ -	\$ -

**District Interest Rate Risk**

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The Florida Fixed Income Trust uses a weighted average days to maturity (WAM). A portfolio’s WAM reflects the average maturity in days based on final maturity or rest date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rates changes.

The Florida Fixed Income Trust’s Cash Pool has daily liquidity with unlimited investments and redemptions. The pool has investments in Commercial Paper, Certificates of Deposit, collateralized bank deposits, U.S. Treasury Notes, Corporate Notes, and Federal Agencies.

**District Credit Risk**

The District follows Florida Statute 218.415 (17)  
 AUTHORIZED INVESTMENTS; NO WRITTEN INVESTMENT POLICY.—Those units of local government electing not to adopt a written investment policy in accordance with investment policies developed as provided in subsections (1)-(15) may investment or reinvest any surplus public funds in their control or possession in:

- (a) The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01.
- (b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- (c) Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in s. 280.02.
- (d) Direct obligations of the U.S Treasury.

The Florida Fixed Income Trust is rated AAf/S1+ by Fitch.

FL-FIT is a Local Government Investment Pool created by Florida Statute 163.01.



**ESTERO FIRE RESCUE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2023**

**NOTE C DEPOSITS AND INVESTMENTS (CONTINUED)**

**District Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transactions, the District will not be able to recover the value of investments or collateral securities that are in possession of an outside party. Section 218.415(1), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if, in book-entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch of principal place of business in the State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault.

The Florida Fixed Income Trust uses U.S. Bank as its custodian.

**District Concentration of Credit Risk**

The Florida Fixed Income Trust investment policies have established permitted investment sectors to reduce the concentration of credit risk of the Districts in the various local government investment pools.

**District Foreign Current Risk**

The Florida Fixed Income Trust does not allow for investments in foreign currency. Therefore, the pool has no exposure to foreign currency risk.

**ESTERO FIRE RESCUE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2023**

**NOTE C DEPOSITS AND INVESTMENTS (CONTINUED)**

**District Quality Rating of Credit Risk Debt:**

Quality rating of credit risk debt securities	FL-FIT	
	Fair Value	Percentage of Portfolio
AAAmmf	\$ 10,661	0.82%
AAAf	67,476	5.19%
F1+	467,134	35.93%
F1	754,851	58.06%
<b>Total credit risk debt securities</b>	<b>\$ 1,300,122</b>	<b>100.00%</b>

(1) Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not have purchase limitations.

**Fiduciary Investments**

Investments were \$41,448,789 at September 30, 2023, of which \$40,362,285 was held in the Firefighters' Pension Plan and \$1,086,505 was held in the Retiree Insurance Trust Fund.

**Fair Value Measurements**

GASB 72 requires governments to disclose the fair value hierarchy for each type of asset or liability measured at fair value in the notes to the financial statements. The standard also requires governments to disclose a description of the valuation techniques used in the fair value measurement and any significant changes in valuation techniques. GASB 72 establishes a three-tier fair value hierarchy. The hierarchy is based on valuation inputs used to measure the fair value as follows:

Level 1: Inputs are directly observable, quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs are other than quoted prices included within Level 1 that are for the asset or liability, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation or by other means.

Level 3: Inputs are unobservable inputs used only when relevant Level 1 and Level 2 inputs are unavailable.

The level in which an asset is assigned is not indicative of its quality but an indication of the source of valuation inputs.

**ESTERO FIRE RESCUE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2023**

**NOTE C DEPOSITS AND INVESTMENTS (CONTINUED)**

At September 30, 2023, the Firefighters' Pension Plan and the Retiree Insurance Trust Fund reported the following investments:

<i><b>Firefighters' Pension Plan</b></i>	Total Fair Value	Level 1	Level 2	Level 3
Cash	\$ 573,095	\$ 573,095	\$ -	\$ -
Broad Market HQ Bond Fund	5,976,565	5,976,565	-	-
Core Plus Fixed Income	5,567,212	5,567,212	-	-
Diversified Large Cap	9,988,233	9,988,233	-	-
Diversified Small to Mid Cap	5,690,018	5,690,018	-	-
International Equity	7,900,528	7,900,528	-	-
Core Real Estate	5,239,729	5,239,729	-	-
Total Firefighters' Pension Plan	<u>40,935,380</u>	<u>40,935,380</u>	-	-
<i><b>Retiree Insurance Trust Fund</b></i>				
<u><b>Equity Investments</b></u>				
Domestic Equities	425,251	425,251	-	-
International Equities	204,859	204,859	-	-
<u><b>Fixed Income Securities</b></u>				
High Quality US Bonds	244,787	244,787	-	-
Strategic Income	130,062	130,062	-	-
Bank Loans	48,082	48,082	-	-
Cash & Cash Equivalents	78,282	78,282	-	-
<u><b>Real Estate</b></u>				
Guggenheim Risk Managed Real Estate	33,463	33,463	-	-
Total Retiree Insurance Trust Fund	<u>1,164,786</u>	<u>1,164,786</u>	-	-
Total Investments	<u>\$ 42,100,166</u>	<u>\$42,100,166</u>	\$ -	\$ -

**Credit Risk - Pension Plan**

Custodial credit risk is defined as the risk that the Plan may not recover cash and investments held by another party in the event of a financial failure. The Firefighters' Pension Plan investments through the Florida Municipal Pension Trust Fund ("FMPTF") in the Florida Municipal Investment Trust ("FMIVT"), are a Local Government Investment Pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

At September 30, 2023, the Plan reported the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fitch Rating</u>
FMIvT Broad Market High Quality Bond Fund	\$ 5,976,565	Aaf/S4
FMIvT Core Plus Fixed Income Fund	5,567,212	Not Rated
FMIvT Diversified Large Cap Equity Portfolio	9,988,232	Not Rated
FMIvT Diversified Small to Mid Cap Equity Portfolio	5,690,018	Not Rated
FMIvT International Equity Portfolio	7,900,528	Not Rated
FMIvT Core Real Estate Portfolio	<u>5,239,730</u>	Not Rated
Total Investments at Fair Value	<u>\$ 40,362,285</u>	

**ESTERO FIRE RESCUE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2023**

**NOTE C DEPOSITS AND INVESTMENTS (CONTINUED)**

**Concentration of Credit Risk – Pension Plan**

GASB Statement 40, Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3, requires disclosure if 5% or more of the total fiduciary net position is invested with one issuer. However, investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other investments are excluded from the concentration of credit risk disclosure requirements. Since 100% of the Pension plan assets are in an investment pool, disclosure is not required.

**Interest Rate Risk – Pension Plan**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. Generally, the longer the time to maturity, the greater the exposure to interest rate risk.

FMLvT Interest Rate Risk (Years)		
Fixed Income Fund	Modified Duration	WAM*
FMLvT Broad Market High Quality Bond Fund	5.58	4.70
FMLvT Core Plus Fixed Income Fund	5.70	9.40

\*w eighted average maturity

**Investment Authorization – Retiree Insurance Trust Fund**

The Retiree Insurance Trust Fund investment policy is determined by its Board of Trustees. The policy has been identified by the Board to conduct the operations of the Retiree Insurance Trust Fund in a manner so that the assets will provide benefits to the participants and preserve capital while maximizing the rate of return. The Trustees are authorized to acquire money market, sweep or other liquid short-term cash instruments, Florida intergovernmental investment pools, debt obligations issued or guaranteed by the United States Government, foreign securities not exceeding 20% of the total assets, commingled index and mutual funds of equities, and commingled real estate investments.

Investments in equity securities shall range between 10% and 50% with a target allocation of 30%. Not more than 5% of the Fund's assets shall be invested in the stock of any one issuing company nor shall the aggregate investment in any one issuing company exceed 5% of the company's outstanding capital stock. No more than 20% of Plan assets shall be invested in foreign securities, no more than 15% shall be invested in bonds, and no more than 35% shall be invested in intermediate term fixed income and short term fixed income.

The following is a summary of the Plan's assets at September 30, 2023:

Asset Class	Target Allocation	Actual \$	Actual %
US Equities	30%	\$ 458,714	39%
Non-US Equities	10%	204,859	18%
Non-Inv. Grade Bonds	10%	178,144	15%
US Agg. Bonds (S-T)	25%	248,882	21%
US Agg. Bonds (L-T)	25%	74,187	6%
Total	100%	\$1,164,786	100%

**ESTERO FIRE RESCUE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2023**

**NOTE C DEPOSITS AND INVESTMENTS (CONTINUED)**

**Interest Rate Risk – Retiree Insurance Trust Fund**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. As a means of limiting its exposure to interest rate risk, the Fund diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer with various durations of maturities.

Information about the sensitivity of the fair values of the Fund's fixed income investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Fund's fixed income investments by maturity at September 30, 2023:

Investment Type - Fixed Income	Symbol	Effective Maturity (Yrs)	Effective Duration (Yrs)	Avg Credit Rating	Fair Value
Guggenheim Ltd Duration	GILHX	2.84	1.84	A+	\$ 95,281
Lord Abbett Short Duration	LLDYX	1.99	1.64	A	75,319
Loomis Sayles Core Plus Bond	NERYX	9.46	6.97	AA-	43,505
Guggenheim Total Return Bond	GIBIX	9.21	6.41	A+	30,681
Neuberger Berman Strategic Inc	NSTLX	11.72	3.55	A-	64,827
Guggenheim Marco Oppty	GIOIX	7.4	2.37	BBB-	65,235
MetWest Floating Rate Income	MWFLX	3.87	0.16	BB-	48,083
JP Morgan Money Market	PJLXX	-	-	-	73,805
Total					<u>\$ 496,736</u>

**Credit Risk – Retiree Insurance Trust Fund**

Custodial credit risk is defined as the risk that the Plan may not recover cash and investments held by another party in the event of a financial failure. The Fund's investment policy utilizes portfolio diversification in order to control this risk. The following table discloses credit rating by fixed income investment type at September 30, 2023, if applicable:

Quality Rating of credit risk debt securities	Fair Value	% of Portfolio
AAA	\$ 126,667.83	29.95%
AA	38,825.07	9.18%
A	56,122.94	13.27%
BBB	87,039.20	20.58%
BB	45,380.50	10.73%
B	42,208.51	9.98%
Below B	9,938.88	2.35%
Not Rated	<u>16,748.07</u>	<u>3.96%</u>
	<u>\$422,931.00</u>	<u>100.00%</u>

**NOTE C DEPOSITS AND INVESTMENTS (CONTINUED)**

**Concentration of Credit Risk – Retiree Insurance Trust Fund**

The investment policy of the Plan contains limitations on the maximum portfolio allocation percentage. No type of investment exceeds the target mix.

**Custodial Credit Risk – Retiree Insurance Trust Fund**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. Consistent with the Fund's investment policy, the investments are held by Fund's custodial bank and registered in the Plan's name.

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**ESTERO FIRE RESCUE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2023**

**NOTE D CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended September 30, 2023:

	Balance September 30, 2022	Additions	Deletions	Adjustments	Balance September 30, 2023
Capital Assets Not Being Depreciated:					
Land	\$ 2,433,668	\$ 3,465	\$ -	\$ 140,622	\$ 2,577,755
Construction in Progress	6,753,295	169,625	-	(6,753,295)	169,625
Total Capital Assets Not Being Depreciated	<u>9,186,963</u>	<u>173,090</u>	<u>-</u>	<u>(6,612,673)</u>	<u>2,747,380</u>
Capital Assets Being Depreciated:					
Buildings and Improvements	8,857,830	1,672,627	(33,006)	5,943,183	16,440,633
Vehicles	6,338,048	260,182	(52,009)	669,490	7,215,711
Equipment	2,207,443	324,283	(52,782)	-	2,478,944
Total Capital Assets Being Depreciated	<u>17,403,321</u>	<u>2,257,092</u>	<u>(137,798)</u>	<u>6,612,673</u>	<u>26,135,288</u>
Less Accumulated Depreciation:					
Buildings and Improvements	(4,412,164)	(278,675)	33,006	-	(4,657,833)
Vehicles	(5,053,043)	(375,585)	52,010	-	(5,376,619)
Equipment	(1,110,058)	(270,352)	46,486	-	(1,333,924)
Total Accumulated Depreciation	<u>(10,575,265)</u>	<u>(924,612)</u>	<u>131,502</u>	<u>-</u>	<u>(11,368,376)</u>
Total Capital Assets Being Depreciated, Net	<u>6,828,056</u>	<u>1,332,481</u>	<u>(6,296)</u>	<u>6,612,673</u>	<u>14,766,912</u>
Capital Assets, Net	<u>\$ 16,015,019</u>	<u>\$ 1,505,570</u>	<u>\$ (6,296)</u>	<u>\$ -</u>	<u>\$ 17,514,292</u>

**ESTERO FIRE RESCUE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2023**

**NOTE E LONG-TERM LIABILITIES**

**Summary of Long-Term Obligations**

The following is a summary of the long-term obligations at September 30, 2023:

	<u>Amount</u>
Outside of the bargaining unit, 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, provided that the severance pay shall not exceed an amount greater than 20 weeks of compensation.	\$ 81,917
Implicit subsidy - 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.	2,802,648
A single-employer defined benefit pension plan for its full-time firefighters. 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 of 25 years credited service and attainment of age 52.	132,941
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>1,419,575</u>
	<u>\$ 4,437,081</u>

The following is a summary of changes in long-term liabilities for the fiscal year ended September 30, 2023:

	Balance October 1, 2022	Additions	Retirements	Balance September 30, 2023	Amounts Due Within One Year
Series 2007A	\$ 742,105	\$ -	\$ (742,105)	\$ -	\$ -
Deferred Compensation	75,849	6,068	-	81,917	-
Derivative Instruments	14,164	-	(14,164)	-	-
Implicit Subsidy (OPEB)	3,419,862	264,235	(881,449)	2,802,648	-
Firefighters' Retirement Plan	552,593	4,228,828	(4,648,480)	132,941	-
Compensated Absences	1,239,727	1,498,066	(1,318,219)	1,419,575	-
	<u>\$ 6,044,300</u>	<u>\$ 5,997,197</u>	<u>\$ (7,604,417)</u>	<u>\$ 4,437,081</u>	<u>\$ -</u>







































































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

Board of Commissioners  
Estero Fire Rescue District  
Estero, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Estero Fire Rescue District, Estero, Florida (the "District"), as of and for the year ended September 30, 2023 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 14, 2024.

**Report on Internal Control over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Ashley, Brown & Smith, CPAs*

Punta Gorda, Florida  
May 14, 2024





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## INDEPENDENT AUDITOR’S MANAGEMENT LETTER

Board of Commissioners  
Estero Fire Rescue District  
Estero, Florida

### **Report on the Financial Statements**

We have audited the financial statements of the Estero Fire Rescue District (the “District”), as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated May 14, 2024.

### **Auditor’s Responsibility**

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

### **Other Reporting Requirements**

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant’s Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated May 14, 2024, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

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. There were no recommendations made in the preceding annual financial audit report.

### **Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The District discloses this information in the notes to the financial statements.

## **Financial Condition and Management**

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

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the District. 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.

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

## **Special District Component Units**

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 219.39(3)(b), Florida Statutes. In connection with our audit, we determined that there are no special district component units required to report to the District.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the District reported:

- A. The total number of District employees compensated in the last pay period of the fiscal year is 82.
- B. The total number of independent contractors to whom nonemployee compensation was paid in September 2023 is 16.
- C. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as of September 30, 2023 is \$9,779,710
- D. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as of September 30, 2023 is \$34,276.
- E. The District did not have any construction projects with a total of at least \$65,000 approved by the District that is scheduled to begin on or after October 1 of the fiscal year being reported.
- F. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes, as can be found on pages 17-18 of the financial statements.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, Rules of the Auditor General, the District reported:

- A. The fiscal year 2023 millage rate is 2.13.

B. The total amount of ad valorem taxes collected by or on behalf of the District as of September 30, 2023 is \$ 19,088,112.

C. The total amount of outstanding bonds issued by the District is zero.

**Additional Matters**

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

**Purpose of this Letter**

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

Punta Gorda, Florida  
May 14, 2024



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## REPORT OF INDEPENDENT ACCOUNTANTS' ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

Board of Commissioners  
Estero Fire Rescue District  
Estero, Florida

We have examined the Estero Fire Rescue District's (the "District") compliance with the local government investment policy requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2023. Management is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the District's compliance with the specified requirements.

The purpose of this report is to comply with the audit requirements of Sections 218.415, Florida Statutes and Rules of the Auditor General.

In our opinion, the District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2023.

Punta Gorda, Florida  
May 14, 2024