ESTERO FIRE RESCUE DISTRICT

BASIC FINANCIAL STATEMENTS
TOGETHER WITH REPORTS OF
INDEPENDENT AUDITORS

YEAR ENDED SEPTEMBER 30, 2014

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 major fund, and the remaining fund information of the Estero Fire Rescue District (the "District"), as of and for the year ended September 30, 2014, 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, 2014, 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 corrected an error in reporting net position restricted for benefits in its Fiduciary Fund. Our opinion is not modified with respect to that matter.

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 through 9 and 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 17, 2015 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

CliftonLarsonAllen LLP

Fort Myers, Florida
June 17, 2015

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, 2014. 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 2014, the District's assets exceeded its liabilities, resulting in a net position of $18,060,855 on a government-wide basis.
- Total net position increased $281,328, or 1.58 percent, in comparison to the prior year.
- The increase to net position is due primarily to the recognition of insurance premium taxes. The unrestricted balance of $9,619,682 can be used to meet ongoing obligations of the District and fund amounts assigned by the Board.
- General and program revenues increased $918,463, or 8.1 percent, in comparison to the prior year primarily due to the recognition of the insurance premium tax revenue.
- Total program expenses reported an increase of $1,748,920, or 17.2 percent, in comparison to the prior year. This is primarily due to salaries and pension expense.

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, 2014. 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 2014 and 2013:

Summary of Net Position

	2014	2013
Assets:		
Current Assets	$ 12,859,546	$ 13,227,666
Capital Assets	10,985,899	11,588,269
Total Assets	23,845,445	24,815,935
Deferred Outflow of Resources:		
Accumulated Decreases in Fair Value Hedge	270,244	336,170
Total Assets and Deferred Outflow of Resources	$ 24,115,689	$ 25,152,105
Liabilities:		
Current Liabilities	$ 728,649	$ 1,569,042
Non-current Liabilities	5,326,185	5,803,536
Total Liabilities	6,054,834	7,372,578
Net Position:		
Net Investment in Capital Assets	7,713,577	7,680,460
Restricted	727,596	588,796
Unrestricted	9,619,682	9,510,271
Total Net Position	18,060,855	17,779,527
Total Liabilities and Net Position	$ 24,115,689	$ 25,152,105

Current assets represent 53.9 percent of total assets. Current assets are comprised of unrestricted cash and investments of $10,652,259, restricted cash of $692,640, and other assets of $1,514,647. 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 $727,596 for repayment of debt.

The following schedule reports the revenues, expenses, and changes in net position for the District for the current fiscal years 2014 and 2013:

Summary of Activities

	2014	2013
Revenues:		
General Revenues		
Ad Valorem taxes	$ 11,159,920	$ 10,733,432
Insurance Premium Tax for Firefighters' Pension	654,644	-
Interest	46,111	68,090
Gain (Loss) on Sale of Capital Assets	11,063	216,106
Other Revenues	42,389	23,564
Program Revenues		
Federal, State, and Local Grants	11,530	7,748
State Shared	19,572	21,397
Charges for Services	107,065	98,373
Impact Fees	137,979	103,100
Total Revenues	12,190,273	11,271,810
Expenses:		
Public Safety - Fire and Rescue Services	11,908,945	10,160,025
Increase in Net Position	281,328	1,111,785
Net Position - Beginning of the Year	17,779,527	16,667,742
Net Position - End of the Year	$ 18,060,855	$ 17,779,527

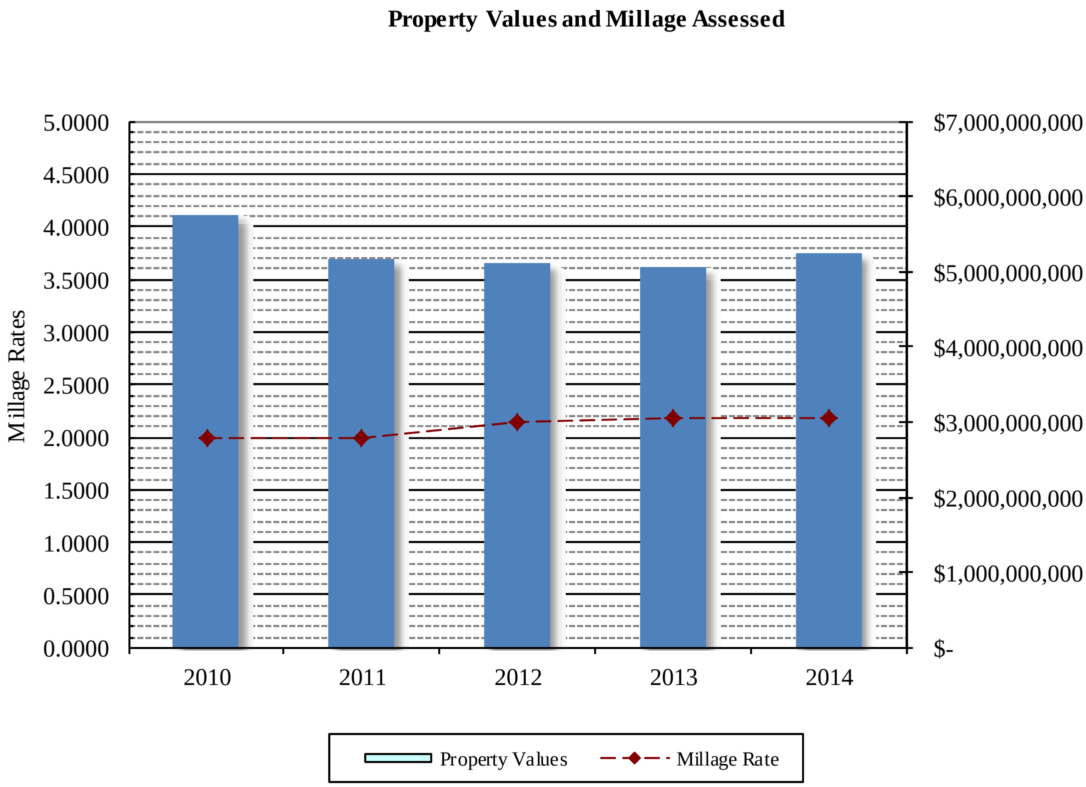
Total revenues increased $918,463, or 8.1 percent, in comparison to the prior year. Total expenses increased by $1,748,920, or 17.2 percent, in comparison to prior year, primarily the result of increases in salaries and pension expense.

Additional Financial Overview

Property values have decreased by approximately $512,998,000, or 8.9 percent, in the past five years. The taxable property value has started to level off and the area noticed a slight increase of 3.9 percent between fiscal years 2013 and 2014. The District adopted a millage rate of 2.1881 for fiscal year 2014. The millage rate did not change from the 2.1881 adopted in 2013. Ad Valorem tax revenues increased by $426,488, or 4.0 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.

On a fund basis, total revenues increased $1,123,506, or 10.2 percent, in comparison to the prior year. Total expenditures decreased by $409,293, or 3.4 percent, in comparison to the prior year, primarily the result of the one-time correction made to the firefighters’ pension plan.

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



Impact fee receipts also increased $34,879, or 33.8 percent, in comparison to the prior year; however, overall impact fees have experienced an average increase of only 100 percent for the last five years. The current year increase is due to a spur in 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 $417,703, or 3.46 percent

Debt Administration

At September 30, 2014, the District had $3,272,322 of outstanding debt for notes payable. Total long-term liabilities of $5,326,185, which includes notes payable, derivative instrument, an implicit subsidy for OPEB, compensated absences, and deferred compensation, decreased $477,351, or 8.2 percent, in comparison to the prior year. The decrease is due to the principal reduction of notes payable. The following is a schedule of the District's outstanding notes payable as of September 30, 2014 and 2013:

Outstanding Debt

	2014	2013
Renewal C (2002A)	$ 1,342,848	$ 1,829,914
Series 2007A	1,929,474	2,077,895
Total	$ 3,272,322	$ 3,907,809

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 48.

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, 2014 and 2013:

Capital Assets

	2014	2013
CAPITAL ASSETS		
Land	$ 1,941,090	$ 1,941,090
Total Capital Assets Not Depreciated	1,941,090	1,941,090
Buildings and Improvements	9,320,372	9,320,467
Vehicles	5,574,424	5,561,525
Equipment	727,962	561,010
Total Capital Assets Being Depreciated	15,622,758	15,443,002
ACCUMULATED DEPRECIATION		
Buildings and Improvements	(2,653,765)	(2,347,262)
Vehicles	(3,431,041)	(2,998,963)
Equipment	(493,143)	(449,598)
Total Accumulated Depreciation	(6,577,949)	(5,795,823)
Total Capital Assets Being Depreciated, Net	9,044,809	9,647,179
CAPITAL ASSETS, NET	$ 10,985,899	$ 11,588,269

Noteworthy capital asset activity that took place in fiscal year 2014 is as follows:

- The District purchased three cardiac monitors for a total cost of approximately $78,000.
- The District purchased completed the purchase and installation of new financial software for a cost of approximately $70,000.

Economic Factors and Next Year's Budget Rates

The following were factors considered when next year's budget (2014-2015) was prepared:

- Property values within the District increased approximately $336,066,707 or 6.4 percent, to $5,584,054,354. 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 approximately $735,000. 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 anticipates hiring 8 firefighters in the 2014-2015 budget year to bring staffing levels back up to what they were in 2007. Two of the firefighter positions are replacement positions from the prior year and six are new hires. The District also increased the budget for repair and maintenance services due to the planned remodeling of one of the fire stations kitchens and retiling of the station. The District also plans on upgrading its entire phone system for all stations and administration building.

- With the anticipated increase to revenue and expenditures, the District is anticipating a net increase to fund balance in an amount of $251,070.

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, 2014

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	$ 7,518,298
Investments	3,133,961
Accounts Receivable	8,157
Due from Other Governments	82,451
Restricted Assets:	
Cash and Cash Equivalents	692,640
Due from Other Governments	34,956
Pension Asset	1,389,083
Capital Assets:	
Land	1,941,090
Depreciable Buildings, Equipment, and Vehicles, Net of Accumulated Depreciation	9,044,809
TOTAL ASSETS	23,845,445
DEFERRED OUTFLOWS OF RESOURCES	
Accumulated decreases in fair value of hedging derivative	270,244
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 24,115,689
LIABILITIES	
Accounts Payable and Accrued Expenses	$ 728,649
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due within one year	653,423
Due in more than one year	4,672,762
TOTAL LIABILITIES	6,054,834
NET POSITION	
Net Investment in Capital Assets	7,713,577
Restricted for:	
Debt Service	727,596
Unrestricted	9,619,682
TOTAL NET POSITION	18,060,855
TOTAL LIABILITIES AND NET POSITION	$ 24,115,689

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

ESTERO FIRE RESCUE DISTRICT
STATEMENT OF ACTIVITIES
Year Ended September 30, 2014

	Governmental Activities
PROGRAM EXPENSES	
Public Safety - Fire and Rescue Services	
Personnel Services	$ 9,318,133
Operating	1,608,973
Depreciation	838,882
Interest and Fiscal Charges	142,957
TOTAL PROGRAM EXPENSES	11,908,945
PROGRAM REVENUES	
Insurance Premium Tax for Firefighters' Pension	654,644
Federal, State, and Local Grants	11,530
State Shared	19,572
Charges for Services	107,065
Impact Fees	137,979
TOTAL PROGRAM REVENUES	930,790
NET PROGRAM EXPENSES	10,978,155
GENERAL REVENUES	
Ad Valorem Taxes	11,159,920
Interest	46,111
Gain on Sale of Capital Assets	11,063
Other Revenues	42,389
TOTAL GENERAL REVENUES	11,259,483
INCREASE IN NET POSITION	281,328
NET POSITION - Beginning of the Year	17,779,527
NET POSITION - End of the Year	$ 18,060,855

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

ESTERO FIRE RESCUE DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2014

		General Fund
ASSETS		
Cash and Cash Equivalents-Unrestricted	$	7,518,298
Cash and Cash Equivalents-Restricted		692,640
Investments-Unrestricted		3,133,961
Accounts Receivable-Unrestricted		8,157
Due from Other Governments-Unrestricted		82,451
Due from Other Governments-Restricted		34,956
TOTAL ASSETS	$	11,470,463
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable and Accrued Expenses	$	728,649
FUND BALANCES		
Restricted		
Debt		441,545
Impact Fees		286,051
Committed		
Capital Improvement Program		3,607,846
Assigned		
Community Safety Program		8,476
Unassigned		6,397,896
TOTAL FUND BALANCES		10,741,814
TOTAL LIABILITIES AND FUND BALANCES	$	11,470,463

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

ESTERO FIRE RESCUE DISTRICT
RECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
September 30, 2014

		Amounts
Total Fund Balances for Governmental Funds		$ 10,741,814
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 governmental funds.		1,389,083
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.		
Capital assets not being depreciated:		
Land & Improvements		1,941,090
Capital assets being depreciated:		
Building, Equipment, and Vehicles	$ 15,622,758	
Less Accumulated Depreciation	(6,577,949)	
		9,044,809
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	(1,342,848)	
Series 2007A Promissory Note Payable	(1,929,474)	
Termination Benefit	(39,882)	
Compensated Absences	(1,057,737)	
Implicit Subsidy (OPEB)	(686,000)	
		(5,055,941)
Total Net Position of Governmental Activities		$ 18,060,855

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

ESTERO FIRE RESCUE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended September 30, 2014

	General Fund
REVENUES	
Ad Valorem Taxes	$ 11,159,920
Insurance Premium Tax for Firefighters' Pension	654,644
Intergovernmental:	
Federal Grant	11,530
State Shared	19,572
Charges for Services	107,065
Miscellaneous:	
Impact Fees	137,979
Community Safety Program Donations	3,168
Interest	46,111
Other	39,221
TOTAL REVENUES	12,179,210
EXPENDITURES	
Current	
Public Safety	
Personnel Services	9,039,641
Operating Expenditures	1,608,973
Capital Outlay	237,249
Debt Service	
Principal Reduction	635,487
Interest and Fiscal Charges	142,957
TOTAL EXPENDITURES	11,664,307
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	514,903
OTHER FINANCING SOURCES	
Proceeds from Sale of Capital Assets	11,800
TOTAL OTHER FINANCING SOURCES	11,800
NET CHANGES IN FUND BALANCES	526,703
FUND BALANCE - Beginning of the Year	10,215,111
FUND BALANCE - End of the Year	$ 10,741,814

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 BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2014

		Amounts
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	526,703
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		(601,633)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(737)
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Repayments:		
Notes payable		635,487
Some expenses reported in the statement of activities do (do not) require the use of current financial resources and therefore, are (are not) reported as expenditures in the government funds.		
Less:		
Increase in compensated absences		(85,403)
Increase in termination benefits		(2,659)
Increase in implicit subsidy (OPEB)		(136,000)
Pension contributions were less than the annual pension cost and therefore decreased the net pension asset on the Statement of Net Position.		(54,430)
Change in Net Position of Governmental Activities	$	281,328

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, 2014

	General Fund			
REVENUES	Original Budget	Final Budget	Actual	Variance with Final Budget
Taxes				
Ad Valorem Taxes	$ 11,253,460	$ 11,253,460	$ 11,159,920	$ (93,540)
Insurance Premium Tax for Pension	-	655,000	654,644	(356)
Subtotal - Taxes	11,253,460	11,908,460	11,814,564	(93,896)
Intergovernmental:				
Federal Grant	-	-	11,530	11,530
State Shared (Degree Incentive)	21,720	21,720	19,572	(2,148)
Subtotal - Intergovernmental	21,720	21,720	31,102	9,382
Charges for services				
EMS Standby	36,000	36,000	33,609	(2,391)
Public Safety Classes	18,000	18,000	18,596	596
Inspection Fees	48,000	48,000	54,860	6,860
Subtotal - Charges for Services	102,000	102,000	107,065	5,065
Miscellaneous:				
Impact Fees	40,000	40,000	137,979	97,979
Community Safety Program	1,500	1,500	3,168	1,668
Interest				
Operating Interest	25,000	25,000	24,229	(771)
Other Interest	-	-	20,629	20,629
Impact Fees Interest - Restricted	-	-	1,253	1,253
Other				
Ambulance Bay Rent	14,205	14,205	14,205	-
Miscellaneous	-	-	25,016	25,016
Subtotal - Miscellaneous	80,705	80,705	226,479	145,774
TOTAL REVENUES	11,457,885	12,112,885	12,179,210	66,325
EXPENDITURES				
Current				
Public Safety				
Personnel Services:				
Regular Salaries/Wages/Unemployment	5,276,790	5,245,790	5,247,828	(2,038)
Other Salaries and Wages	96,942	96,942	15,269	81,673
Overtime	170,000	170,000	256,150	(86,150)
Special Pay	391,819	398,819	458,806	(59,987)
FICA Taxes	454,069	454,069	437,234	16,835
Retirement Contributions	956,081	1,611,081	1,624,536	(13,455)
Life, Health Insurance	980,239	980,239	809,881	170,358
Workers' Compensation Insurance	239,937	213,237	189,937	23,300
Subtotal - Personnel Services	8,565,877	9,170,177	9,039,641	130,536

(continued on next page)

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, 2014

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Operating Expenditures:				
Property Appraiser Fees	$ 102,140	$ 102,140	$ 96,055	$ 6,085
Tax Collector Fees	232,294	232,294	223,029	9,265
Professional Services	67,240	77,055	96,360	(19,305)
Accounting and Auditing	49,520	24,950	24,950	-
Travel	49,400	39,800	25,459	14,341
Communications and Freight Services	84,811	84,811	74,079	10,732
Utility Services	53,202	56,957	56,421	536
Insurance	129,138	129,138	131,011	(1,873)
Repair and Maintenance Services	430,182	563,182	493,171	70,011
Printing and Binding	2,120	2,120	103	2,017
Promotional Activities	38,017	38,017	17,194	20,823
Other Current Charges and Obligations	31,395	31,395	27,781	3,614
Office Supplies	15,500	15,500	12,177	3,323
Operating Supplies	226,803	226,803	238,323	(11,520)
Training, Subscriptions, Memberships	108,815	95,575	92,860	2,715
Subtotal - Operating Expenditures	1,620,577	1,719,737	1,608,973	110,764
Capital outlay:				
Vehicles	123,290	123,290	58,021	65,269
Equipment	123,725	123,725	100,537	23,188
Information Technology	163,106	163,106	78,691	84,415
Subtotal - Capital Outlay	410,121	410,121	237,249	172,872
Debt Service:				
Principal Retirement-Unrestricted	635,496	635,496	635,487	9
Interest and Fiscal Charges-Unrestricted	142,956	142,956	142,957	(1)
Subtotal - Debt Service	778,452	778,452	778,444	8
TOTAL EXPENDITURES	11,375,027	12,078,487	11,664,307	414,180
EXCESS OF REVENUES OVER EXPENDITURES	82,858	34,398	514,903	480,505
OTHER FINANCING SOURCES				
Proceeds from Sale of Capital Assets	-	-	11,800	11,800
TOTAL OTHER FINANCING	-	-	11,800	11,800
NET CHANGE IN FUND BALANCE	82,858	34,398	526,703	492,305
Beginning Fund Balance	10,215,111	10,215,111	10,215,111	-
TOTAL FUND BALANCE - BEGINNING	10,215,111	10,215,111	10,215,111	-
Ending Fund Balance	10,297,969	10,249,509	10,741,814	492,305
TOTAL FUND BALANCE - ENDING	$ 10,297,969	$ 10,249,509	$ 10,741,814	$ 492,305

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

ESTERO FIRE RESCUE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUND
September 30, 2014

	Firefighters' Trust
ASSETS	
Cash and Cash Equivalents	$ 98,849
Investments	16,376,071
Contributions Receivable	7,409
TOTAL ASSETS	$ 16,482,329
LIABILITIES	
Prepaid Contributions	531,135
NET POSITION	
Restricted for Benefits	$ 15,951,194
TOTAL NET POSITION	15,951,194
TOTAL LIABILITIES AND NET POSITION	$ 15,951,194

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, 2014

	Firefighters' Trust
ADDITIONS	
Contributions:	
Employer	$ 839,231
Plan Members	134,012
State Contributions	393,429
Total Contributions	1,366,672
Investment Income:	
Allocated Investment Income	1,135,314
TOTAL ADDITIONS	2,501,986
DEDUCTIONS	
Benefits Paid	102,421
Administrative Expenses	28,632
TOTAL DEDUCTIONS	131,053
NET INCREASE IN PLAN NET POSITION	2,370,933
PLAN NET POSITION, October 1, 2013, as originally reported	13,850,181
PRIOR PERIOD ADJUSTMENT	(269,920)
PLAN NET POSITION, October 1, 2013, as restated	13,580,261
PLAN NET POSITION, September 30, 2014	$ 15,951,194

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

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 62 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.

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

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.

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.

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:

Asset	Years
Buildings	3-35
Equipment	3-7
Vehicles	4-15

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

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, 2013, no differences were noted.
6. The level of control for appropriations is exercised at the account level.
7. Appropriations for expenditures lapse at year-end.

The Board of Commissioners approved two (2) separate requests to transfer budget amounts at the program level and/or the account level during the year ended September 30, 2014. 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, 2014, 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.

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

Compensated Absences

The District's employees accumulate annual personal leave, based on the number of years of continuous service and the bargaining unit contract. Upon termination of employment, employees can receive payment of accumulated annual leave, if certain criteria are met. Annually, the District will purchase banked hours in excess of 200 hours for 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.

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).

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

Fund Balance (Continued)

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.

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.

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

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 AND CASH EQUIVALENTS

As of September 30, 2014, the District's cash and cash equivalents were as follows:

Governmental Funds	
Cash on Hand	$ 400
Demand Deposits	8,210,538
Total Governmental Funds	8,210,938
Pension Trust	
Cash with Fiscal Agent	98,849
Total Governmental Funds and Pension Trust	$ 8,309,787

NOTE B CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk

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

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

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

NOTE C INVESTMENTS

As of September 30, 2014, the District's investments had the following credit risk structure:

Investment	Maturities	Fair Value	Rating - Rating Agency
Governmental Funds			
Certificate of Deposit	9/16/2015	$ 3,133,961	
Total Governmental Funds		3,133,961	
Pension Trust			
External Investment Pool	N/A		
Fixed Income Funds		2,635,988	AA/V4 - Fitch Ratings
International Funds		1,565,118	Not Rated
Equity Funds		12,174,965	Not Rated
Total Pension Trust		16,376,071	
Total Governmental Funds and Pension Trust		$ 19,510,032	

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, 2014, the Firefighters’ Retirement Pension Trust Fund equity investments were held with a third-party custodian as required by Florida Statutes. Its investments in the external pool are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical book entry form.

Credit Risk

The Firefighters' Retirement Pension Trust investment with the Florida Municipal Pension Trust Fund Investment Pool (the “Pool”) totaled $16,376,071 at September 30, 2014, 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, 2014, 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.

NOTE D CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2013:

	Balance September 30, 2013	Increases/ Additions	Decreases/ Deletions	Balance September 30, 2014
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	9,320,467	1,217	(1,312)	9,320,372
Vehicles	5,561,525	63,317	(50,418)	5,574,424
Equipment	561,010	172,715	(5,763)	727,962
Total Capital Assets Being Depreciated	15,443,002	237,249	(57,493)	15,622,758
Less Accumulated Depreciation:				
Buildings and Improvements	(2,347,262)	(307,409)	906	(2,653,765)
Vehicles	(2,998,963)	(482,496)	50,418	(3,431,041)
Equipment	(449,598)	(48,977)	5,432	(493,143)
Total Accumulated Depreciation	(5,795,823)	(838,882)	56,756	(6,577,949)
Total Capital Assets Being Depreciated, Net	9,647,179	(601,633)	(737)	9,044,809
Capital Assets, Net	$ 11,588,269	$ (601,633)	$ (737)	$ 10,985,899

NOTE E LONG-TERM LIABILITIES

Summary of Long-Term Obligations

The following is a summary of the long-term obligations at September 30, 2013:

		Amount
$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.	$	1,342,848
$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.		1,929,474
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.		39,882
Fair market value of the District's hedging derivative instruments (Swaps).		270,244
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.		686,000
Non-current portion of compensated absences. Employees of the District are entitled to annual personal leave time, based on length of service and job classification.		1,057,737
	$	5,326,185

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, 2013:

	Balance October 1 2013	Additions	Retirements / Adjustments	Balance September 30 2014	Amounts Due Within One Year
Renewal C (2002A)	$ 1,829,914	$ -	$ (487,066)	$ 1,342,848	$ 505,002
Series 2007A	2,077,895	-	(148,421)	1,929,474	148,421
Deferred Compensation	37,223	2,659	-	39,882	-
Derivative Instruments	336,170	-	(65,926)	270,244	-
Implicit Subsidy (OPEB)	550,000	136,000	-	686,000	-
Compensated Absences	972,334	728,614	(643,211)	1,057,737	-
	$ 5,803,536	$ 867,273	$ (1,344,624)	$ 5,326,185	$ 653,423

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

	Renewal C (2002A)		Series 2007A		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 505,002	$ 40,249	$ 148,421	$ 78,504	$ 653,423	$ 118,753
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
2020-2024	-	-	742,105	173,608	742,105	173,608
2025-2027	-	-	445,264	28,929	445,264	28,929
	$ 1,342,848	$ 65,739	$ 1,929,474	$ 532,655	3,272,322	598,394
Deferred Compensation Benefit					39,882	-
Derivative Instruments					270,244	-
Implicit Subsidy (OPEB)					686,000	-
Accrued Compensated Absences					1,057,737	-
Total Long-Term Debt					$ 5,326,185	$ 598,394

The District was required by the lender to establish a reserve account of $435,000 which, as of September 30, 2014, was funded by the loan proceeds. The reserve account is recorded in the General Fund.

NOTE F INTEREST RATE SWAP

In order to protect against the potential of rising interest rates, the District entered into interest rate swap agreements in fiscal 2003. On September 11, 2007, the District amended its swap agreements by reducing the two existing fixed rates and including a fixed rate for the new debt acquired in 2007. The existing fixed rates were decreased from 3.72% 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, 2014, 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, 2014		Swap Termination	Counterparty Credit Rating
$	1,342,847	06/24/03	3.620%	65.0% of LIBOR + 0.80%	$	(41,638)	4/24/2017	Aaa/AA+/AA
	1,929,474	09/24/08	4.160%	63.7% of LIBOR + 0.80%		(228,606)	9/24/2027	Aaa/AA+/AA
$	3,272,321				$	(270,244)		

The swaps are associated with the promissory notes reported in Note E. The fair value of swaps at September 30, 2014 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 increased by $65,926 during the year ending September 30, 2014.

Because the variable interest rates have decreased below the fixed rates, the swaps have a negative fair value as of September 30, 2014. 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, 2014, 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.

NOTE F INTEREST RATE SWAP (CONTINUED)

As of September 30, 2014, 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	Variable Rate Debt		Interest Rate	
September, 30	Principal	Interest	Swap, Net	Total
2015	$ 653,423	$ 30,970	$ 87,783	$ 772,176
2016	671,934	24,562	69,618	766,114
2017	462,754	18,187	51,549	532,490
2018	148,421	15,576	44,148	208,145
2019	148,421	13,943	39,521	201,885
2020-2024	742,105	45,276	128,332	915,713
2025-2027	445,264	7,545	21,384	474,193
	$ 3,272,322	$ 156,059	$ 442,335	$ 3,870,716

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

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, 2014, the District was required to contribute 24.93% 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.

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 $873,776, $996,618, and $955,254, for the years ended September 30, 2014, 2013, and 2012, respectively. Covered payroll for the years ended September 30, 2014, 2013, and 2012, was $4,457,302, $4,032,937, and $4,178,005, respectively.

The employees contributed 100% of their respective required contributions to the Plan during the year ended September 30, 2013. Employee contributions for the years ended September 30, 2014, 2013, and 2012, were $ 134,012, $120,988, and $125,340, 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, 2014 totaled $550,073.

NOTE G RETIREMENT PLANS (CONTINUED)

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

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).

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.

NOTE G RETIREMENT PLANS (CONTINUED)

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

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, 2013 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, 2013 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.

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

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

A copy of the Plan's annual report for September 30, 2014 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.

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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 within the Bargaining Unit (F.S. 175)-Plan 1
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

NOTE G RETIREMENT PLANS (CONTINUED)

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

Membership of the Plan consisted of the following at September 30, 2013:

Retirees and beneficiaries receiving benefits	4
Terminated Plan members entitled to but not yet receiving benefits	7
Active Plan members participating in the Deferred Retirement Option Plan	0
Active Plan members	51
Total Active Members	62
Number of participating employers	1
Number of participating state agencies	1

Funding and Financial Planning

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

	Firefighters' Retirement Plan - Plan 1					
Fiscal Year	Annual Pension Cost	Actual District Contribution	State Contribution	State Frozen Contribution	Percentage Contributed	Net Pension Obligation (Asset) [3]
2014	$ 898,149	$ 1,113,639	$ -	$ -	100%	$(1,389,083)
2013	$ 1,065,819	$ 2,083,349 [4,1]	$ -	$ -	100%	$(1,443,513) [2]
2012	$ 1,053,057	$ 720,076 [1]	$ 70,993	$ 267,811	100%	$ (425,983)

[1] Shortfall was funded by the Net Pension Asset.

[2] Contribution surplus reserve was $269,920 at September 30, 2013. This amount is based on state rules.

[3] Net pension asset is based on cumulative contributions in excess of the ARC.

[4] Includes a one-time contribution of $1,354,476 to move two firefighters into the Plan.

The State of Florida makes contributions from taxes on casualty insurance premiums to the Firefighters' Retirement Plan – Plan 1. The state contributions noted above are recognized by the District as on behalf payments and are reported as revenues and expenditures in the general fund statements.

A schedule of funding progress is included as required supplementary information to the financial statements. The schedule of funding progress presents multi-year trend information about whether the actuarial value of the Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE G RETIREMENT PLANS (CONTINUED)

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

Funding and Financial Planning (Continued)

Current year annual pension costs for the Firefighters' Pension Trust Fund are shown in the trend information provided. The District has a net pension asset (calculated in accordance with GASB No. 27, *Accounting for Pensions by State and Local Governmental Employers*) as amounts in excess of all actuarially determined amounts have been contributed. This amount of $1,389,083 is presented as a net pension asset in the statement of net position.

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 $531,135 is available at September 30, 2014. 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	$ 95,549	$ 3,300	$ 98,849
Investments	15,829,298	546,773	16,376,071
Contributions receivable	7,409	-	7,409
TOTAL NET POSITION HELD IN TRUST FOR PENSION BENEFITS	$ 15,932,256	$ 550,073	$ 16,482,329

NOTE G RETIREMENT PLANS (CONTINUED)

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

Additional Information

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

	Firefighters' Retirement Plan - Plan 1
Valuation date	10/1/2014
Actuarial cost method	Aggregate Cost Method
Amortization method	Level Percentage of Pay, Open
Remaining amortization period	30
Actuarial asset valuation method	Five-year Smoothed Market Value
Actuarial assumptions:	
Investment rate	7.00%
Projected salary	4.50%

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, 2014, 2013, and 2012 were $96,116, $125,537, and $123,121, respectively.

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 $242,255, $192,396, and $191,120, for the years ended September 30, 2014, 2013, and 2012, 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.

During the current fiscal year the Fire Chief and two firefighters were moved from the defined contribution plan to the defined benefit plan. Additional information can be found on page 41.

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, 2014:

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

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, 2014.

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	$ 164,000
Interest on net OPEB obligation	22,000
Adjustment to annual required contribution	(48,000)
Annual OPEB cost	138,000
Contributions made	
Estimated Implicit Subsidy	2,000
Change in net OPEB obligation	136,000
Net OPEB obligation, beginning of year	550,000
Net OPEB obligation, end of year	$ 686,000

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

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

Funding and Financial Planning

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

Year Ended September 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2014	$ 138,000	1%	$ 686,000
2013	$ 122,000	4%	$ 550,000
2012	$ 118,000	4%	$ 433,000

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:

	OPEB
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):	
	Insurance Premiums
Select rates	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 2014 is included in the accompanying financial statements, since such taxes are collected to finance expenditures of the subsequent period.

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 2013 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 affect on the financial condition of the District. As a general policy, the District plans to contest any such matters.

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, 2014, the amortized balance of the liability owed by the District if the agreement was terminated is approximately $64,577. 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, 2014, 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, 2014 was $39,882. 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.

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, 2014, 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.

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
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 PRIOR PERIOD ADJUSTMENT

The Firefighters' Retirement Plan recorded a prior period adjustment for prepaid contributions resulting from amounts state supplement payments deposited into the plan in prior years, but for which the District has not used to reduce their actuarially determined contribution amount. These funds will remain as prepaid contributions until such time that the District uses them. The effect on the financial statements of the Fiduciary Fund is an increase in prepaid contributions liability and a decrease in net position restricted for benefits of $269,920.

REQUIRED
SUPPLEMENTARY INFORMATION

ESTERO FIRE RESCUE DISTRICT
SCHEDULE OF FUNDING PROGRESS
FIREFIGHTERS' RETIREMENT PLAN
September 30, 2014

Firefighters' Retirement Plan - Plan 1

Actuarial Valuation Date		Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Estimated Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
10/1/2014	*	$14,500,351	$15,460,762	$ 960,411	93.8%	$ 4,288,910	22.4%
10/1/2013	*	$13,182,471	$13,702,130	$ 519,659	96.2%	$ 4,234,095	12.3%
10/1/2012	*	$ 8,155,956	$10,591,334	$ 2,435,378	77.0%	$ 4,070,894	59.8%

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

ESTERO FIRE RESCUE DISTRICT
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS
September 30, 2014

SCHEDULE OF FUNDING PROGRESS

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

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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, 2014, 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 17, 2015. 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the schedule of findings and recommendations as items 2014-001, 2014-002, and 2013-001 to be material weaknesses.

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. We consider the deficiency described in the schedule of findings and recommendations as item 2013-002 to be a significant deficiency.

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*.

District's Response to Findings

District's responses to the findings identified in our audit are described in the accompanying management's responses. District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

CliftonLarsonAllen LLP

Fort Myers, Florida
June 17, 2015

CliftonLarsonAllen LLP
CLAconnect.com

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, 2014, and have issued our report thereon dated June 17, 2015.

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.

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 17, 2015, 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, 2014.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we 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.

Board of Commissioners and Management
Estero Fire Rescue District

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., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2014, 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, 2014. 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

CliftonLarsonAllen LLP

Fort Myers, Florida
June 17, 2015

ESTERO FIRE RESCUE DISTRICT
APPENDIX A – STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
September 30, 2014

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
2013-003 Budget	Compliance Finding	X		
2013-004 Business Purpose Documentation	Management Letter Comment			X
2013-005 Overtime Policy	Management Letter Comment	X		
2013-006 Safe Security	Management Letter Comment	X		
2013-007 Expense Report Approval	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)

<u>Condition</u>

As part of the audit, management requested us to prepare a draft of the financial statements, including the related notes to the financial statements.

<u>Criteria</u>

District management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements including the related disclosures, in conformity with U.S. generally accepted accounting principles (GAAP).

<u>Cause</u>

Management has made the decision that it is beneficial to have the auditor prepare the draft statements. However, management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance.

<u>Effect</u>

The design of the controls over the financial reporting process affects the District's ability to report their financial data consistent with the assertions of management.

<u>Recommendation</u>

We understand that this situation is already known to management and represents a conscious decision by management and the Board of Commissioners to accept that degree of risk because of cost or other considerations. We acknowledge the fact that management is responsible for making decisions concerning costs and the related benefits. We are responsible to communicate significant deficiencies and material weaknesses in accordance with professional standards regardless of management's decisions to ensure that the Board of Commissioners is aware of this situation.

2014-002 Audit Adjustments

<u>Criteria</u>

District management is responsible for establishing and maintaining internal controls for the proper recording of all the District's transactions, including receipts, disbursements, year-end accruals, and activity of all investing and savings accounts.

<u>Condition</u>

As part of the audit, we proposed audit adjustments to revise the District's financial statements at year-end. These adjustments involved the recording of accruals for interest earned, payroll, and pension.

<u>Cause</u>

There has been turnover in staffing the District's Finance Department.

<u>Effect</u>

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

2014-002 Audit Adjustments (Continued)

Recommendation

We recommend District management be consistently aware of all procedures and processes involved in recording receipts, disbursements, and reclassifications, and develop internal control policies to ensure proper recording of these items.

2013-001 Disbursement Support and Policies

Condition:

During our audit, we tested credit card disbursements and noted the following matters:

- In reviewing support for credit card purchases, we noted two credit card transactions that lacked adequate supporting documentation. Support for one transaction for a hotel charge could not be found. Support for another transaction only included the related purchase order but no credit card receipt or other supporting documentation.
- The District does not have a spending policy specifically relating to the use of credit cards. In addition, credit card spending practices are currently in violation with the District's standard purchasing policies, as purchase orders or pre-approvals are not being obtained and documented for goods and services purchased with credit cards.
- Policies currently do not specify individual transaction limits or prevent an employee from obligating the District for an amount above a specified threshold.
- There is no secondary approval of credit card charges required to ascertain the charge is supported by appropriate documentation. In addition, the documentation for some charges did not provide sufficient evidence to support the business purpose of the charge.
- Policies requiring quotes were not followed for certain credit card purchases, so the District may not know if they are receiving the best value for goods or services acquired.

Criteria

Establishing proper purchasing and spending policies, and reviewing to ensure they are being followed, provides greater assurance that the District's resources are being properly used and that proper segregation of duties exist.

Cause

Spending policies and processes for credit card purchases and bid quotes had never been specifically addressed in prior years. As spending through credit cards has increased, the need for enhanced policies and procedures should be addressed.

Effect

The conditions and policies in place expose the District to increased risks that inappropriate or errant disbursements could be processed and paid.

2013-001 Disbursement Support and Policies (Continued)

Recommendation

We recommend the District review and modify its policies for disbursements to ensure adequate support is obtained, reviewed and approved for all transactions before payment is made. Specifically, we recommend the following:

- Proper support for all purchases and disbursements should be obtained before they are approved and processed for payment.
- The District should amend their current policy or establish a separate spending policy relating to the use of credit cards. The policy should address:
    - The requirements to obtain purchase orders or pre-approvals
    - Individual transaction limits
    - What supporting documentation is required including the business purpose if not readily apparent
    - Who are the authorized approvers
- Review and approval of all credit card charges should be obtained and documented. This should be performed by a knowledgeable individual and should ensure that supporting documentation evidences the proper business purpose of each charge.
- District purchasing policy, including the requirement for quotes, should be followed for all credit card purchases.

2014 Status

We noted adequate supporting documentation for the items selected for testing. We also noted a secondary review and approval performed by the Fire Chief.

2013-002 Review of Journal Entries

Condition

During our audit, we noted journal entries are prepared and recorded by the Finance Director, who is also responsible for preparing the financial information for governance to review. The Finance Director is the only one who reviews entries in the system and runs system reports to detect if all entries posted are appropriate and approved.

Criteria

An independent review of journal entries provides appropriate segregation of duties.

Cause

Due to limited accounting personnel, independent reviews of all journal entries made can be difficult to attain.

Effect

Without independent approvals for all journal entries, an entry could be made that is incorrect, unsupported, or fraudulent, and it may go undetected.

2013-002 Review of Journal Entries (Continued)

Recommendation

We recommend the District enhance its procedures around financial reviews to ensure timely, independent reviews are performed. The Chief or a Board member should review a detailed monthly report that lists all monthly general ledger postings and review supporting documentation where deemed necessary. This review should be performed monthly and documented.

2014 Status

Four of five journal entries tested were not reviewed.

2013-004 Business Purpose Documentation

Condition

The District incurs various costs for food and other types of costs that appear non-essential or non-program related. We understand that some of these costs are part of the approved costs for training or other events, but they also lend themselves to abuse and need to have proper documentation of the business purpose of the expense.

Criteria

Expenditure should only be incurred for those meeting the public purpose of the District. Appropriate documentation is necessary to support each expenditure and to demonstrate it is a necessary expense for the public purpose of the District.

Cause

A detailed explanation is not required for expenditures where it is not readily apparent as to the public purpose of such expenditure.

Effect

Inappropriate expenditures could occur.

Recommendation

We recommend that the District review its disbursement policies and amend as necessary to require appropriate documentation for all expenditures to include an explanation of the public purpose where not readily apparent.

2014 Status

Four of thirty-seven disbursements tested did not include sufficient documentation to support business purpose.

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.

2013-008 System Password Resets (Continued)

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.

2014 Status

No changes noted.

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.

2014 Status

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

Estero Fire Rescue
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Estero, Florida 33928
(239) 390.8000
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RESPONSE TO MANAGEMENT LETTER

June 17, 2015

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

We have received the Auditor's Management Letter for the year ending September 30, 2014, as required by Auditor General Rule 10.554(i)(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:

2014-001 Annual Financial Reporting Under General Accepted Accounting Principles

EFR was unable to prepare the Financial Statements this year due to the departure of the Finance Director. EFR requested that the auditor complete the Financial Statements for this year's audit.

For the current year that we are in EFR will again ask for the auditor to complete the Financial Statements along with one of our staff personnel. This will allow our staff to understand how this process is completed. From this point on EFR will take back completing the Financial Statements.

2013-001 Disbursement Support and Policies

EFR currently has and did have a credit card policy in place as of last year's audit. The policy has been reviewed and all employees were required to review and acknowledge the current policy. We agree that the policy lacks some information and needs to be updated. Also all credit card purchases are reviewed and signed off by the Fire Chief.

EFR will update the current Policy and take to the Estero Fire Board for approval by the end of the year.

"DEDICATED AND DRIVEN FOR THOSE WE SERVE"

2013-002 Review of Journal Entries

After the audit last year we changed the journal entry procedure and now they are signed off by the Fire Chief. The Fire Chief reviews both the hard copies and the electronic copies for final sign off.

2013-004 Business Purpose Documentation

We have reviewed our policy and the Fire Board agreed to maintain the currently policy. We have expanded the amount of line items dealing with in town meals in the current software for better tracking. The Fire Chief has to pre-approve any purchase dealing with in town meals, except for emergency operational needs.

2013-008 System Password Resets

We are currently changing passwords for key positions in the organization when needed. 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.

As discussed at the Fire Board Meeting EFR will take an updated policy to the Board by the end of the year for their approval.

2013-009 Conflict of interest

We have discontinued the practice of any employee using EFR facilities for personal business use. We have also talked to all employees that could have a conflict of interest dealing with EFR. We are currently having legal review a Conflict of Interest Statement that can be used for all employees.

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

Sincerely,

Scott A. Vanderbrook
Fire Chief

CliftonLarsonAllen

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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, 2014. 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, 2014.

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 17, 2015