

**EAST NAPLES FIRE CONTROL
AND RESCUE DISTRICT
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2011**

EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
East Naples Fire Control and Rescue District
Naples, Florida


We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the remaining fund information of East Naples Fire Control and Rescue District, Naples, Florida (the "District") as of and for the fiscal year ended September 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the District's Firefighters' Pension Plan, which represents 100% of the assets, net assets, and additions of the fiduciary fund. Those financial statements were audited by other independent auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the District's Firefighters' Pension Plan, is based solely on the report of the other independent 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the District as of September 30, 2011, and the respective changes in financial position, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2012 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, and contracts 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 results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of funding progress and employer contributions 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 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.


June 13, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of East Naples Fire Control and Rescue District, Naples, Florida (the "District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2011. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the fiscal year ended September 30, 2011 resulting in a net asset balance of \$10,925,618.
- The change in the District's total net assets in comparison with the prior fiscal year was (\$4,698,684), a decrease. The key components of the District's net assets and change in net assets are reflected in the table in the government-wide financial analysis section.
- At September 30, 2011, the District's governmental funds reported combined ending fund balances of \$5,558,332, a decrease of (\$2,165,991) in comparison with the prior fiscal year (see note 13 in the notes to the financial statements). A portion of fund balance is nonspendable for prepaid expenses and the property held for sale; a portion is restricted for capital projects; a portion is assigned for hydrant repairs and maintenance and subsequent year's expenditures, and the remainder is unassigned fund balance which is available for spending at the District's discretion.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements include all governmental activities that are principally supported by property tax revenues. The District does not have any business-type activities. The governmental activities of the District include the general government (management) and public safety functions.

Discretely Presented Component Unit

The District includes the Office of the Fire Code Official Collier County Fire Districts ("Fire Code Official") as disclosed in Note 1 and Note 11 of the Notes to the Financial Statements. Although legally separate, the Fire Code Official is important because the District is the "Administrative District" and has control over the Fire Code Official's assets. Further information can be obtained from the Fire Code Official's separately audited financial statements.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has two fund categories: governmental and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflow of unrestricted resources, as well as on balances of unrestricted resources available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three governmental funds for external reporting. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, impact fund and the hydrant maintenance fund. The general and impact fee funds are considered major funds and the hydrant maintenance fund is considered to be a non-major fund.

The District adopts an annual appropriated budget for each major fund (general and special revenue fund). A budgetary comparison schedule has been provided for the general fund and the impact fee fund to demonstrate compliance with the budgets.

Fiduciary Fund

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities at the close of the most recent fiscal year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Key components of the District's net assets are reflected in the following table:

	September 30, 2011	September 30, 2010 (Restated)
Assets:		
Current and other assets	\$ 5,937,044	\$ 8,254,677
Capital assets	8,911,636	11,145,743
Total assets	<u>14,848,680</u>	<u>19,400,420</u>
Liabilities:		
Current liabilities	334,791	530,354
Non-current liabilities	3,588,271	3,245,764
Total liabilities	<u>3,923,062</u>	<u>3,776,118</u>
Net assets:		
Invested in capital assets	8,601,035	9,801,897
Restricted	898,800	749,172
Unrestricted	1,425,783	5,073,233
Total net assets	<u>\$ 10,925,618</u>	<u>\$ 15,624,302</u>

The District's net assets reflects its investment in capital assets (e.g. land, land improvements, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of the District's net assets represents resources that are subject to external restrictions on how they may be used.

The District's net assets decreased during the most recent fiscal year. The majority of the decrease is the result of significant declines in property values which consequently caused a reduction in property tax revenues. This resulted in the cost of operations, depreciation expense and other post employment benefits (OPEB) exceeding ongoing program revenues.

Key elements of the change in net assets are reflected in the following table:

	September 30, 2011	September 30, 2010 (Restated)
Revenues:		
General Revenues		
Property taxes	\$ 10,749,128	\$ 12,651,770
Investment earnings	86,985	171,580
Program revenues		
Charges for services	917,621	1,100,739
Total Revenues	<u>11,753,734</u>	<u>13,924,089</u>
Expenses:		
Public safety-fire and rescue services	15,802,418	15,268,759
Special item:		
Impairment loss on land held for sale	(650,000)	-
Change in net assets	(4,698,684)	(1,344,670)
Net assets, beginning (restated)	15,624,302	16,968,972
Net assets, ending	<u>\$ 10,925,618</u>	<u>\$ 15,624,302</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2011 was \$15,802,418. The costs of the District's activities were primarily funded by ad valorem taxes. The remainder of the 2011 fiscal year revenue relates to charges for services such as inspection and permitting fees. The impairment loss arose from land that is being held for sale by the District and as such has been removed from capital assets and is being reflected as land held for sale at both government-wide and fund levels. The land is being carried at fair market value which is approximately \$1,000,000 based upon a recent appraisal and the listing price. As a result, an impairment loss has been recognized on the government-wide financial statements for \$650,000.

GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted on a basis consistent with generally accepted accounting principles. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Commissioners. The general fund budget for the fiscal year ended September 30, 2011 was amended to decrease revenues by \$113,695 and increase appropriations by \$669,131. The decrease in revenues is primarily the result of less than anticipated interest income being received and a decline in charges for services relating to new construction inspection fees. The increase in appropriations is primarily due to higher than expected salaries because of previous underpayments of overtime expenses, which were repaid during the current fiscal year.

An operating budget was also adopted for the Districts impact fee fund. Actual impact fee fund expenditures for the fiscal year ended September 30, 2011 were less than appropriations due primarily to anticipated capital outlay costs which were not incurred in the current fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2011, the District had \$12,784,913 invested in land, infrastructure, and improvements. In the government-wide financial statements depreciation of \$3,873,277 has been taken, which resulted in a net book value of \$8,911,636.

Capital Debt

At September 30, 2011, the District had outstanding debt of \$1,170,695 which includes a capital lease of \$310,601. More detailed information about the District's capital debt is presented in the notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

Significant personnel cost cutting measures were implemented in Fiscal year 2012 to address the reduced tax revenue. Projected property values seem to have stabilized to some degree and the District is only anticipating an approximate 1% decline in value.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. Questions regarding any information provided in this report should be directed to: Director Tara Bishop, East Naples Fire Control and Rescue District, 4798 Davis Blvd, Naples, FL 34104. Tel (239) 774-7111.

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011**

	Governmental Activities	Component Unit
ASSETS		
Cash	\$ 4,654,895	\$ 557,817
Accounts receivable	186,077	113,791
Prepays	52,151	-
Land held for sale	1,000,000	-
Capital assets:		
Non-depreciable	1,843,646	1,203,857
Depreciable, net	7,067,990	1,943,614
Net pension asset	43,921	-
Total assets	<u>14,848,680</u>	<u>3,819,079</u>
LIABILITIES		
Accounts payable	30,809	13,656
Accrued expenses	303,982	19,799
Non-current liabilities:		
Due within one year:		
Notes payable	180,094	-
Due in more than one year:		
Notes payable	990,601	-
Compensated absences	892,576	97,071
Net OPEB obligation	1,525,000	-
Total liabilities	<u>3,923,062</u>	<u>130,526</u>
NET ASSETS		
Invested in capital assets, net of related debt	8,601,035	3,147,471
Restricted for:		
Capital projects	898,800	-
Unrestricted	1,425,783	541,082
Total net assets	<u>\$ 10,925,618</u>	<u>\$ 3,688,553</u>

See notes to the financial statements

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> <u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets Primary Government</u> <u>Governmental Activities</u>	<u>Component Unit</u>
Primary government:				
Governmental activities:				
Public safety	\$ 15,802,418	\$ 917,621	\$ (14,884,797)	\$ -
Total governmental activities	<u>15,802,418</u>	<u>917,621</u>	<u>(14,884,797)</u>	<u>-</u>
Total component unit	<u>1,082,290</u>	<u>1,009,335</u>	<u>-</u>	<u>(72,955)</u>
General revenues:				
Property taxes			10,749,128	-
Unrestricted investment earnings			86,985	15,170
Total general revenues			<u>10,836,113</u>	<u>15,170</u>
Special item:				
Impairment loss on land held for sale			(650,000)	-
Change in net assets			(4,698,684)	(57,785)
Net assets - as previously reported			16,131,484	3,746,338
Prior period adjustments- see Note 13			(507,182)	-
Net assets - beginning as restated			<u>15,624,302</u>	<u>3,746,338</u>
Net assets - ending			<u>\$ 10,925,618</u>	<u>\$ 3,688,553</u>

See notes to the financial statements

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011**

	Major Funds		Non-Major Fund	Total Governmental Funds
	General	Impact Fee	Hydrant Maintenance	
ASSETS				
Cash and cash equivalents	\$ 3,273,836	\$ 886,009	\$ 495,050	\$ 4,654,895
Accounts receivable	172,977	13,100	-	186,077
Due from other fund	600	-	-	600
Prepays	52,151	-	-	52,151
Land held for sale	1,000,000	-	-	1,000,000
Total assets	<u>\$ 4,499,564</u>	<u>\$ 899,109</u>	<u>\$ 495,050</u>	<u>\$ 5,893,723</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 30,500	\$ 309	\$ -	\$ 30,809
Accrued expenses	303,982	-	-	303,982
Due to other fund	-	-	600	600
Total liabilities	<u>334,482</u>	<u>309</u>	<u>600</u>	<u>335,391</u>
Fund balances:				
Nonspendable:				
Land held for sale	1,000,000	-	-	1,000,000
Prepaid expenses	52,151	-	-	52,151
Restricted to:				
Capital projects	-	898,800	-	898,800
Assigned to:				
Hydrant repair and maintenance	-	-	494,450	494,450
Subsequent year's expenditures	723,443	-	-	723,443
Unassigned	2,389,488	-	-	2,389,488
Total fund balances	<u>4,165,082</u>	<u>898,800</u>	<u>494,450</u>	<u>5,558,332</u>
Total liabilities and fund balances	<u>\$ 4,499,564</u>	<u>\$ 899,109</u>	<u>\$ 495,050</u>	<u>\$ 5,893,723</u>

See notes to the financial statements

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011**

Fund balance - governmental funds		\$ 5,558,332
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net assets includes those capital assets, net of any accumulated depreciation, in the net assets of the government as a whole.</p>		
Cost of capital assets	12,784,913	
Accumulated depreciation	<u>(3,873,277)</u>	8,911,636
<p>Liabilities not payable from current available resources are not reported as fund liabilities in governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.</p>		
Compensated absences		(892,576)
Long-term debt		(1,170,695)
<p>Net other post employment benefit obligations resulting from underfunding are not reported in the funds as they are not payable from current available resources.</p>		
		(1,525,000)
<p>Net pension asset, not reported in government funds</p>		
		<u>43,921</u>
Net assets of governmental activities		<u><u>\$ 10,925,618</u></u>

See notes to the financial statements

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	Major Funds		Non-Major Fund	Total Governmental Funds
	General	Impact Fee	Hydrant Maintenance	
REVENUES				
Ad valorem taxes	\$ 10,749,128	\$ -	\$ -	\$ 10,749,128
Impact fees	-	226,879	-	226,879
Interest	73,033	8,584	5,368	86,985
Charges for services	652,242	-	38,500	690,742
Total revenues	<u>11,474,403</u>	<u>235,463</u>	<u>43,868</u>	<u>11,753,734</u>
EXPENDITURES				
Current:				
Public safety				
Personnel service	13,392,230	-		13,392,230
Operating expenditures	1,183,588	-	31,154	1,214,742
Capital outlay	70,076	12,357	-	82,433
Debt service:				
Principal payments	125,179	47,972	-	173,151
Interest expense	31,663	25,506	-	57,169
Total expenditures	<u>14,802,736</u>	<u>85,835</u>	<u>31,154</u>	<u>14,919,725</u>
Excess (deficiency) of revenues over (under) expenditures	(3,328,333)	149,628	12,714	(3,165,991)
Special item:				
Reclassification of land held for sale	1,000,000	-	-	1,000,000
Net change in fund balances	(2,328,333)	149,628	12,714	(2,165,991)
Fund balances - as previously reported	6,770,316	749,172	481,736	8,001,224
Prior period adjustment - see Note 13	(276,901)	-	-	(276,901)
Fund balances - beginning, restated	<u>6,493,415</u>	<u>749,172</u>	<u>481,736</u>	<u>7,724,323</u>
Fund balances - ending	<u>\$ 4,165,082</u>	<u>\$ 898,800</u>	<u>\$ 494,450</u>	<u>\$ 5,558,332</u>

See notes to the financial statements

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

Net change in fund balances - total governmental funds	\$ (2,165,991)
Amounts reported for governmental activities in the statement of activities are different because:	
The change in classification from long-lived asset to current asset for the land held for sale is not recognized as revenue in the statement of activities.	(1,000,000)
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is capitalized and depreciated over their estimated useful lives.	82,433
Depreciation on capital assets is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.	(594,039)
Repayment of long-term liabilities are reported as expenditures in the governmental fund, but such repayments reduce liabilities in the statement of net assets and are eliminated from the statement of activities.	173,151
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
The details of the differences are as follows:	
Impairment loss on land held for sale	(650,000)
Loss on disposal of fixed assets	(72,501)
Other post employment benefit (OPEB) obligation	(774,000)
Change in net pension asset	43,921
Change in long-term compensated absences	258,342
Change in net assets of governmental activities	\$ (4,698,684)

See notes to the financial statements

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2011**

ASSETS	
Cash and cash equivalents	\$ 569,661
Receivables:	
Contributions-State of Florida	191,227
Accrued investment income	38,917
Investments at fair value:	
Equity-type	6,381,148
Fixed income	3,720,422
Total assets	<u>10,901,375</u>
LIABILITIES AND NET ASSETS	
Accounts payable	22,185
Deferred revenue (prepaid district contribution)	108,117
Total liabilities	<u>130,302</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u><u>\$ 10,771,073</u></u>

See notes to the financial statements

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

ADDITIONS

Contributions:

District	\$ 1,283,171
Plan members	40,385
State of Florida	590,824
Total contributions	<u>1,914,380</u>

Investment income:

Net appreciation in fair value of investments	(986,037)
Net realized gains on sale of investments	740,969
Interest	124,969
Dividends	102,381
Amortization/Accretion	<u>(31,782)</u>
Total investment income	<u>(49,500)</u>
Total additions to net assets	<u>1,864,880</u>

DEDUCTIONS

Benefits paid to members	21,323
Refunds of contributions	3,181
Administrative expenses	<u>224,725</u>
Total deductions	<u>249,229</u>

Change in net assets	1,615,651
Net assets - beginning	<u>9,155,422</u>
Net assets - ending	<u>\$ 10,771,073</u>

See notes to the financial statements

EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

East Naples Fire Control and Rescue District (“the District”) is a local governmental unit created by the Florida Legislature to provide fire and rescue services to a certain prescribing area in Collier County, Florida, and is an Independent special district authorized and existing under the State of Florida enabling statute chapter 61-2034, repealed and amended by Chapter 2000-444.

The District is operated by a five-person Board of Commissioners. The Commissioners are elected by the owners of the property within the District. The Board of Commissioners of the District exercise all powers granted to the District pursuant to Chapter 191, Florida Statutes.

The Board has the responsibility for:

1. Assessing and levying property taxes
2. Approving budgets.
3. Exercising control over facilities and properties.
4. Controlling the use of funds generated by the District.
5. Approving the hiring and firing of key personnel.
6. Financing improvements.

The financial statements were prepared in accordance with Governmental Accounting Standards Board (“GASB”) Statement 14, and Statement 39, an amendment of GASB Statement 14. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Commissioners is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. The financial statements include the operations of Office of the Fire Code Official Collier County Fire Districts (“the Fire Code Official”) which is treated as a discretely presented component unit (see Note 11).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; operating-type special assessments for maintenance and debt service are treated as charges for services and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as *general revenues*.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 and received. Grants and similar items are to be recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement 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 or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The District's fiduciary fund is presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the District; this fund is not incorporated into the government-wide financial statements.

Property Taxes

Property taxes are ad valorem and levied each November 1 on property as of the previous January 1. The fiscal year for which annual assessments are levied begins on October 1 with a maximum discount available for payments through November 30 and become delinquent on April 1. The taxes are billed and collected by the County Tax Assessor/Collector on behalf of the District. The amounts remitted to the District are net of applicable discounts or fees. The District levied a total rate of 1.50000 per \$1,000 of assessed valuation for the fiscal year commencing October 1, 2010.

Ad valorem property taxes are recorded as revenues in the fiscal year in which the taxes are due and collected within 60 days of fiscal year-end. Investment earnings are recognized when earned. All other revenue items are recognized when cash is received by the District, as any potential receivable amounts are not significant.

The District reports the following major governmental funds:

General Fund

The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund:

Impact Fund

The special revenue fund is used to account for impact fees that are legally restricted to expenditure for a particular purpose.

The District also reports the following non-major governmental fund:

Hydrant Maintenance Fund

The special revenue fund is used to account for Hydrant maintenance fees that are designated to expenditure for a particular purpose.

The District also reports the following fiduciary fund:

The Firefighters' Pension Trust Fund

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and, therefore, are not available to support District programs. The firefighters' pension trust fund accounts for the activities of firefighters' retirement contributions, which accumulates resources for pension benefit payments on behalf of the firefighters of the District employed after December 31, 1995.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

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

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due.

The District records all interest revenue related to investment activities in the respective funds and reports investments at fair value.

Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Capital Assets (Continued)

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	34.5
Building Improvements	34.5
Fire and Rescue Vehicles	5-15
Fire and Rescue Equipment	5-15
Furniture and Fixtures	12

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

Compensated Absences

The District's employees accumulate paid personal leave based on years of continuous service and work day classification. Upon termination of employment, employees will receive compensation at regular rates of pay for all accumulated paid personal leave. The amount of compensated absences recorded as expenditures in the General Fund is the amount accrued during the year that would normally be liquidated with expendable available financial resources. Amounts not expected to be liquidated with expendable available resources are reported in the Statement of Net Assets.

Impact Fees

The District receives impact fees in accordance with an Interlocal agreement with Collier County, Florida. Impact fees are remitted on a monthly basis to the District. The District, may expend amounts collected on qualifying capital expenditures.

Fund Equity/Net Assets

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change. Under GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances are required to be reported according to the following classifications:

Non-spendable fund balance – Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash (such as inventories and prepaid amounts) and items such as long-term amount of loans and notes receivable, as well as property acquired for resale. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

Restricted fund balance – Amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Commissioners. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Fund Equity/Net Assets (Continued)

Assigned fund balance – Includes spendable fund balance amounts established by the Board of Commissioners that are intended to be used for specific purposes that are neither considered restricted nor committed.

Unassigned fund balance – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net assets in the government-wide financial statements are categorized as invested in capital assets, net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt represents net assets related to infrastructure and property, plant and equipment, net of any related debt. Restricted net assets represent the assets restricted by the District's Interlocal agreements related to impact fees.

Other Disclosures

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and 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.

NOTE 3 – BUDGETARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, except as discussed in the Notes to Required Supplementary Information. All annual appropriations lapse at fiscal year end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

- a) Each year the District Fire Chief submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles in the United States of America, except as discussed in the Notes to Required Supplementary Information.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

The District's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

Investments

Equity Type Investments

The Firefighters' Pension Trust Plan (the "Fiduciary Fund") invests in various equity investments. The Fiduciary Fund's investments are recorded at fair market value in accordance with the reporting requirements governing the fund. All such investments are subject to various market and economic risk factors as well as the national and global economies and may lose value and/or principal.

The Fiduciary Fund's investment policy allows investment in equity securities (including convertible bonds) listed on the New York, American, principal region and foreign exchanges. The total of equity-type investments of the Fiduciary Fund is not to exceed 67.5% of the Fund's total market value. In addition, the equity position in any one company's equities shall not exceed 5% of the Fund's total investment in equities. Foreign securities at market value shall not exceed 25% of the Fund's total investment. The policy further limits the equity position of each portfolio manager to investments of not more than 10% in the equity securities of any one company's total equity issues outstanding.

Fixed Income Investments

The Fiduciary Fund's investment policy allows investment in fixed income securities. These fixed income securities are limited to 37.5% of the Plan's total market value. Fixed income investments in foreign corporations and governments are limited to 10% of total fixed income investments. All securities must hold a rating in one of the three highest classifications by a major rating service. Fixed income securities of a single issuer (with the exception of the U.S. Government and its agencies) may not exceed 10% of any given issuer.

As of September 30, 2011 the fiduciary fund includes the following investments that represent 5% (five percent) or more of plan assets as well as the credit ratings of the fixed investments:

	<u>Market Value</u>
<u>Equity investments</u>	
Common stocks	\$ 5,396,774
International stocks	984,374
<u>Fixed income securities</u>	
U.S government bonds guaranteed*	1,319,848
Corporate bonds:	
Ratings:	
AA+	711,290
AA+	89,140
AA-	305,039
A+	533,812
A	504,660
A-	256,633
Total investments	<u>\$ 10,101,570</u>

*Obligations of the U.S Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk.

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Investment Maturities (in Years)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>
Corporate bonds	\$ 2,400,574	\$ 323,058	\$ 1,636,982	\$ 440,534
U.S Government bonds	1,319,848	389,163	714,565	216,120
	<u>\$ 3,720,422</u>	<u>\$ 712,221</u>	<u>\$ 2,351,547</u>	<u>\$ 656,654</u>

Custodial credit risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The fiduciary fund has no formal policy for custodial risk.

Credit risk – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

Concentration risk – The Plan's investment policy places a 10% limit on the amount invested in any one issuer.

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

Foreign currency risk – Foreign currency risk is the risk that fluctuations in the currency exchange rate may affect transactions conducted in currencies other than U.S. Dollars and the carrying value of foreign investments. The plan's exposure to foreign currency risk derives mainly from its investments in international equity funds. The Plan owns international equity funds and the Plan's exposure to foreign currency risk related to foreign equity funds as of September 30, 2011 are as follows:

	<u>Market Value</u>
Renaissance International	\$ 475,705
Delaware International	508,669
	<u>\$ 984,374</u>

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2011 was as follows:

	Beginning Balance, restated	Additions	Deletions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 3,158,138	\$ -	\$ (1,650,000)	\$ 1,508,138
Construction in process	324,279	11,229	-	335,508
Total capital assets, not being depreciated	<u>3,482,417</u>	<u>11,229</u>	<u>(1,650,000)</u>	<u>1,843,646</u>
Capital assets, being depreciated				
Buildings and improvements	4,710,718	4,020	-	4,714,738
Furniture and equipment	2,658,477	67,184	-	2,725,661
Vehicles and trucks	3,660,254	-	(159,386)	3,500,868
Total capital assets, being depreciated	<u>11,029,449</u>	<u>71,204</u>	<u>(159,386)</u>	<u>10,941,267</u>
Less accumulated depreciation for:				
Buildings and improvements	769,212	142,588	-	911,800
Furniture and equipment	1,006,278	219,018	-	1,225,296
Vehicles and trucks	1,590,633	232,433	(86,885)	1,736,181
Total accumulated depreciation	<u>3,366,123</u>	<u>594,039</u>	<u>(86,885)</u>	<u>3,873,277</u>
Total capital assets, being depreciated, net	<u>7,663,326</u>	<u>(522,835)</u>	<u>(72,501)</u>	<u>7,067,990</u>
Governmental activities capital assets, net	<u>\$ 11,145,743</u>	<u>\$ (511,606)</u>	<u>\$ (1,722,501)</u>	<u>\$ 8,911,636</u>

The construction in progress relates to land and feasibility studies for a new fire station. The deletion of \$1,600,000 represents land that is being held for sale by the District and as such has been removed from capital assets and is being reflected as land held for sale at both government-wide and fund levels. The land is being carried at fair market value which is approximately \$1,000,000 based upon a recent appraisal and the listing price. As a result, an impairment loss has been recognized on the government-wide financial statements for \$600,000. The change in classification of the land from a capital asset to land held for sale resulted in proceeds from reclassification of capital assets of \$1,000,000 on the fund financial statements.

Included in capital assets is a fire truck recorded under a capital lease in the amount of \$499,099. Related depreciation expense is included in accumulated depreciation and current depreciation expense. Depreciation expense was all charged to public safety in the amount of \$594,039.

NOTE 5 – CAPITAL ASSETS (Continued)

Discretely Presented Component Unit

Activity for the Fire Code Official for the year ended September 30, 2011 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 1,203,857	\$ -	\$ -	\$ 1,203,857
Construction in process	186,560	-	(186,560)	-
Total capital assets, not being depreciated	1,390,417	-	(186,560)	1,203,857
Capital assets, being depreciated				
Vehicles and trucks	119,680	-	-	119,680
Equipment and furniture	60,623	109,556	-	170,179
Buildings and improvements		1,841,842		1,841,842
Total capital assets, being depreciated	180,303	1,951,398	-	2,131,701
Less accumulated depreciation for:				
Vehicles and trucks	85,113	14,554	-	99,667
Equipment and furniture	57,842	13,037	-	70,879
Buildings and improvements	-	17,541	-	17,541
Total accumulated depreciation	142,955	45,132	-	188,087
Total capital assets, being depreciated, net	37,348	1,906,266	-	1,943,614
Governmental activities capital assets, net	\$ 1,427,765	\$ 1,906,266	\$ (186,560)	\$ 3,147,471

NOTE 6 – LONG-TERM LIABILITIES

Long-term liabilities for the fiscal year 2011 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital equipment lease	\$ 406,378	\$ -	\$ 95,777	\$ 310,601	\$ 99,555
Note Payable	937,468	-	77,374	860,094	80,539
	1,343,846	-	173,151	1,170,695	180,094
Compensated absences	1,150,918	993,106	1,161,455	982,569	89,993
Total	\$ 2,494,764	\$ 993,106	\$ 1,334,606	\$ 2,153,264	\$ 270,087

Capitalized Equipment Lease

On January 8, 2009 the District entered in to a master lease agreement with a bank to purchase a fire truck in the original amount of \$499,099. Annual payments are due of principal and interest in the amount of \$111,807 with interest charged at 3.94%. Final payment is due December 23, 2013.

Notes Payable

The District had entered into a note payable with a bank in the amount of \$950,000 during 2010. The note bears interest of 4.5% with monthly repayments of \$9,876 to include principal and interest. Final balloon payment is due on August 9, 2013 in the amount of \$718,817. The note is secured by property owned by the District

NOTE 6 – LONG-TERM LIABILITIES (Continued)

At September 30, 2011, the schedule of debt service requirements on long-term debt was as follows:

	Principal	Interest	Total
2012	\$ 80,539	\$ 37,974	\$ 118,513
2013	779,555	31,366	810,921
	<u>\$ 860,094</u>	<u>\$ 69,340</u>	<u>\$ 929,434</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2011 were as follows:

	2012	\$ 111,807
	2013	111,807
	2014	<u>111,807</u>
Total minimum lease payments		335,421
Less: amounts representing interest		<u>(24,820)</u>
Present value of minimum lease payments		<u>\$ 310,601</u>

NOTE 7 – RETIREMENT PLANS

Multi-Employer Plan

Plan Description

All full time District employees hired prior to January 1, 1996 are participants in the State of Florida Retirement System ("System"), a cost-sharing multiple-employer public employee independent retirement system. The primary System is a defined benefit plan for all state, county, district, community college and university employees.

Employees of the District participate in the System as members of the Special Risk and Regular Class. The Special Risk Class was created due to the physical and mental demands placed on fire fighters and emergency medical technicians, which prohibits them from performing their required duties until normal retirement age.

Employees, in the special risk class, may normally retire under several circumstances, including: at 25 years of special risk credited service, regardless of age; or at age 55 with 6 years of special risk credited service; or after 30 years of any creditable service, regardless of age. Regular class employees may normally retire at or after age 62 with 6 years of service or after 30 years of service, regardless of age. Early retirement may be taken after a member has vested and is within 20 years of the members normal retirement age. Since July 1, 2001, vesting occurs after 6 years of creditable service.

Benefits are payable monthly for life, based on the applicable percentage, times the number of years of credited service, times the average of the member's five highest years of earnings. The applicable benefit percentages for employees in the special risk class and regular employee class are 3% and 1.6%, respectively for employees who retire normally. For employees who retire under the early retirement provisions above, benefits are reduced by 5% for each year remaining from the employee's normal retirement age. The System also provides death and disability benefits. Benefits are established by Chapter 121, Florida Statutes and Chapter 22B, Florida Administrative Code.

The Deferred Retirement Option Program ("DROP") is a program that provides an alternative method for payment of retirement benefits for a specified and limited period for members of the System, effective July 1, 1998. Under this program, the employee may retire and have their benefits accumulate in the Florida Retirement System Trust Fund earning interest, while continuing to work for a system employer. The participation in the program does not change conditions of employment. When the DROP period ends, maximum of 60 months, employment must be terminated. At the time of termination of employment, the employee will receive payment of the accumulated DROP benefits, and begin receiving their monthly retirement benefit (in the same amount determined at retirement, plus annual cost-of-living increase).

NOTE 7 – RETIREMENT PLANS (Continued)

Multi-Employer Plan (Continued)

Effective July 1, 2002, the Public Employee Optional Retirement Program (PEORP) was implemented as a defined contribution plan alternative available to all System members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices.

The System publishes an unaudited annual report that provides ten-year historical trend information about progress made in accumulating sufficient assets to pay benefits when due. The most recent available report is for the plan year ended June 30, 2010. That report may be obtained by writing to Research Education and Policy Section, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560 or by calling (850) 488-2872, or accessing their Internet site at www.frs.state.fl.us.

Funding Policy

Pension contribution rates for the District are as a percentage of covered payroll. The District's contribution rates to the FRS plan were amended July 1, 2011. At September 30, 2011, the required contribution rates were:

	Special Risk	Regular	DROP
Contribution Rate	14.1%	4.91%	4.42%

For the fiscal years ended September 30, 2011, 2010 and 2009 the District contributed 100% of the required contributions and those contributions totaled \$580,764; \$578,622; and \$633,706, respectively. Additionally, as of July 2011, employees are required to contribute 3.00% to the plan.

Single Employer Plan

Description of plan

The following description of East Naples Fire Control and Rescue District Firefighters' Pension Plan (the "Plan") provides only general information. Participants should refer to the Summary Plan Description for a more complete description of the Plan's provisions.

The Plan is a single employer defined benefit pension plan covering all eligible employees (firefighters), as later defined, of East Naples Fire Control and Rescue District ("Employer and Plan Sponsor"). The Plan was originally adopted on July 29, 1996 by Resolution 96-03 and has been amended on several occasions. The Plan is intended to provide participants with future retirement benefits. The Plan was established in accordance with the provisions of Florida Statutes Chapters 112 and 175 and by the authority of Chapter 95-338 of the Laws of Florida. There were amendments to the plan during the current fiscal year.

Basis of Accounting

The Pension Plan is accounted for on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. District contributions are recognized when due and the District has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans.

NOTE 7 – RETIREMENT PLANS (Continued)

Single Employer Plan (Continued)

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Net depreciation in fair value of investments includes realized and unrealized gains and losses. Realized gains and losses are determined on the basis of specific cost. Dividends and interest income are recognized as earned. Purchases and sales of investments are recorded on a trade-date basis.

Plan Administration

The administration of the Plan was the responsibility of the East Naples Fire Control and Rescue Firefighters' Pension Plan's Board of Trustees. The Trustees of the Plan are comprised of certain employees of the Employer and other individuals designated by the plan sponsor. The Trustees designated Morgan Stanley Smith Barney (Smith Barney) as the Plan's custodian and investment advisor for the purposes of safe-keeping of securities, selection of investment managers and management of the Plan including paying benefits and expenses incurred by the Plan. Several investment managers were designated. These investment managers were responsible for making investment decisions in accordance with the investment policy guidelines. These investment managers retained discretion and investment control for all of the Plan's holdings. The Plan's operating cash account was also held by Smith Barney. In addition, the Plan contracted an accountant to maintain routine accounting records and to report to the Board of Trustees. The Plan also contracted a consultant to routinely coordinate Plan activities as well as to advise the Board of Trustees. The Plan further contracts for other professionals such as legal counsel, actuaries and auditors.

Plan Administration

The Plan issues a stand-alone financial audited report. Copies of the report may be obtained from the District.

Contributions

East Naples Fire Control & Rescue District (Employer and/or District) Is required to contribute an actuarially determined amount equal to or greater than the difference between the total contributions from all other sources for the year and the actuarially determined cost including any unfunded past service liability. For the years ended September 30, 2011, 2010 and 2009, the employer contributions were \$1,262,212, \$1,413,291 and \$902,000 respectively. For the year ended September 30, 2011, the District also contributed \$152,827 as a prepaid contribution from the prior year which was made available from resolution 2009-05 (see below). The District is currently funding the balance of the underfunding which they have elected to fund over a five year period ending September 30, 2012. In addition, the District is currently funding the October 2008 underfunding which they have elected to amortize over 30 years. Both of these funding amounts are included in the employer contributions to the year ended September 30, 2011.

The Plan's participants are required to make regular contributions to the Plan in the amount of 1 % of their covered salary as defined. To neutralize the effect of this contribution to the Plan's participants the District has elected (Resolution 96-03) to increase the affected employee's salary by the required 1 % contribution and the associated FICA tax for a total increase of 1.0765%. These contributions are classified as member (employee) contributions. For the year ended September 30, 2011, 2010 and 2009 the employee contributions were \$40,385, \$40,897 and \$42,190 respectively.

NOTE 7 – RETIREMENT PLANS (Continued)

Single Employer Plan (Continued)

State of Florida contributions are received each year by the Plan pursuant to Chapter 175. These contributions consist of hazard insurance premium taxes imposed on the insured properties within the boundaries of the District. Any state premium tax revenues received in excess of the amount that was received for calendar year 1997 must first be used to fund the cost of compliance with minimum benefits. Any additional revenues must be used to provide extra benefits for the firefighters included in the plan. As of the valuation date, October 1, 2011, there was no minimum benefit requirement outstanding. As of October 1, 2008 the accumulated excess of State premium tax revenue was \$2,120,020. This amount was being held in reserve to fund the Share Plan in the amount of \$1,217,569 and \$902,451 as a prepaid contribution that the District can use to offset employer contributions through September 30, 2010. In August 2009, as a result of District Resolution 2009-04 and 2009-05, the District and the Union agreed that \$902,451 of this excess State premium tax revenue could be used to offset the District's required contributions to the Plan for the years ended September 30, 2009 and September 2010. Effective October 1, 2009, the remainder of the excess State revenue of \$1,217,569 plus any additional premium tax revenues received shall be used to fund the District's Supplemental Retirement Benefit of Share Plan. During the year ended September 30, 2010, all of the \$902,451 being held as excess State premium tax was used to offset District contributions. The District also prepaid contributions of \$379,791 during the year ended September 30, 2009. This prepaid amount will be carried forward until applied against District required contributions. As of September 30, 2011 the District used the remaining balance of \$152,827 to offset its contributions for the year.

The Plan is required to have an actuarial valuation every three years. However, effective October 1, 2006, the Board resolved to have an actuarial evaluation each year.

Annual Pension Cost and Net Pension Obligation (Asset)

The Districts annual pension cost for the plan was as follows:

Annual pension cost	\$ 1,873,693
Contributions made	1,873,993
Increase in net pension (asset)	<u>\$ (300)</u>
Net pension (asset), beginning of year	(43,621)
Net pension (asset), end of year	<u>\$ (43,921)</u>

The required contributions for the current year were determined by the plan's October 1, 2010 actuarial valuation using the Individual Entry Age Normal Actuarial Cost Method (Level Percent Compensation). The actuarial assumptions for the plan included (a) an 8.0% investment rate of return and (b) projected salary increases between 7.5% and 13% depending on years of service, which also includes inflation at 3.0%. Assets were valued at market value. The Amortization method for the most recent actuarial valuation date of October 1, 2010 for the plan was level dollar, closed.

Funded Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (B)-(A)	Funded Ratio (A)/(B)	Active Participant Covered Payroll (C)	Unfunded AAL as Percentage of Active Participant Covered Payroll ((B-A)/C)
10/1/2011	\$ 9,575,689	\$ 11,342,735	\$ 1,767,046	84.42%	\$ 4,391,782	40.24%

The schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

NOTE 7 – RETIREMENT PLANS (Continued)

Single Employer Plan (Continued)

Trend information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Three-year information for the years ended September 30, is presented as follows:

	2011	2010	2009
Annual pension cost (APC)	\$ 1,873,693	\$ 1,897,217	\$ 1,439,565
Percentage of APC contributed	100.02%	100.02%	100.03%
Net pension obligation (asset)	\$ (43,921)	\$ (43,621)	\$ (43,222)

Contributions to the plan are made in accordance with actuarially determined requirements and the plan's financial statements are presented in separately issued stand-alone financial statements and are available from the District.

Forfeitures/Refunds

Non-vested members of the Share Plan will forfeit their Share Plan balance if they terminate employment with less than six years of credited service. In the event of Share Plan forfeiture, the account balance of the terminated non-vested members account would be allocated based on number of shares to each eligible Share Plan participant's account. All other members who terminate employment before they are vested are refunded their accumulated contributions or paid a monthly early retirement benefits depending on the number of years of credited service. For the years ended September 30, 2011, 2010 and 2009, the District did not have any forfeitures or benefits refunded to non-vested terminated employees.

Plan Eligibility

All full time firefighters hired by the District on or after January 1, 1996, shall be eligible for membership into the Plan on the date of their employment.

Credited Service

Credited service is equal to the qualified employees' total length of service with the Employer. Certain options exist to purchase credited service.

Plan Membership

Employee membership as of October 1, 2011, (the date of the most recent actuarial evaluation) was as follows:

Inactive employees:	
Retirees and beneficiaries currently receiving benefits	1
Deferred vested members	1 *
Active plan participants	53
Total	<u>55</u>

* non-vested Member awaiting a refund of contributions

Vesting

A member of the Plan vests after completing six (6) years of credited service

Pension Benefits

Any member who has attained the age of 55 with six years of credited service or 25 years of credited service, regardless of age, may retire with normal retirement benefits for life. Upon normal retirement a member will receive a benefit based on average monthly salary and credited service. Normal retirement date is the month in which the circumstances noted above occur.

NOTE 7 – RETIREMENT PLANS (Continued)

Single Employer Plan (Continued)

Early Retirement:

A member who has attained age 50 and completed six years of credited service may retire at any time with reduced benefits. Upon early retirement a member will receive a benefit for life based on the accrued benefit reduced by 3% for each year prior to normal retirement.

Late Retirement:

A member may continue to work past the normal retirement date.

Disability Retirement:

If a member becomes totally and permanently disabled as provided by the Plan, the member may retire on a non-service incurred disability and be eligible for benefits only if the member has at least eight years of credited service. If disability is the result of a line of duty Injury a member may retire and receive retirement benefits regardless of length of service.

Death Benefits

Upon the death of a vested member, a survivor benefit will be payable to the designated beneficiary. The accrued benefit is payable for ten years. Upon the death of a non-vested member designated beneficiary will receive a refund of the member's accumulated contributions.

Vested Retirement Benefit

Normal retirement benefit is equal to 3% of members Average Monthly Salary (AMS) multiplied by number of years of credited service plus \$5 per month multiplied by the number of years of credited service. AMS is equal to the average of the member's covered service during the highest five years of the last ten years of credited service. Covered salary is defined as cash compensation paid for services rendered, excluding lump sum payments for unused leave time. Any member who terminates employment for reasons other than retirement, disability or death may be entitled to a benefit. If member has more than six years of credited service, this benefit will be equal to the member's accrued benefit. If member has less than six years of credited service, they will receive a refund of their own contributions.

The monthly benefit of each retiree and beneficiary receiving the above benefits under the Plan shall be increased by 3% at the beginning of each fiscal year.

DEFINED CONTRIBUTION PLAN

The District maintains a single-employer defined contribution pension plan through Nationwide Insurance for the benefit of its non-firefighter employees hired after January 1, 1996. The plan is for full-time employees and has certain eligibility provisions with required retirement funding percentages based on the salaries of those participating. Pension expense for the year ended September 30, 2011 was \$53,024. The District's total covered payroll under this plan was \$509,891 for the year then ended.

NOTE 8 – DEFERRED COMPENSATION PLAN

For fiscal 1999, the Council adopted the Statement of Government Accounting Standards Board No. 32 "Reporting for Section 457 Deferred Compensation Plans", which require the removal of the related asset and liability of the deferred compensation plan since such funds are held In trust and are not the property of the District. The District makes no contribution to this Plan.

NOTE 9 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description

The District offers certain retirement benefits to eligible employees that are vested in a retirement system with the District. The District provides medical coverage for the employee and family, in increments of one month's retiree's insurance benefits for every two months of service with the District. Retired employees also receive life insurance in an amount up to \$50,000 at the time of his or her severance of employment but not less than \$10,000 if under the age of 70. If the retiree is over the age of 70 they receive half of that amount.

Pursuant to Section 112.081, Florida Statutes, the District is required to permit eligible retirees and their eligible dependents to participate in the District's health insurance program at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. The Plan has no assets and does not issue a separate financial report.

Funding Policy

The District provides a 100% subsidy for all employees eligible to participate and is paid in increments of one month Retiree Insurance Benefit for every two months of service. When either the spouse or the participant become eligible for Medicare, the remaining member of the marital union will continue to receive health coverage as single coverage until such time they also become eligible for Medicare. Surviving spouses are allowed to continue to receive benefits for the remainder of the employees earned benefit period.

As of September 30, 2011, employee membership data related to the Plan was as follows:

Current retirees:	
Under age 65	16
Over age 65	5
Total current retirees	<u>21</u>
Active employees:	
Active employees fully eligible for benefits	102
Active employees not yet fully eligible for benefits	-
Total active employees	<u>102</u>
Total number of participants	<u><u>123</u></u>

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Two year information for the years ended September 30, is presented as follows:

	2011	2010
Annual OPEB cost	\$ 1,144,000	\$ 1,068,000
Percentage of OPEB contributed	32.3%	29.7%
Net OPEB obligation (asset)	\$ 1,525,000	\$ 751,000

Actuarial Methods and Assumptions

The actuarial valuation of the calculation of OPEB involves estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress is designed to provide multi-year trend information to show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, the District has not contributed assets to the plan at this time and has elected to fund the plan on a pay-as-you go method.

NOTE 9 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the District and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions were as follows:

Actuarial valuation date	10/1/2010
Actuarial cost method	Projected unit credit
Amortization method	Level-dollar payment
Remaining amortization period	29 year closed
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return	4% per annum *
Healthcare cost trend rate(s):	
	<u>Insurance Premiums</u>
Select rates	7.5% for 2011 graded to 5.1% for 2075-2098
Ultimate rate	4.60%

The annual OPEB Cost for the District for the current year and the related information is as follows:

Normal cost	\$ 739,000
Interest on Net OPEB obligation	-
Amortization	402,000
Adjustment to the ARC	3,000
Annual OPEB cost	<u>1,144,000</u>
Contributions made (32.3%)	<u>370,000</u> *
Increase in net OPEB obligation	774,000
Net OPEB obligation - beginning of year	751,000
Net OPEB obligation - end of year	<u><u>\$ 1,525,000</u></u>

*The contributions made represent the sum of the estimated retiree medical payments plus scheduled trust contributions.

Funded Status and Funding Progress

The funded status of the plan as of October 1, 2010 was as follows:

Actuarial accrued liability	\$ 11,216,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 11,216,000
Funded ratio	0%
Covered payroll	\$ -
UAAL as a percentage of covered payroll	0.0%

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

NOTE 11 – DISCRETELY PRESENTED COMPONENT UNIT

The Fire Code Official (as discussed in Note 1) is a legally separate entity that is not an operating department of the District. However the District was appointed the “Administrative District” as defined in an interlocal agreement between Collier County and the various fire districts that it serves. The Fire Code Official provides plan review and fire inspection process for new construction, construction projects and existing structures within the boundaries of the Fire Districts. As such, the Fire Code Official's financial information is presented in the government-wide financial statements as a discretely presented component unit.

The District receives a 1% commission from the Fire Code Official for being the Administrator of the District. For the year ended September 30, 2011 the District received \$15,940 in such fees.

Further information regarding the Fire Code Official can be obtained from the Fire Code Official's audited financial statements, which are available from the District.

NOTE 12 – JOINT VENTURES

The District is involved in 3 joint venture agreements with Collier County and North Naples Fire Control and Rescue District. All of the joint ventures relate to the construction of various fire stations.

The first joint venture occurred in 1991 between the District and Collier County. The property construction cost division was allocated between the District and the County at 64.67% and 39.16%, respectively. Any shared expenses for common areas are paid using the usage percentages which are 60.84% for the District and 39.16% for the County. The agreement can be terminated if agreed to by both parties in writing.

The second joint venture occurred in 2001 between the District, North Naples Fire Control and Rescue District (North Naples) and Collier County. Each entity paid for one-third of the construction costs and are each responsible for one third of the expenses. The agreement may be terminated if agreed to by all of the parties in writing.

The third joint venture occurred in 2004 between the District and Collier County. The property construction cost division was 63% to the District and 37% to the County. However, the property is owned by the District. Expenses are shared in the same proportion. The agreement can be terminated with 60 days written notice by either party.

Both North Naples and Collier County are independent governmental entities and issue independent audited financial statements. Copies of the reports may be obtained from Becky Bronsdon at North Naples Fire Control and Rescue District, 1885 Veterans Park Drive, Naples, FL 34109. Tel (239)-597-3222 and Walter Kopka at Collier County Government, 8075 Lely Cultural Parkway Naples FL 34113. Tel (239)-252-3740.

NOTE 13 – PRIOR PERIOD ADJUSTMENTS

During the current fiscal year the District discovered that it had been underpaying its employee's overtime payments because they were following old rules under a union contract when they should have been following the rules under the Florida Labor Standards Act. This resulted in an underpayment for overtime expenses. As a result a retroactive payment was made to all of the employees concerned in the amount of \$276,901. As such a prior period adjustment was recorded to reduce current year expenditures and reduce fund balance since the payments related to previous fiscal years.

Additionally at the government-wide level the District conducted an inventory of its capital assets and entered the information into proprietary fixed asset software. As such there were minor changes to the total cost of the assets owned under the District's name and the majority of the adjustment related to accumulated depreciation, which was understated in prior years. The overall net effect was a reduction in the net book value of capital assets, and as such a reduction in net assets of \$230,281.

NOTE 14 – SUBSEQUENT EVENT

On April 12, 2012 an unfair labor practice charge was filed by the local Union against the District with the Public Employees Relations Commission. The District has been experiencing a highly distressed financial condition and as a result declared a "Financial Urgency" pursuant to section 447.4095 Florida Statutes. On October 11, 2011, the District's Board of Commissioners unilaterally implemented various specific modifications to the Collective Bargaining Agreement. The District believes that the Union is pursuing a non-meritorious charge and a hearing has been scheduled for July 17 and 18, 2012. No outcome can be determined at this time.

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 10,770,106	\$ 10,746,520	\$ 10,749,128	\$ 2,608
Charges for services	677,184	621,926	652,242	30,316
Interest	107,673	72,822	73,033	211
Total revenues	<u>11,554,963</u>	<u>11,441,268</u>	<u>11,474,403</u>	<u>33,135</u>
EXPENDITURES				
Current:				
Public safety:				
Personal service:				
Salaries	8,527,236	9,296,082	8,018,936	1,277,146
Benefits	4,125,699	4,127,342	5,373,294	(1,245,952)
Operating expenditures				
Accounting and contractual services	550,959	511,978	518,280	(6,302)
Travel and training	-	1,033	1,033	-
Communications	92,478	69,258	70,003	(745)
Utilities	69,840	68,653	70,155	(1,502)
Rents and leases	3,946	5,343	5,343	-
Insurance	146,975	164,503	137,465	27,038
Repairs and maintenance	152,500	129,743	130,439	(696)
Books, dues	73,425	48,228	43,008	5,220
Fuel and operating supplies	152,250	153,923	159,019	(5,096)
Uniforms	35,600	17,135	17,745	(610)
Small equipment	17,500	5,648	2,610	3,038
Other	13,500	9,595	28,488	(18,893)
Debt service	156,842	156,842	156,842	-
Capital outlay	47,500	70,075	70,076	(1)
Total expenditures	<u>14,166,250</u>	<u>14,835,381</u>	<u>14,802,736</u>	<u>32,645</u>
Excess (deficiency) of revenues over (under) expenditures	(2,611,287)	(3,394,113)	(3,328,333)	65,780
OTHER FINANCING SOURCES				
Use of sources	561,835	3,394,113	-	(3,394,113)
Special item:				
Reclassification of land held for sale	-	-	1,000,000	1,000,000
Net change in fund balances	<u>\$ (2,049,452)</u>	<u>\$ -</u>	<u>(2,328,333)</u>	<u>\$ (2,328,333)</u>
Fund balances - beginning as previously reported			6,770,316	
Prior period adjustment - Note 13			(276,901)	
Fund balances - beginning, restated			<u>6,493,415</u>	
Fund balances - ending			<u>\$ 4,165,082</u>	

See notes to required supplementary information

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – IMPACT FEE FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted Amounts</u> <u>Original & Final</u>	<u>Actual</u> <u>Amounts</u>	Variance with Final Budget - Positive (Negative)
REVENUES			
Impact fees	\$ 205,000	\$ 226,879	\$ 226,879
Interest	7,000	8,584	8,584
Total revenues	<u>212,000</u>	<u>235,463</u>	<u>235,463</u>
EXPENDITURES			
Operating expenditures:			
Debt service	77,986	73,478	4,508
Capital outlay	<u>60,000</u>	<u>12,357</u>	<u>47,643</u>
Total expenditures	<u>137,986</u>	<u>85,835</u>	<u>52,151</u>
Excess (deficiency) of revenues over (under) expenditures	<u>74,014</u>	149,628	<u>287,614</u>
Net change in fund balances	<u><u>\$ 74,014</u></u>	149,628	<u><u>\$ 287,614</u></u>
Fund balances - beginning		<u>749,172</u>	
Fund balances - ending		<u><u>\$ 898,800</u></u>	

See notes to required supplementary information

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

The District is required to establish a budgetary system and an approved Annual Budget for the general and special revenue funds. The District's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Board of Commissioners. The budgets approximate a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Commissioners. The general fund budget for the fiscal year ended September 30, 2011 was amended to decrease revenues by \$113,695 and increase appropriations by \$669,131. The decrease in revenues is primarily the result of less than anticipated interest income being received and a decline in charges for services relating to new construction inspection fees. The increase in appropriations is primarily due to higher than expected salaries because of previous underpayments of overtime expenses, which were repaid during the current fiscal year.

An operating budget was also adopted for the Districts impact fee fund. Actual impact fee fund expenditures for the fiscal year ended September 30, 2011 were less than appropriations due primarily to anticipated capital outlay costs which were not incurred in the current fiscal year.

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN
SCHEDULE OF FUNDING PROGRESS AND
EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2011
(Unaudited)**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (B)-(A)	Funded Ratio (A)/(B)	Active Participant Covered Payroll (C)	Unfunded AAL as Percentage of Active Participant Covered Payroll ((B-A)/C)
10/1/2011	\$ 9,575,689	\$ 11,342,735	\$ 1,767,046	84.42%	\$ 4,391,782	40.24%
10/1/2010	7,934,740	9,659,572	1,724,832	82.14%	4,353,278	39.62%
10/1/2009	5,546,976	7,970,793	2,423,817	69.59%	4,617,655	52.49%
10/1/2008	3,882,925	5,751,772	1,868,847	67.51%	3,558,238	52.52%
10/1/2007	3,268,290	4,749,128	1,480,838	68.82%	3,250,844	45.55%
10/1/2006	2,179,707	3,242,879	1,063,172	67.22%	2,639,788	40.27%

Schedule of Employer Contributions

	Annual Required Contribution	Percentage Contributed
2011	\$ 1,873,993	100.00%
2010	1,897,616	100.00%
2009	1,440,040	100.00%
2008	1,358,522	97.68%
2007	722,327	100.00%
2006	500,240	100.00%

**EAST NAPLES FIRE CONTROL AND RESCUE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS AND
EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2011
(Unaudited)**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Unfunded AAL (UAAL) (2)-(1)	Funded Ratio (1/2)	Covered Payroll (3)	UAAL as a Percentage of Covered Payroll ((2-1)/3)
October 1, 2009	\$ -	\$ 10,437,000	\$ 10,437,000	0%	\$ -	0.0%
October 1, 2010	-	\$ 11,216,000	\$ 11,216,000	0%	-	0.0%

Schedule of Employer Contributions

Year Ended September 30	Employer Contributions	
	Actual Contribution *	% Contributed
2010	\$ 317,000	29.7%
2011	370,000	32.3%

* Sum of estimated retiree medical payments plus scheduled trust contributions.



**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**

To the Board of Commissioners
East Naples Fire Control and Rescue District
Naples, Florida

We have audited the financial statements of the governmental activities the discretely presented component unit, each major fund and the remaining fund information of East Naples Fire Control and Rescue District, Naples, Florida ("District") as of and for the fiscal year ended September 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 13, 2012. 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 auditors audited the financial statements of the District's Firefighters' Pension Plan, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, and 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*.

We noted certain matters that we reported to management of the District in a separate letter dated June 13, 2012.

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

A handwritten signature in blue ink, appearing to be "J. CWA".

June 13, 2012



**MANAGEMENT LETTER PURSUANT TO THE RULES OF
THE AUDITOR GENERAL FOR THE STATE OF FLORIDA**

To the Board of Commissioners
East Naples Fire Control and Rescue District
Naples, Florida

We have audited the accompanying basic financial statements of East Naples Fire Control and Rescue District ("District") as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated June 13, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In addition, we have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters dated June 13, 2012. Disclosures in that report should be considered in conjunction with this management letter.

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. This letter is intended for the information and use of management, Board of Commissioners of East Naples Fire Control and Rescue District and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank East Naples Fire Control and Rescue District and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

June 13, 2012

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2011-1 – Uniform Chart of Accounts

The District does not use the uniform chart of accounts as provided by the Department of Financial Services in the State of Florida. The reason for using the uniform system is so that the District's financial statements can be compared relatively easily to similar entities within the State.

Recommendation

We recommend that management adopt the uniformed chart of accounts for financial reporting purposes.

Management response: The District attempted to make changes to its current finance software and was met with limitations of the MAS 90 accounting program related to the available entry fields and sorting functions.

2011-2 – Billings outside of the accounting department

One of the District's employees administers their own billing for CPR classes and collects revenues which are then not submitted in a timely manner to the accounting depart. There are no controls in place to determine how much was billed and collected and the District's management relies on whatever is submitted. As a result revenues could be understated.

Recommendation

We recommend that all billing is processed centrally through the accounting department and all cash/checks are submitted in a timely manner for entry into the G/L.

Management response: A procedure is being developed to bring CPR billing into the accounting department with an implementation date of October 1, 2012.

2011-3 – Amended budget

Due to actual expenditures exceeding appropriations, the 2011 budget was amended after 60 days from the end of the fiscal year. As a result, the District is not in compliance with Florida Statutes.

Recommendation

We recommend in the future that management amend the budget within 60 days following the end of the fiscal year.

Management response: We concur with the auditor's recommendation.

2011-4: Financial Condition Assessment:

Observation: As a result of performing financial condition assessment procedures, it was determined that a deteriorating financial condition exists with respect to the general fund operations. The District experienced a loss of \$3,238,333 before accounting for the special item. The loss is primarily the result of declining ad valorem revenues due to the sharp fall in property values and the inability to cut operational costs at the same rate. It should be noted that these losses did not result in any failure to meet current obligations, including scheduled debt principal and interest payments. However, the District cannot continue to operate in this manner since it will not be able to rely upon its reserves.

Recommendation: The District should take the necessary steps to alleviate the deteriorating financial condition.

Management Response: The District is exploring all revenue avenues and grant opportunities to address financial shortfalls. Significant changes to employee compensation have been implemented.

REPORT TO MANAGEMENT (Continued)

II. PRIOR YEAR FINDINGS

2010-01 Depreciation - matter has been resolved and will not be repeated in the current year.

2010-02 Uniformed chart of Accounts - matter has not been resolved and is repeated in the current year.

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2010, except as noted above.

2. A statement as to whether or not the local governmental entity complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

The District complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

3. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2011, except as noted above.

4. Violations of 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 more than inconsequential.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2011, except as noted above.

5. For matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors, the following may be reported based on professional judgment:

- a. Violations of provisions of contracts or grant agreements, fraud, illegal acts or abuse

- b. Deficiencies in internal control that are not significant deficiencies.

There were no such matters discovered by, or that came to the attention of, the auditor, that, in our judgment, are required to be reported, for the fiscal year ended September 30, 2011, except as noted above.

6. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.

7. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2011 financial audit report.

8. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.

REPORT TO MANAGEMENT (Continued)

9. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and determined that a deteriorating financial condition was noted. See Findings section above for additional information. It is management's responsibility to monitor 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.