

**ESTERO FIRE RESCUE DISTRICT**

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

**YEAR ENDED SEPTEMBER 30, 2015**

**ESTERO FIRE RESCUE DISTRICT  
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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Estero Fire Rescue District  
Estero, Florida

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

We have audited the accompanying financial statements of the governmental activities, the general fund and the remaining fund information of the Estero Fire Rescue District (the District), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Fiduciary Fund. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Fiduciary Fund, is based solely on the report of the other auditors. 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. The financial statements of the Fiduciary Fund were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the remaining fund information of the Estero Fire Rescue District as of September 30, 2015, and the respective changes in financial position and the budget comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As described in Note M to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASBS) No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which was subsequently amended by GASBS No. 71, *Pension Transition of Contributions Made Subsequent to the Measurement Date*. As a result of implementation of GASBS No. 68 and No. 71, the District reported a restatement for the change in accounting principle. The auditors’ opinion was not modified with respect to this misstatement.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and schedules of funding progress on pages 3 – 9, page 50 and 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors 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 June 14, 2016, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on 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.



**CliftonLarsonAllen LLP**

Fort Myers, Florida  
June 14, 2016

## **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, 2015. 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 2015, the District's assets and deferred outflow of resources exceeded its liabilities and deferred inflow of resources, resulting in a net position of \$22,476,029 on a government wide basis.
- Total net position increased \$4,415,174 or 24.4 percent, in comparison to the prior year.
- The increase to net position is due primarily to an increase in current assets this year compared to last as well as lower liabilities this year compared to last. The unrestricted balance of \$13,609,637 can be used to meet ongoing obligations of the District and fund amounts assigned by the Board.
- General and program revenues increased \$622,601, or 5.1 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 a decrease of \$1,127,318, or 9.5 percent, in comparison to the prior year. This is due to an overall decrease in personnel expenses, operating expenses, depreciation, and interest charges.

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

Government-wide financial statements (Statement of Net Position and Statement of Activities found on pages 10 and 11) 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 10) 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 11) 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).

**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, 2015. 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 12 and 14) 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 20. 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 2015 and 2014:

**Summary of Net Position**

	2015	2014
Assets:		
Current Assets	\$ 16,686,558	\$ 12,859,546
Capital Assets	10,436,205	10,985,899
Total Assets	27,122,763	23,845,445
Deferred Outflow of Resources:		
Accumulated Decreases in Fair Value Hedge	259,348	270,244
Deferred Amount on Pension	2,333,675	-
Total Deferred Outflow of Resources	2,593,023	270,244
Total Assets and Deferred Outflow of Resources		
	\$ 29,715,786	\$ 24,115,689
Liabilities:		
Current Liabilities	\$ 896,238	\$ 728,649
Non-current Liabilities	4,667,765	5,326,185
Total Liabilities	5,564,003	6,054,834
Deferred Inflow of Resources:		
Deferred Amount on Pension	1,675,754	-
Total Liabilities and Deferred Inflow of Resources		
	7,239,757	6,054,834
Net Position:		
Net Investment in Capital Assets	7,817,306	7,713,577
Restricted	1,049,086	727,596
Unrestricted	13,609,637	9,619,682
Total Net Position	22,476,029	18,060,855
Total Liabilities, Deferred Inflow of Resources, and Net Position		
	\$ 29,715,786	\$ 24,115,689

Current assets represent 61.5 percent of total assets. Current assets are comprised of unrestricted cash and investments of \$11,135,745, restricted cash of \$1,025,841, and other assets of \$4,524,972. 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 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 Restricted Net Position is comprised of \$1,049,086 for repayment of debt.

The following schedule reports the revenues, expenses, and changes in net position for the District for the current fiscal years 2015 and 2014:

**Summary of Activities**

	2015	2014
Revenues:		
General Revenues		
Ad Valorem taxes	\$ 11,809,694	\$ 11,159,920
Insurance Premium Tax for Firefighters' Pension	345,330	654,644
Interest	40,850	46,111
Gain (Loss) on Sale of Capital Assets	60,375	11,063
Other Revenues	138,502	42,389
Program Revenues		
Federal, State, and Local Grants	15,000	11,530
State Shared	21,340	19,572
Charges for Services	109,083	107,065
Impact Fees	272,700	137,979
Total Revenues	12,812,874	12,190,273
Expenses:		
Public Safety - Fire and Rescue Services	10,781,627	11,908,945
Increase in Net Position	2,031,247	281,328
Net Position - Beginning of the Year (Restated)	20,444,782	17,779,527
Net Position - End of the Year	\$ 22,476,029	\$ 18,060,855

Total revenues increased \$622,601, or 5.1 percent in comparison to the prior year. Total expenditures decreased by \$1,127,318, or 9.5 percent, in comparison to the prior year. This is due to an overall decrease in personnel expenses, operating expenses, depreciation, and interest charges.

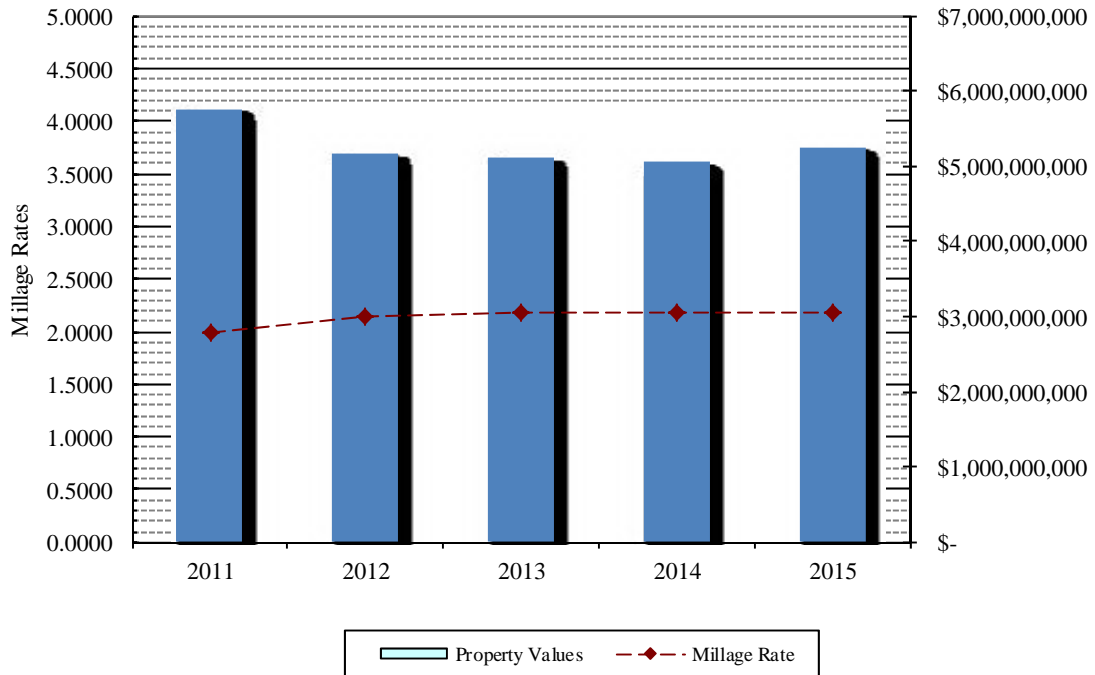
**Additional Financial Overview**

Property values have increased by approximately \$383,287,262, or 7.4 percent, in the past five years. The taxable property value has started increasing again in the last 2 years and the area noticed an increase of 5.7 percent between fiscal years 2014 and 2015. The District adopted a millage rate of 2.1881 for fiscal year 2015. The millage rate did not change from the 2.1881 adopted in 2014. Ad Valorem tax revenues increased by \$649,774, or 5.8 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 also increased \$134,721, or 98 percent, in comparison to the prior year; however, overall impact fees have experienced an average increase of 121.7 percent for the last five years. The current year increase is due to new construction within the District’s boundaries. This compounded with a slight increase in property values is a positive indicator the economy is stabilizing. 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 16 and 17. 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 \$30,102 or 0.25 percent.

**Debt Administration**

At September 30, 2015, the District had \$2,618,899 of outstanding debt for notes payable. Total long-term liabilities of \$4,667,765, which includes notes payable, derivative instrument, an implicit subsidy for OPEB, compensated absences, and deferred compensation, decreased \$658,420, or 12.4 percent, in comparison to the prior year. The decrease is significantly due to the reduction of debt. The following is a schedule of the District's outstanding notes payable as of September 30, 2015 and 2014:

**Outstanding Debt**

	<u>2015</u>	<u>2014</u>
Renewal C (2002A)	\$ 837,846	\$ 1,342,848
Series 2007A	1,781,053	1,929,474
Total	<u>\$ 2,618,899</u>	<u>\$ 3,272,322</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. The District's debt was collateralized by future impact fee revenue. As such, general dollars currently paying debt will be reimbursed by future impact fee revenue. Additional information on the repayment process can be found in Note L on page 49-50.

Additional information on the District's long-term debt can be found in Note E on pages 32-33.

**Capital Assets**

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

The following is a schedule of the District's capital assets as of September 30, 2015 and 2014:

**Capital Assets**

	<u>2015</u>	<u>2014</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	9,321,480	9,320,372
Vehicles	5,369,755	5,574,424
Equipment	750,038	727,962
Total Capital Assets Being Depreciated	<u>15,441,273</u>	<u>15,622,758</u>
<b>ACCUMULATED DEPRECIATION</b>		
Buildings and Improvements	(2,951,317)	(2,653,765)
Vehicles	(3,470,008)	(3,431,041)
Equipment	(524,833)	(493,143)
Total Accumulated Depreciation	<u>(6,946,158)</u>	<u>(6,577,949)</u>
Total Capital Assets Being Depreciated, Net	<u>8,495,115</u>	<u>9,044,809</u>
<b>CAPITAL ASSETS, NET</b>	<u>\$ 10,436,205</u>	<u>\$ 10,985,899</u>

Noteworthy capital asset activity that took place in fiscal year 2015 is as follows:

- The District purchased four new vehicles to replace aging vehicles. These included a Suburban to replace an emergency rescue unit, a Suburban to replace the Division Chief of EMS's vehicle, an Acadia to replace the Division Chief of Prevention's vehicle, and an Impala to replace a support pool car. The capital outlay was approximately \$167,000.
- The District purchased new communications equipment for the new vehicles, including three mobile vehicle routers, five portable and mobile radios, and mobile computers. The capital outlay was approximately \$25,000.
- The District purchased new technology to include a workstation to replace an old one, a workstation for a new position, replacement laptops for two positions, a hard drive imager for IT, a replacement printer for Finance, and a replacement printer for Administration. The capital outlay was approximately \$21,000.
- The District purchased new operational equipment to replace older equipment due for replacement including an SCBA Accountability System, a portable fire pump, and two Stihl chain saws. The District also purchased a water flow meter kit for hose line testing and a Video Laryngoscope to improve ALS intubation service. The capital outlay was approximately \$13,300.
- The District purchased two new treadmills and an ice machine to replace aged units in the facilities. The capital outlay was approximately \$10,300.

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

The following were factors considered when next year's budget (2015-2016) was prepared:

- Property values within the District increased approximately \$428,847,655 or 7.7 percent, to \$6,012,899,009. When property values increase, the rolled-back millage rate decreases so tax revenue may remain unchanged. Although the District adopted the same millage rate of 2.1881 in FY 2015, the tax levy increased by \$938,361. When the millage rate adopted exceeds the calculated rolled-back rate, the government is levying a tax increase, regardless of the change in the millage rate. The rolled-back rate formula essentially provides a rate relative to the current property values, which creates a tax levy equal to the amount in the previous year. The property values used in the rolled-back rate formula excludes, among other things, amounts for new construction and improvements, essentially rolling back a government's operating revenue to that of the prior year.
- The District budgeted for several new capital items to include a ladder truck, a rescue vehicle, a utility vehicle, ballistic vests, a network server, and security improvements. The District also budgeted for promoting a current inspector to a plans examiner and hiring a new inspector to keep up with the growth that we are experiencing within the District.
- With the anticipated increase to revenue and expenditures, the District is anticipating a net decrease to fund balance in an amount of \$501,596.

### **Request for Information**

The financial report is designed to provide the reader an overview of Estero Fire Rescue District. Questions regarding any information provided in this report should be directed to:

*Estero Fire Rescue District, 21500 Three Oaks Pkwy, Estero, Florida 33928, or by calling (239) 390-8000.*

**ESTERO FIRE RESCUE DISTRICT**  
**STATEMENT OF NET POSITION**  
**September 30, 2015**

	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 7,988,093
Investments	3,147,652
Accounts Receivable	9,173
Due from Other Governments	121,981
Restricted Assets:	
Cash	1,025,841
Due from Other Governments	23,245
Pension Asset	4,370,573
Capital Assets:	
Land	1,941,090
Depreciable Buildings, Equipment, and Vehicles, Net of Accumulated Depreciation	8,495,115
<b>TOTAL ASSETS</b>	<u>27,122,763</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Accumulated decreases in fair value of hedging derivative	259,348
Deferred amount on pensions	2,333,675
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 29,715,786</u>
<b>LIABILITIES</b>	
Accounts Payable and Accrued Expenses	\$ 896,238
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due within one year	686,056
Due in more than one year	3,981,709
<b>TOTAL LIABILITIES</b>	<u>5,564,003</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred amount on pensions	1,675,754
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>7,239,757</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	7,817,306
Restricted for:	
Debt Service	1,049,086
Unrestricted	13,609,637
<b>TOTAL NET POSITION</b>	<u>22,476,029</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 29,715,786</u>

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

**ESTERO FIRE RESCUE DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended September 30, 2015**

	<u>Governmental Activities</u>
<b>PROGRAM EXPENSES</b>	
Public Safety - Fire and Rescue Services	
Personnel Services	\$ 8,127,946
Operating	1,748,223
Depreciation	786,699
Interest and Fiscal Charges	118,759
TOTAL PROGRAM EXPENSES	<u>10,781,627</u>
<b>PROGRAM REVENUES</b>	
Insurance Premium Tax for Firefighters' Pension	345,330
Federal, State, and Local Grants	15,000
State Shared	21,340
Charges for Services	109,083
Impact Fees	272,700
TOTAL PROGRAM REVENUES	<u>763,453</u>
NET PROGRAM EXPENSES	<u>10,018,174</u>
<b>GENERAL REVENUES</b>	
Ad Valorem Taxes	11,809,694
Interest	40,850
Gain on Sale of Capital Assets	60,375
Other Revenues	138,502
TOTAL GENERAL REVENUES	<u>12,049,421</u>
INCREASE IN NET POSITION	2,031,247
<b>NET POSITION - Beginning of the Year, as restated (Note M)</b>	<u>20,444,782</u>
<b>NET POSITION - End of the Year</b>	<u>\$ 22,476,029</u>

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

**ESTERO FIRE RESCUE DISTRICT  
BALANCE SHEET – GENERAL FUND  
September 30, 2015**

**ASSETS**

*Unrestricted*

Cash	\$ 7,988,093
Investments	3,147,652
Accounts Receivable	9,173
Due from Other Governments	121,981
TOTAL UNRESTRICTED	<u>11,266,899</u>

*Restricted*

Cash	1,025,841
Due from Other Governments	23,245
TOTAL RESTRICTED	<u>1,049,086</u>

TOTAL ASSETS	<u><u>\$ 12,315,985</u></u>
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**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts Payable and Accrued Expenses	<u>\$ 896,238</u>
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**FUND BALANCE**

*Restricted*

Debt	442,429
Impact Fees	606,657

*Committed*

Capital Improvement Program	3,106,250
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*Assigned*

Community Safety Program	11,020
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*Unassigned*

TOTAL FUND BALANCE	<u>7,253,391</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 12,315,985</u></u>

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

**ESTERO FIRE RESCUE DISTRICT  
RECONCILIATION OF THE BALANCE SHEET –  
GENERAL FUND TO THE STATEMENT OF NET POSITION  
September 30, 2015**

	<u>Amounts</u>
Total Fund Balance for General Fund	\$ 11,419,747
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Pension assets used in governmental activities are not financial resources and therefore, are not reported in the general fund.	4,370,573
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the general fund.	
Capital assets not being depreciated:	
Land & Improvements	1,941,090
Capital assets being depreciated:	
Building, Equipment, and Vehicles	\$ 15,441,273
Less Accumulated Depreciation	<u>(6,946,158)</u>
	8,495,115
Deferred outflows of resources are not recognized in the general fund; however, they are recorded in the statement of net position under full accrual accounting.	
Pension earnings and experience	2,333,675
Deferred inflows of resources are not recognized in the general fund; however, they are recorded in the statement of net position under full accrual accounting.	
Pension assumptions	(1,675,754)
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	(837,846)
Series 2007A Promissory Note Payable	(1,781,053)
Termination Benefit	(42,541)
Compensated Absences	(919,977)
Implicit Subsidy (OPEB)	<u>(827,000)</u>
	<u>(4,408,417)</u>
Total Net Position of Governmental Activities	<u>\$ 22,476,029</u>

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

**ESTERO FIRE RESCUE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – GENERAL FUND  
Year Ended September 30, 2015**

**REVENUES**

Ad Valorem Taxes	\$ 11,809,694
Insurance Premium Tax for Firefighters' Pension	345,330
Intergovernmental:	
Federal Grant	15,000
State Shared	21,340
Charges for Services	109,083
Miscellaneous:	
Impact Fees	272,700
Community Safety Program Donations	1,877
Interest	40,850
Other	136,625
TOTAL REVENUES	<u>12,752,499</u>

**EXPENDITURES**

Current	
Public Safety	
Personnel Services	9,377,531
Operating Expenditures	1,748,223
Capital Outlay	237,130
Debt Service	
Principal Reduction	653,423
Interest and Fiscal Charges	118,759
TOTAL EXPENDITURES	<u>12,135,066</u>

EXCESS OF REVENUES OVER EXPENDITURES	<u>617,433</u>
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**OTHER FINANCING SOURCES**

Proceeds from Sale of Capital Assets	<u>60,500</u>
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TOTAL OTHER FINANCING SOURCES	<u>60,500</u>
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NET CHANGE IN FUND BALANCE	677,933
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FUND BALANCE - Beginning of the Year	<u>10,741,814</u>
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FUND BALANCE - End of the Year	<u><u>\$ 11,419,747</u></u>
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*The accompanying notes are an integral part of these financial statements.*



**ESTERO FIRE RESCUE DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE –  
GENERAL FUND TO THE STATEMENT OF ACTIVITIES  
Year Ended September 30, 2015**

Amounts

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

Net change in fund balance - general fund	\$	677,933
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General fund reports 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.		(549,569)
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The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(125)
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Repayment of principal is an expenditure in the general fund but reduces the liability in the statement of net position.

Repayments:		
Notes payable		653,423

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.

Increase in compensated absences	\$	137,760	
Increase in termination benefits		(2,659)	
Increase in implicit subsidy (OPEB)		(141,000)	
Pension expense		1,255,484	
		1,249,585	

Change in Net Position of Governmental Activities	\$	<u><u>2,031,247</u></u>
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**ESTERO FIRE RESCUE DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND**  
**Year Ended September 30, 2015**

REVENUES	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Taxes				
Ad Valorem Taxes	\$ 11,729,724	\$ 11,729,724	\$ 11,809,694	\$ 79,970
Insurance Premium Tax for Pension	340,000	345,330	345,330	-
Subtotal - Taxes	<u>12,069,724</u>	<u>12,075,054</u>	<u>12,155,024</u>	<u>79,970</u>
Intergovernmental:				
Federal Grant	-	-	15,000	15,000
State Shared (Degree Incentive)	21,720	21,720	21,340	(380)
State and local grants	5,000	5,000	-	(5,000)
Subtotal - Intergovernmental	<u>26,720</u>	<u>26,720</u>	<u>36,340</u>	<u>9,620</u>
Charges for services				
EMS Standby	36,000	36,000	40,048	4,048
Public Safety Classes	18,000	18,000	12,221	(5,779)
Community Safety Program Vaccine Program	-	-	1,185	1,185
Inspection Fees	60,000	60,000	55,629	(4,371)
Subtotal - Charges for Services	<u>114,000</u>	<u>114,000</u>	<u>109,083</u>	<u>(4,917)</u>
Miscellaneous:				
Impact Fees	60,000	60,000	272,700	212,700
Community Safety Program	1,500	1,500	1,877	377
Interest				
Operating Interest	25,000	25,000	25,368	368
Other Interest	-	-	14,576	14,576
Impact Fees Interest - Restricted	-	-	906	906
Other				
Ambulance Bay Rent	14,361	14,361	14,361	-
Miscellaneous	-	49,603	122,264	72,661
Subtotal - Miscellaneous	<u>100,861</u>	<u>150,464</u>	<u>452,052</u>	<u>301,588</u>
TOTAL REVENUES	<u>12,311,305</u>	<u>12,366,238</u>	<u>12,752,499</u>	<u>386,261</u>
<b>EXPENDITURES</b>				
Current				
Public Safety				
Personnel Services:				
Regular Salaries/Wages/Unemployment	5,530,800	5,549,419	5,529,584	19,835
Other Salaries and Wages	81,156	22,027	22,027	-
Overtime	170,000	248,171	248,171	-
Special Pay	557,215	627,295	627,295	-
FICA Taxes	484,947	485,573	485,573	-
Retirement Contributions	1,175,131	1,267,102	1,267,102	-
Life, Health Insurance	969,900	957,829	957,829	-
Workers' Compensation Insurance	263,894	239,950	239,950	-
Subtotal - Personnel Services	<u>9,233,043</u>	<u>9,397,366</u>	<u>9,377,531</u>	<u>19,835</u>

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

**ESTERO FIRE RESCUE DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND**  
**Year Ended September 30, 2015**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Operating Expenditures:				
Property Appraiser Fees	\$ 101,284	\$ 92,239	\$ 92,239	\$ -
Tax Collector Fees	247,008	236,429	236,429	-
Professional Services	93,668	127,217	120,905	6,312
Accounting and Auditing	55,000	55,000	40,000	15,000
Travel	57,594	33,212	33,211	1
Communications and Freight Services	42,997	97,488	97,488	-
Utility Services	57,816	59,356	59,354	2
Insurance	144,965	144,965	139,394	5,571
Repair and Maintenance Services	613,748	519,579	519,579	-
Printing and Binding	2,145	6,926	6,926	-
Promotional Activities	16,950	14,390	11,888	2,502
Other Current Charges and Obligations	26,795	25,258	25,258	-
Office Supplies	15,500	19,319	19,319	-
Operating Supplies	275,169	250,775	250,776	(1)
Training, Subscriptions, Memberships	123,553	82,649	95,457	(12,808)
Subtotal - Operating Expenditures	<u>1,874,192</u>	<u>1,764,802</u>	<u>1,748,223</u>	<u>16,579</u>
Capital outlay:				
Vehicles	193,000	179,129	192,098	(12,969)
Equipment	13,800	27,671	27,671	-
Information Technology	24,000	24,000	17,361	6,639
Subtotal - Capital Outlay	<u>230,800</u>	<u>230,800</u>	<u>237,130</u>	<u>(6,330)</u>
Debt Service:				
Principal Retirement-Unrestricted	653,436	653,436	653,423	13
Interest and Fiscal Charges-Unrestricted	118,764	118,764	118,759	5
Subtotal - Debt Service	<u>772,200</u>	<u>772,200</u>	<u>772,182</u>	<u>18</u>
TOTAL EXPENDITURES	<u>12,110,235</u>	<u>12,165,168</u>	<u>12,135,066</u>	<u>30,102</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>201,070</u>	<u>201,070</u>	<u>617,433</u>	<u>416,363</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from Sale of Capital Assets	50,000	50,000	60,500	10,500
TOTAL OTHER FINANCING	<u>50,000</u>	<u>50,000</u>	<u>60,500</u>	<u>10,500</u>
NET CHANGE IN FUND BALANCE	<u>251,070</u>	<u>251,070</u>	<u>677,933</u>	<u>426,863</u>
Beginning Fund Balance	10,741,814	10,741,814	10,741,814	-
TOTAL FUND BALANCE - BEGINNING	<u>10,741,814</u>	<u>10,741,814</u>	<u>10,741,814</u>	<u>-</u>
Ending Fund Balance	10,992,884	10,992,884	11,419,747	426,863
TOTAL FUND BALANCE - ENDING	<u>\$ 10,992,884</u>	<u>\$ 10,992,884</u>	<u>\$ 11,419,747</u>	<u>\$ 426,863</u>

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

**ESTERO FIRE RESCUE DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUND**  
**September 30, 2015**

	<u>Firefighters' Trust</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 141,095
Investments	<u>17,495,842</u>
TOTAL ASSETS	17,636,937
<b>LIABILITIES</b>	
Prepaid Contributions	<u>658,107</u>
<b>NET POSITION</b>	
Restricted for Benefits	<u><u>\$ 16,978,830</u></u>

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

**ESTERO FIRE RESCUE DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –**  
**FIDUCIARY FUND**  
**Year Ended September 30, 2015**

	<u>Firefighters' Trust</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 744,517
Plan Members	146,502
State Contributions	<u>345,330</u>
Total Contributions	1,236,349
Investment Income (Expense):	
Net Depreciation in Fair Value of Investments	(40,383)
Less: Investment Expenses	<u>(28,450)</u>
Total Investment Loss	<u>(68,833)</u>
TOTAL ADDITIONS	<u>1,167,516</u>
<b>DEDUCTIONS</b>	
Benefits Paid	104,437
Administrative Expenses	<u>35,443</u>
TOTAL DEDUCTIONS	<u>139,880</u>
NET INCREASE IN PLAN NET POSITION	1,027,636
<b>PLAN NET POSITION - Beginning of year</b>	<u>15,951,194</u>
<b>PLAN NET POSITION - End of year</b>	<u><u>\$ 16,978,830</u></u>

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

**ESTERO FIRE RESCUE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015**

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

**Organization and Nature of Activities**

Estero Fire Rescue District (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 68 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, 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 Position 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 DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2015**

**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, such as inspection fees, 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.

**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. 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 DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2015**

**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 District.

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 60 days of the end of the current fiscal period.



**ESTERO FIRE RESCUE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015**

**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 60 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, and 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 DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2015**

**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 Position.

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 and improvements	3-35
Equipment	3-7
Vehicles	4-15

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District reports deferred outflows for interest rate swaps, as well as for the difference between expected and actual experience and net differences between projected and actual earnings on pension plan investments. A deferred outflow on interest rate swaps results from the difference in the interest rates paid and received. This amount is deferred and fair value is adjusted over the term of the interest rate swap agreement. The amounts relating to the pension plan will be recognized as increases in pension expense in future years.

**ESTERO FIRE RESCUE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2015**

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

**Deferred Outflows/Inflows of Resources (Continued)**

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources reported in the District's statement of net position represent changes in actuarial assumptions. These amounts will be recognized as reductions in pension expense in future years.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Firefighters' Retirement Plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Budgets and Budgetary Accounting**

The District adopted an annual budget for the General Fund which included budgeted appropriated expenditures equal to budgeted revenue and beginning fund balance.

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, 2015, 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.

**ESTERO FIRE RESCUE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2015**

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

**Budgets and Budgetary Accounting (Continued)**

The Board of Commissioners approved one (1) separate request to reconcile budget amounts at the program level and/or the account level during the year ended September 30, 2015. 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, 2015, the Fire Chief approved no separate requests to transfer budgeted amounts at the account level. These transfers are reclassification transactions necessary to appropriately manage the budget. Overall expenditure amounts would not change as a result of these types of 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". GASB 45 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

**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 administrative employees; 500 hours for 40 hour chief officers, executive staff, and bargaining unit employees; and 600 hours for 56 hour chief officers and bargaining unit 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 personal leave benefits is recorded in the government-wide financial statements—Statement of Net Position.

**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.

**ESTERO FIRE RESCUE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2015**

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

**Fund Balance**

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

The components of Fund Balance are:

**Nonspendable**

The portion of net resources or fund balance that cannot be spent because of their form. These amounts will never convert to cash or not convert soon enough to affect the current period (e.g., long-term receivables or prepaid items).

**Restricted**

The restricted fund balance is the portion that reflects resources that are subject to externally enforceable legal restrictions such as debt covenants or county ordinances.

Since the Board has no authority to expend restricted fund balances, the restricted component is typically excluded from discussions in which the Board and management at their discretion may approve to expend, commit, or assign. All other components may be generally referred to as "unrestricted", even though constraints imposed by the District may exist.

**Committed**

The portion of fund balance that represents resources whose use is constrained by a formal action (resolution) of the District's Board of Fire Commissioners, the District's highest level of decision making authority. Constraints made by the Board remain binding unless removed in the same manner. The Board has committed fund balance for the capital improvement program.

**Assigned**

The portion of fund balance that reflects the District's intended use of resources. Such intent can be established by the Board or delegated to the Fire Chief for unforeseen expenses below \$10,000 that were not budgeted for and advance Board approval is deemed unnecessary in order to maintain the normal operation of the District. The Board has assigned the activities of the Community Safety Program to the Fire Chief. Additionally, any amounts appropriated for projected deficits in the subsequent year will be assigned.

**Unassigned**

The portion of fund balance representing net resources in excess of what can properly be classified in one of the three categories described above and whose use is constrained by limitations set by the Board. Only the Board may, from time to time, as deemed necessary increase or decrease fund balance commitments and assignments. Annually, the Board will evaluate, or assign or commit estimated net resources that are in excess of those amounts already committed and assigned.

**ESTERO FIRE RESCUE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2015**

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

**Fund Balance (Continued)**

The District expends restricted amounts first when both restricted and unrestricted fund balances are available unless there are legal documents that prohibit doing this. Additionally, the District would first use committed fund balance, followed by assigned fund balance and then unassigned fund balance, when expenditures are incurred for purposes in which amounts are available from any of these unrestricted fund balance classifications.

**Derivatives**

The District adheres to the requirements of GASB Statement Number 53, "Accounting and Financial Reporting for Derivative Instruments". GASB 53 requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts (SGIC) that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. This 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 Position.

**NOTE B CASH**

As of September 30, 2015, the District's cash was as follows:

General Fund	
Cash on Hand	\$ 400
Demand Deposits	<u>9,013,534</u>
Total General Fund	9,013,934
Pension Trust	
Cash with Fiscal Agent	<u>141,095</u>
Total General Fund and Pension Trust	<u><u>\$ 9,155,029</u></u>

**ESTERO FIRE RESCUE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2015**

**NOTE B CASH (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 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.

**NOTE C INVESTMENTS**

As of September 30, 2015, 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>
General Fund			
Nonnegotiable Certificate of Deposit	3/16/2018	\$ 3,147,652	
Total General Fund		3,147,652	
Pension Trust			
External Investment Pool	N/A		
Fixed Income Funds		7,019,502	AA/V4 - Fitch Ratings
International Funds		1,657,872	Not Rated
Equity Funds		8,818,468	Not Rated
Total Pension Trust		17,495,842	
Total General Fund and Pension Trust		\$ 20,643,494	

**ESTERO FIRE RESCUE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2015**

**NOTE C INVESTMENTS (CONTINUED)**

**Custodial Credit Risk**

By Florida Statutes 218.415, the District is authorized to invest in the Florida Local Government Surplus Funds Trust Fund, Florida Local Government Investment Trust, Securities and Exchange Commission registered money market funds, interest-bearing savings accounts, certificates of deposit, federal agencies and instrumentalities, 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, 2015, the Firefighters' Retirement Pension Trust Fund 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 \$17,495,842 at September 30, 2015, and is controlled by the Firefighters' Retirement Plan Board of Trustees' policy. This policy provides for investments in Florida Municipal Investment Trust (FMIvT) Portfolios, Securities and Exchange Commission registered money market funds, certificates of deposit, direct obligations of the U.S. Treasury, federal agencies and instrumentalities, repurchase agreements, collateralized mortgage obligations, prime commercial paper of a United States corporation, finance company or banking institution, regulated bond mutual funds, corporate bonds or other corporate debt securities, investment grade obligations of state and local governments and public authorities, and equity securities.

The Pool's investment guidelines establish a minimum bond fund credit rating of A. As of September 30, 2015, the Pool's fixed income fund was rated AA/V4 by Fitch Ratings.

**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 volatile interest rates, the District limits the duration of its investments to five years. The Firefighters' Pension Trust's investment policy does not limit the duration. Instead its primary objective is to seek long-term growth of capital income consistent with the conservation of capital. Emphasis is placed on achieving consistent returns and avoiding extreme volatility in market value.



**ESTERO FIRE RESCUE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2015**

**NOTE D CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended September 30, 2015:

	Balance September 30, 2014	Additions	Deletions	Balance September 30, 2015
Capital Assets Not Being Depreciated:				
Land	\$ 1,941,090	\$ -	\$ -	\$ 1,941,090
Total Capital Assets Not Being Depreciated	1,941,090	-	-	1,941,090
Capital Assets Being Depreciated:				
Buildings and Improvements	9,320,372	6,680	(5,572)	9,321,480
Vehicles	5,574,424	180,784	(385,453)	5,369,755
Equipment	727,962	49,666	(27,590)	750,038
Total Capital Assets Being Depreciated	15,622,758	237,130	(418,615)	15,441,273
Less Accumulated Depreciation:				
Buildings and Improvements	(2,653,765)	(303,124)	5,572	(2,951,317)
Vehicles	(3,431,041)	(424,969)	386,002	(3,470,008)
Equipment	(493,143)	(58,606)	26,916	(524,833)
Total Accumulated Depreciation	(6,577,949)	(786,699)	418,490	(6,946,158)
Total Capital Assets Being Depreciated, Net	9,044,809	(549,569)	(125)	8,495,115
Capital Assets, Net	\$ 10,985,899	\$ (549,569)	\$ (125)	\$ 10,436,205

**ESTERO FIRE RESCUE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2015**

**NOTE E LONG-TERM LIABILITIES**

**Summary of Long-Term Obligations**

The following is a summary of the long-term obligations at September 30, 2015:

	<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 0.80%. 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>	\$ 837,846
<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 11, 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>	1,781,053
<p>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.</p>	42,541
<p>Fair market value of the District's hedging derivative instruments (Swaps).</p>	259,348
<p>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.</p>	827,000
<p>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.</p>	919,977
	\$ 4,667,765

**ESTERO FIRE RESCUE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015**

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

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

The following is a summary of changes in long-term liabilities for the fiscal year ended September 30, 2015:

	Balance October 1 2014	Additions	Retirements	Balance September 30 2015	Amounts Due Within One Year
Renewal C (2002A)	\$ 1,342,848	\$ -	\$ (505,002)	\$ 837,846	\$ 523,513
Series 2007A	1,929,474	-	(148,421)	1,781,053	148,421
Deferred Compensation	39,882	2,659	-	42,541	-
Derivative Instruments	270,244	-	(10,896)	259,348	-
Implicit Subsidy (OPEB)	686,000	141,000	-	827,000	-
Compensated Absences	1,057,737	753,890	(891,650)	919,977	14,122
	<u>\$ 5,326,185</u>	<u>\$ 897,549</u>	<u>\$ (1,555,969)</u>	<u>\$ 4,667,765</u>	<u>\$ 686,056</u>

The annual debt service requirements are as follows at September 30:

	Renewal C (2002A)		Series 2007A		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 523,513	\$ 21,738	\$ 148,421	\$ 72,442	\$ 671,934	\$ 94,180
2017	314,333	3,752	148,421	65,984	462,754	69,736
2018	-	-	148,421	59,724	148,421	59,724
2019	-	-	148,421	53,464	148,421	53,464
2020	-	-	148,421	47,334	148,421	47,334
2021-2025	-	-	742,105	142,178	742,105	142,178
2026-2027	-	-	296,843	13,026	296,843	13,026
	<u>\$ 837,846</u>	<u>\$ 25,490</u>	<u>\$ 1,781,053</u>	<u>\$ 454,152</u>	<u>2,618,899</u>	<u>479,642</u>
			Deferred Compensation Benefit	42,541		-
			Derivative Instruments	259,348		-
			Implicit Subsidy (OPEB)	827,000		-
			Accrued Compensated Absences	919,977		-
			Total Long-Term Debt	<u>\$ 4,667,765</u>		<u>\$ 479,642</u>

The District was required by the lender to establish a reserve account of \$435,000 which, as of September 30, 2015, was funded by the loan proceeds.

**ESTERO FIRE RESCUE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2015**

**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 3.72% 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, 2015, 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, 2015	Swap Termination	Counterparty Credit Rating
\$ 837,845	06/24/03	3.620%	65.0% of LIBOR + 0.80%	\$ (17,207)	4/24/2017	Aaa/AA+/AA
1,781,053	09/24/08	4.160%	63.7% of LIBOR + 0.80%	(242,141)	9/24/2027	Aaa/AA+/AA
<u>\$ 2,618,898</u>				<u>\$ (259,348)</u>		

The swaps are associated with the promissory notes reported in Note E. The fair value of swaps at September 30, 2015 is included in long-term liabilities due in more than one year on the Statement of Net Position. The combined fair value of the two remaining swap agreements decreased by \$10,896 during the year ending September 30, 2015.

Because the variable interest rates have decreased below the fixed rates, the swaps have a negative fair value as of September 30, 2015. 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 is 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, 2015, the District was 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 fair value, the District would be liable to the counterparty for a payment equal to the swaps' fair value.

**ESTERO FIRE RESCUE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2015**

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

As of September 30, 2015, 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.

Fiscal Year Ending September, 30	Variable Rate Debt		Interest Rate Swap, Net	Total
	Principal	Interest		
2016	\$ 671,934	\$ 21,803	\$ 72,377	\$ 766,114
2017	462,754	15,401	54,335	532,490
2018	148,421	12,980	46,744	208,145
2019	148,421	11,607	41,857	201,885
2020	148,421	10,235	37,099	195,755
2021-2025	742,105	30,591	111,587	884,283
2026-2027	296,843	2,630	10,396	309,869
	<u>\$ 2,618,899</u>	<u>\$ 105,247</u>	<u>\$ 374,395</u>	<u>\$ 3,098,541</u>

**NOTE G RETIREMENT PLANS**

The District has funded retirement costs in two ways:

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

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**

**Plan Description** – 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 is a defined benefit plan and became effective December 1, 2000. Firefighters become participants in the Plan immediately upon hire. For the year ended September 30, 2015, the District was required to contribute 20.73% of covered payroll (excludes regular 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.

**ESTERO FIRE RESCUE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2015**

**NOTE G RETIREMENT PLANS (CONTINUED)**

**Plan 1 – Plan Description and Provisions – Firefighters' Retirement Plan (Continued)**

**Contributions** – Contributions to the Plan are derived from three sources: employees, 3% of compensation paid by the employee; state funds, (insurance premium tax per Florida Statute Chapter 175); and the employer, remaining amount necessary to meet the actuarial funding requirement. The state contribution is based on property fire insurance premiums collected within the District and 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 30 year period commencing on the valuation date.

The District contributed 100% of its required contributions. As such, the District made employer contributions of \$836,946, \$873,776, and \$996,618, for the years ended September 30, 2015, 2014, and 2013, respectively. Covered payroll for the years ended September 30, 2015, 2014, and 2013, was \$4,883,330, \$4,457,302, and \$4,032,937, respectively.

The employees contributed 100% of their respective required contributions to the Plan during the year ended September 30, 2015. Employee contributions for the years ended September 30, 2015, 2014, and 2013, were \$146,502, \$134,012, and \$120,988, 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. The benefit is equal to 2.00% of Average Final Compensation (AFC) multiplied by Credited Service earned prior to December 1, 2000, plus 3.70% of AFC multiplied by Credited Service earned during the period December 1, 2000 through September 30, 2010, plus 3.00% of AFC multiplied by Credited Service earned after September 30, 2010. The average final monthly compensation (AFC) is the average of the five highest years within the last 10 years of service or career average, whichever is higher. 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 or several other actuarially equivalent payment options are available. A lump sum payment is required if the single sum value of the participant's benefit is less than or equal to \$1,000.

In fiscal year ending September 30, 2011, the District adopted what is known as a Stop Start Plan. This essentially simultaneously stopped the Plan and restarted the Plan at its original benefit rates. The benefit multiplier was then increased for a 10 year period of credited service. A supplemental benefit now provided to participants is a Share Account that is to be funded solely and entirely by Chapter 175 premium tax revenues in excess of the frozen amount. Each participant's "share" of this supplemental benefit will be based on credited years of service. The assets in the Share Account at September 30, 2015 totaled \$616,539.

**ESTERO FIRE RESCUE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2015**

**NOTE G RETIREMENT PLANS (CONTINUED)**

**Plan 1 – Plan Description and Provisions – Firefighters' Retirement Plan (Continued)**

**Employees Covered by Benefit Terms** – At September 30, 2015, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	4
Inactive Employees Entitled to but not yet Receiving Benefits	7
Active Employees	59
Total	<u>70</u>

**Early Retirement** - 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.

Active employees who become totally and permanently disabled directly from the performance of their duty as a firefighter shall receive a Normal Retirement Benefit with the minimum benefit equal to 42% of AFC. Any member with 10 years or more of credited service who become totally and permanently disabled which disability is not directly caused by the performance of his duties as a firefighter shall also receive a Normal Retirement Benefit, with no minimum limit.

**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).

**ESTERO FIRE RESCUE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015**

**NOTE G RETIREMENT PLANS (CONTINUED)**

**Plan 1 – Plan Description and Provisions – Firefighters' Retirement Plan (Continued)**

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

The actuarial present value of accumulated Plan benefits is determined by an actuary and is the amount that results from applying actuarial assumptions to adjust the accumulated Plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuations as of September 30, 2015 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, 2015 actuary valuation reflected assumed average rates of return of 7.0%. 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.

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

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

A copy of the Plan's annual report for September 30, 2015 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.

In addition, the Plan issued a stand-alone report that includes audited financial statements and required supplementary information. The report may be obtained from the Plan Board of Trustees.



**ESTERO FIRE RESCUE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2015**

**NOTE G RETIREMENT PLANS (CONTINUED)**

**Plan 1 – Plan Description and Provisions – Firefighters' Retirement Plan (Continued)**

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	District Board of Commissioners
Administration 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
Share Plan	Yes
Normal form of benefit	Ten year certain and life

**ESTERO FIRE RESCUE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2015**

**NOTE G RETIREMENT PLANS (CONTINUED)**

**Net Pension Liability**

The District's net pension asset was measured as of September 30, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of October 1, 2014 updated to September 30, 2015.

*Actuarial assumptions.* The total pension liability in the September 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.59 Percent
Salary Increases	4.50 Percent, Average, Including Inflation
Investment Rate of Return	9.08 Percent, Net of Pension Plan Investment Expense, Including Inflation

Mortality rates were based on the sex-distinct rates set forth in the RP-2000 Mortality Table for annuitants, projected to 2015 by Scale AA, as published by the Internal Revenue Service for purposes of IRC Section 430.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Core bonds	16.00 %	2.48 %
Multi-sector	24.00 %	2.20 %
U.S. large cap equity	39.00 %	7.14 %
U.S. small cap equity	11.00 %	8.45 %
Non-U.S. equity	10.00 %	5.48 %
Total	100.0 %	

*Discount rate.* The discount rate used to measure the total pension liability was 9.08%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**ESTERO FIRE RESCUE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015**

**NOTE G RETIREMENT PLANS (CONTINUED)**

**Plan 1 – Plan Description and Provisions – Firefighters' Retirement Plan (Continued)**

**Changes in the Net Pension Asset**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
Balance - September 30, 2014	\$ 12,169,822	\$ (15,931,902)	\$ (3,762,080)
Changes for the Year			
Service Cost	236,813	-	236,813
Expected Interest Growth	1,116,502	(1,496,767)	(380,265)
Unexpected Investment Income	-	1,537,425	1,537,425
Demographic Experience	1,222,925	-	1,222,925
Contributions - Employer	-	(1,139,300)	(1,139,300)
Contributions – Employee	-	(146,502)	(146,502)
Benefit Payments, Including Refunds of Employee Contributions	(225,627)	93,875	(131,752)
Administrative Expenses	-	62,772	62,772
Assumption Changes	(1,870,609)	-	(1,870,609)
Net Changes	480,004	(1,088,497)	(608,493)
Balance - September 30, 2015	<u>\$ 12,649,826</u>	<u>\$ (17,020,399)</u>	<u>\$ (4,370,573)</u>

*Sensitivity of the net pension asset to changes in the discount rate.* The following table presents the net pension asset of the District, calculated using the discount rate of 9.08%, as well as what the District's net pension asset would be if it were calculated using a discount rate that is one percentage point lower (8.08%) or one percentage point higher (10.08% than the current rate:

	1% Decrease (8.08%)	Current Discount Rate (9.08%)	1% Increase (10.08%)
	District's Net Pension Asset	\$ 2,520,321	\$ 4,370,573

**ESTERO FIRE RESCUE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2015**

**NOTE G RETIREMENT PLANS (CONTINUED)**

**Plan 1 – Plan Description and Provisions – Firefighters' Retirement Plan (Continued)**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2015, the District recognized pension expense of \$116,184. At September 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 923,638	\$ -
Changes of Assumptions	-	1,675,754
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,410,037	-
Total	<u>\$ 2,333,675</u>	<u>\$ 1,675,754</u>

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

<u>Year Ended September 30</u>	
2016	\$ 242,750
2017	242,750
2018	242,752
2019	240,018
2020	(67,467)
Thereafter	(242,882)

**Funding**

The State of Florida makes contributions from taxes on casualty insurance premiums to the Firefighters' Retirement Plan – Plan 1. The state contributions of \$345,330 for the year ended September 30, 2015, are recognized by the District as on behalf payments and are reported as revenues and expenditures in the general fund statements.

**ESTERO FIRE RESCUE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2015**

**NOTE G RETIREMENT PLANS (CONTINUED)**

**Plan 1 – Plan Description and Provisions – Firefighters' Retirement Plan (Continued)**

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 \$658,107 is available at September 30, 2015. 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.

The share account is essentially a defined contribution benefit, and the assets are not included in the actuarial value of assets available to fund accumulated Plan benefits. The following is a summary of the Plan's net position:

	Firefighters' Retirement	Share Account	Total Firefighters' Trust
Cash and cash equivalents	\$ 136,163	\$ 4,932	\$ 141,095
Investments	16,884,235	611,607	17,495,842
Prepaid contributions	(658,107)	-	(658,107)
<b>TOTAL NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>	<b><u>\$ 16,362,291</u></b>	<b><u>\$ 616,539</u></b>	<b><u>\$ 16,978,830</u></b>

**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 years of credited service. Vesting begins at 40% after completion of two years of credited service and increases at 20% per year. Normal retirement age is 52 years of age.

The Plan requires the District to make contributions equal to 10% of the qualified employee's compensation, excluding bonuses and lump sum payments, except for the Fire Chief, as the Board resolved to contribute 18% of his compensation which is to be inclusive of the required employer match portion. The Plan also allows the employee participants to make contributions. Employee contributions are deposited into the respective employee's deferred compensation plan (Section 457 Plan) account. Therefore, the employee's contributions are maintained separately from those of the employer (District) contributions. The Plan also requires the employer to match the employee's voluntary contributions dollar for dollar up to 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, 2015, 2014, and 2013 were \$84,735, \$96,116, and \$125,537, respectively.

**ESTERO FIRE RESCUE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2015**

**NOTE G RETIREMENT PLANS (CONTINUED)**

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

The District contributed 100% of its required contributions for the year ended September 30, 2014. Employee contributions to the Plan were \$238,012, \$242,255, and \$192,396, for the years ended September 30, 2015, 2014, and 2013, 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.

Membership of the Plan consisted of the following at September 30, 2015:

	<u>OPEB Plan</u>
1. Number of participants included:	
Current retirees:	
Under age 65	1
Over age 65	<u>0</u>
Total current retirees	1
Active employees:	
Active employees fully eligible for benefits	8
Active employees not yet fully eligible for benefits	<u>60</u>
Total active employees	<u>68</u>
Total number of participants	<u><u>69</u></u>
2. Average age of active employees	39.9 years

**ESTERO FIRE RESCUE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2015**

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

**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 October 1, 2015.

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 15 years.

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:

**Net OPEB Obligation**

Annual required contribution	\$ 175,000
Interest on net OPEB obligation	27,000
Adjustment to annual required contribution	<u>(59,000)</u>
Annual OPEB cost	143,000
Contributions made	
Estimated Implicit Subsidy	<u>2,000</u> <sup>a</sup>
Change in net OPEB obligation	141,000
Net OPEB obligation, beginning of year	<u>686,000</u>
Net OPEB obligation, end of year	<u><u>\$ 827,000</u></u>

<sup>a</sup> 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.

**ESTERO FIRE RESCUE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2015**

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

**Funding and Financial Planning (Continued)**

A schedule of employer contributions is presented in the table below:

Year Ended September 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2015	\$ 143,000	1%	\$ 827,000
2014	\$ 138,000	1%	\$ 686,000
2013	\$ 122,000	4%	\$ 550,000

A schedule of funding progress is included as required supplementary information to the financial statements.

**Additional Information**

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

	<u>OPEB</u>
Valuation date	10/1/2014
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> 7.00% for 2014/15 graded to 5.50% for 2017/18
Ultimate rate	5.00% per annum

**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 2015 is included in the accompanying financial statements, since such taxes are collected to finance expenditures of the subsequent period.



**ESTERO FIRE RESCUE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2015**

**NOTE I PROPERTY TAXES (CONTINUED)**

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 \$2.19 per \$1,000 (2.1881 mils) of the 2014 net taxable value of real property located within the District.

**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 effect on the financial condition of the District. As a general policy, the District plans to contest any such matters.

**ESTERO FIRE RESCUE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2015**

**NOTE J COMMITMENTS AND CONTINGENCIES (CONTINUED)**

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, 2015, the amortized balance of the liability owed by the District if the agreement was terminated is approximately \$59,814. 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, 2015, 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, outside of the bargaining unit. 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, 2015 was \$42,541. This liability is considered a long-term liability and is recorded in the Statement of Net Position as deferred compensation benefits expected to be paid after one year. There is currently no expected termination of the Fire Chief.

**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.

**ESTERO FIRE RESCUE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2015**

**NOTE K RISK MANAGEMENT (CONTINUED)**

Insurance for workers' compensation, general/management 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/management liability, automobile and property; except for those essential assets that have a guaranteed replacement value. An umbrella policy minimizes the District's exposure with an additional amount of coverage (up to \$5,000,000 per occurrence) for general/management claims. 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.

The District's dental insurance program is self-funded and is administered by a third party administrator. At September 30, 2015, 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 FUTURE FIRE IMPACT FEES**

In 2002 the District pledged future fire impact fee revenues to secure two bank loans. The loan proceeds were used for financing the construction of fire department facilities and related equipment that was necessary due to population growth in the District.

Impact fee revenue has not been sufficient to pay the District's debt since FY 2008. As such, the District's general ad valorem dollars have been paying the debt service on the loans. It is permissible to pay the debt service with the general ad valorem dollars, but the District is not permitted to secure the long-term debt with the ad valorem dollars. Ad valorem revenue is intended for the operation of the District and the impact fee revenue is intended to finance costs associated with growth, such as additional stations and additional equipment. The District has received Lee County's consent to devise a plan and policy to support the reimbursement of its general ad valorem dollars with future impact fees as they become available.

**ESTERO FIRE RESCUE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2015**

**NOTE L FUTURE FIRE IMPACT FEES (CONTINUED)**

The following is a summary of the use and repayment of ad valorem dollars paying the debt service that is secured with impact fees:

Financial Statement Fiscal Year	Principal retirement-unrestricted	Interest/fiscal charges-unrestricted	Impact Fee Reimbursement*	Accumulated Outstanding Balance
2015	\$ 653,423	\$ 118,759	\$ -	\$ 6,327,570
2014	\$ 635,487	\$ 142,957	\$ -	\$ 5,555,388
2013	\$ 463,644	\$ 118,062	\$ -	\$ 4,776,944
2012	\$ 749,645	\$ 190,890	\$ -	\$ 4,195,238
2011	\$ 918,212	\$ 225,945	\$ -	\$ 3,254,703
2010	\$ 892,102	\$ 257,451	\$ -	\$ 2,110,546
2009	\$ 721,967	\$ 239,026	\$ -	\$ 960,993

\*In the year of reimbursement, impact fee revenue will be reported as "Unrestricted", and the cash will be moved into the District's operating account.

**NOTE M CHANGE IN ACCOUNTING PRINCIPLE**

During the year ended September 30, 2015, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. These pronouncements requires the restatement of the September 30, 2014, net position of the governmental activities as follows:

	Governmental Activities
Net Position, June 30, 2014, as Previously Reported	\$18,060,855
Cumulative Effect of Application of GASB 68, Net Pension Asset	2,372,997
Cumulative Affect of Application of GASB 71 Deferred Outflow of Resources for District Contributions Made to the Plan Subsequent to the Measurement Date During Fiscal Year Ending June 30, 2014	10,930
Net Position, September 30, 2014, as Restated	<u>\$20,444,782</u>

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**ESTERO FIRE RESCUE DISTRICT  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
FIREFIGHTERS' RETIREMENT PLAN  
September 30, 2015**

	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>		
Service Cost	\$ 236,813	\$ 296,869
Interest	1,116,502	915,736
Differences Between Expected and Actual Experience	1,222,925	-
Changes of Assumptions	(1,870,609)	-
Benefit Payments, Including Refunds of Employee Contributions	(225,627)	(183,085)
Net Change in Total Pension Liability	480,004	1,029,520
Total Pension Liability - Beginning of Year	12,169,822	11,140,302
Total Pension Liability - End of Year	<u>12,649,826</u>	<u>12,169,822</u>
 <b>Plan Fiduciary Net Position</b>		
Contributions - Employer	1,139,300	981,425
Contributions - State	-	393,429
Contributions - Employee	146,502	134,012
Net Investment Income	(40,658)	1,125,520
Benefit Payments, Including Refunds of Employee Contributions	(93,875)	(102,421)
Administrative Expenses	(62,772)	(52,454)
Net Change in Plan Fiduciary Net Position	1,088,497	2,479,511
Plan Fiduciary Net Position - Beginning of Year	15,931,902	13,452,391
Plan Fiduciary Net Position - End of Year	<u>17,020,399</u>	<u>15,931,902</u>
 Net Pension Liability (Asset) - End of Year	<u>\$ (4,370,573)</u>	<u>\$ (3,762,080)</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	134.55%	130.91%
 Covered Employee Payroll	\$4,288,910	\$4,234,095
 District's Net Pension Liability as a Percentage of Covered Employee Payroll	NA	NA

**ESTERO FIRE RESCUE DISTRICT  
SCHEDULE OF CONTRIBUTIONS  
FIREFIGHTERS' RETIREMENT PLAN  
September 30, 2015**

**Schedule of District Contributions**

	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ 1,012,328	\$ 1,113,639
Contributions in Relation of the Actuarially Determined Contribution	1,139,300	1,374,854
Contribution Deficiency (Excess)	<u>\$ (126,972)</u>	<u>\$ (261,215)</u>
Covered-Employee Payroll	\$4,288,910	\$4,234,095
Contributions as a Percentage of Covered Employee Payroll	26.56%	32.47%

**Notes to Schedules**

Valuation Date: October 1, 2014

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

**Methods and Assumptions Used to Determine the Contribution Rates:**

Funding Method	Aggregate Cost Method
Amortization Method	Level Percentage of Pay, Open
Remaining Amortization Period	30 years (as of October 1, 2012)
Asset Smoothing Methodology	The actuarial value of assets is equal to the market value of assets, adjusted to reflect a five-year phase in of the net investment gains and losses that occurred after September 30, 2013
Inflation	None
Salary Increases	4.50% per year
Interest Rate	7.00% per year, compounded annually, net of investment related expenses
Retirement Age	If normal retirement age is 53 or earlier: 15% by age 50 10% at ages 51 and 52 100% at the earlier of age 53 or normal retirement age  If normal retirement age is 54 or later: 15% at ages 50 through 54 100% at age 55, except 40% retirement is assumed to occur at a normal retirement age of 54
Mortality	Sex-distinct rates set fourth in the RP-2000 Mortality Table for non-annuitants, projected to 2007 by Scale AA, as published by the IRS for purposes of IRC Section 430. The assumption is the same for pre-retirement and post-retirement mortality.

**ESTERO FIRE RESCUE DISTRICT  
 SCHEDULE OF FUNDING PROGRESS  
 OTHER POST EMPLOYMENT BENEFITS  
 September 30, 2015**

<b>SCHEDULE OF FUNDING PROGRESS</b>						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
10/01/14	\$ -	\$ 932,000	\$ 932,000	0.0%	\$ 5,454,000	17.1%
10/01/12	\$ -	\$ 701,000	\$ 701,000	0.0%	\$ 5,051,000	13.9%
08/01/10	\$ -	\$ 770,000	\$ 770,000	0.0%	\$ 5,019,000	15.3%



## **ADDITIONAL REPORTS**



**INDEPENDENT AUDITORS' 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 the financial statements of the governmental activities, the major fund, and the remaining fund information of Estero Fire Rescue District (the District), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 14, 2016. We conducted our audit 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. Our report includes a reference to other auditors who audited the financial statements of Fiduciary Fund as described in our report on the District's financial statements. The financial statements of the Fiduciary Fund were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Fiduciary Fund.

**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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 result 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.



**CliftonLarsonAllen LLP**

Fort Myers, Florida  
June 14, 2016

## MANAGEMENT LETTER

Board of Commissioners and Management  
Estero Fire Rescue District  
Estero, Florida

### Report on the Financial Statements

We have audited the financial statements of Estero Fire Rescue District (the District), as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated June 14, 2016.

### Auditors' Responsibility

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; and Chapter 10.550, Rules of the Auditor General.

### Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountants' Report on an examination conducted in accordance with AICPA Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 14, 2016, 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. The status of significant findings and recommendations made in the preceding annual financial audit report are listed in Appendix A.

### 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. The District had no component units as of September 30, 2015.

### Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the 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.

**Financial Condition (Continued)**

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the 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.

**Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2015, 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, 2015. In connection with our audit, we determined that these two reports were in agreement.

**Special District Component Units**

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided 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 218.39(3)(b), Florida Statutes. The District does not have any special district component units.

**Other Matters**

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have 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, and the Board of Commissioners and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Fort Myers, Florida  
June 14, 2016

**ESTERO FIRE RESCUE DISTRICT**  
**APPENDIX A – STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
**September 30, 2015**

Prior Year Findings		Current Year Status		
		Cleared	Partially Cleared	Not Cleared
2013-001 Disbursement Support and Policies	Material Weakness	X		
2013-002 Review of Journal Entries	Significant Deficiency	X		
2013-004 Business Purpose Documentation	Management Letter Comment	X		
2013-008 System Password Resets	Management Letter Comment		X	
2013-009 Conflict of Interest Statements	Management Letter Comment			X
2014-001 Annual Financial Reporting Under Generally Accepted Accounting Principles (GAAP)	Material Weakness	X		
2014-002 Audit Adjustments	Material Weakness	X		

**ESTERO FIRE RESCUE DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
September 30, 2015**

**2015-001 Reconciling Accounts at Period End**

Criteria

District management is responsible for establishing and maintaining internal controls for the proper recording of all the District transactions, including year-end receivables and accruals.

Condition

As part of the audit, we discovered certain balance sheet accounts that were not properly reconciled at fiscal year-end.

Cause

The balance sheet accounts as of September 30, 2015 were not properly reconciled by management.

Effect

The design of the internal controls over recording all District transactions, including accruals and receivables could affect the ability of the District to prepare complete and accurate financial statements.

Recommendation

We recommend that management perform the reconciliation of all balance sheet accounts monthly and at year end in order to ensure the accuracy of the financial statements. Balance sheet reconciliations quickly identify errors and needed corrections. If reconciliations are performed infrequently, errors and adjustments can occur, resulting in the need for significant corrections when the reconciliations are performed. Any reconciling differences should be corrected before the books are closed for the fiscal year end.

**2013-008 System Password Resets**

Condition

System user passwords are not required to be reset. User passwords could remain the same for years and lend themselves to detection and misuse.

Criteria

Best practices over information technology (IT) controls include system requirements for users to periodically change their passwords and that passwords not be reused. Additionally, individual passwords should not be shared with others.

Cause

The system requirements have not been modified to require routine user password changes.

Effect

Required password changes are a means to help prevent unauthorized user access.

Recommendation

We recommend that system controls be updated to require user password changes every 90 days and password requirements meet the "Best Practices" for number and types of characters to be used. Also, system users should be instructed not to share their password with others.

**ESTERO FIRE RESCUE DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
September 30, 2015**

**2013-008 System Password Resets (Continued)**

2015 Status

A policy has been approved by the Board. However, it recommends rather than requires password changes every six months. This policy also requires passwords to be shared with the IT Administrator whereas passwords should not be shared with others.

**2013-009 Conflict of Interest Statements**

Condition

Conflict of Interest statements are not required from all employees.

Criteria

Conflict of Interest statements should be obtained from employees to document and determine if there are any potential conflicts with vendors.

Cause

The District has not adopted such a policy.

Effect

Employees could have a related interest in vendors that may compromise their independence and objectively to act in the best interests of the District.

Recommendation

We recommend that annual Conflict of Interest statements be completed by all employees who are authorized to approve purchases of goods and services.

2015 Status

We understand that a policy has been drafted and is being reviewed by legal counsel.





**Estero Fire Rescue**  
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## RESPONSE TO MANAGEMENT LETTER

June 14, 2016

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

We have received the Auditor's Management Letter for the year ended September 30, 2015, as required by Auditor General Rule 10.554(1)(h).

We agree with the findings and recommendations made by the Auditor to improve financial management. The following responses are as they specifically relate to each finding. In response thereto:

### CURRENT YEAR COMMENTS:

#### 2015-001 Reconciling Accounts at Period End

We did identify and make the year end adjusting entries. The auditors' software was able to identify a couple items that needed entries that we did not identify prior to that, but the entries were made prior to closing the books for the fiscal year. In order to correct this in the future, the general ledger will be examined monthly for any adjustments that may be necessary.

#### 2013-008 System Password Resets

We are currently changing passwords for key positions in the organization when necessary. We do not believe that changing the passwords for all employees on a 90 day basis is a good practice for EFR. We have also limited the access in the new software to only key management personnel and not to all employees. For purposes of banking there are only 5 employees that have access to banking information and their passwords are controlled by the bank and changed on a regular basis.

The District updated its System Password Policy and it was approved by the Fire Board at the August 2015 Board Meeting.

#### 2013-009 Conflict of Interest Statements

We have discontinued the practice of any employee using EFR facilities for personal business use. We have also talked to employees that could have a conflict of interest dealing

with EFR. We are currently having legal counsel review a Conflict of Interest Statement that can be used for all employees.

Once the final document is produced by legal counsel, EFR will have each employee review and sign off on the conflict of interest statements.

Sincerely,

A handwritten signature in blue ink, appearing to read "Scott A. Vanderbrook".

Scott A. Vanderbrook  
Fire Chief



**CliftonLarsonAllen**

CliftonLarsonAllen LLP  
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## **INDEPENDENT ACCOUNTANTS' REPORT**

Board of Supervisors  
Estero Fire Rescue District  
Estero, Florida

We have examined Estero Fire Rescue District's (the District) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds, during the year ended September 30, 2015. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Fort Myers, Florida  
June 14, 2016