

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

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INDEPENDENT AUDITORS' REPORT

January 23, 2012

To The Board of Commissioners
GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT
Naples, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT as of and for the 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 GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT's management. Our responsibility is to express opinions on these financial statements based on our audit.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT as of September 30, 2011 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the District has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in the current year.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 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, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on 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.

The management's discussion and analysis and budgetary comparison information on pages 3 through 11 and page 38 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


PHILLIPS HARVEY GROUP, P.A.
Certified Public Accountants
Naples, Florida

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

MANAGEMENT'S DISCUSSION and ANALYSIS

SEPTEMBER 30, 2011

The Golden Gate Fire Control & Rescue District's discussion and analysis is designed to provide an overview of the District's financial activities for the fiscal year ended September 30, 2011. In accordance with Florida Statutes, the District is required to have an annual audit.

FINANCIAL HIGHLIGHTS

- Levied taxes through the TRIM process. The millage rate was set at 1.5 mills.
- The net assets of the District decreased by \$(1,055,638).
- At the close of the current fiscal year, the District had a fund balance of \$4,031,291 in the General Fund.
- At the close of the current fiscal year, the District had a fund balance of \$73,431 in the Special Revenue Fund (Impact Fees).
- At the close of the current fiscal year, the District had debt and other obligations in the amount of \$8,049,795.

OVERVIEW OF THE FINANCIAL STATEMENTS

GASB Statement 34 represents a monumental change from the manner in which government financial statements are recorded and presented. For the first time, it provides a concise "entity-wide" Statement of Net Assets and Statement of Activities to give the user of the financial statements a combined overview of the District's financial position and result of operations, eliminating interfund activities and "other people's money" such as pension funds, which can mislead users when incorporated in a combined manner.

Additionally, this new reporting model requires the use of accrual accounting (which focuses on economic resources) at the top most level, while maintaining modified accrual accounting (which focuses on current financial resources – budgeted resources) at the individual fund level. This is an important change in governmental accounting. For the first time, the impact of long-term financial decisions can be more properly matched to the period in which the expense or revenue is more properly attributed. In short, more fairness in presentation is achieved and the impacts of long-term decisions are promptly recorded as the transactions occur, as opposed to the traditional method of recording them when the bill is paid.

Government-wide Statements: The government-wide financial statements are designed to provide readers with a broad overview of the District's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities.

The *Statement of Net Assets* presents information on all of 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.

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

MANAGEMENT'S DISCUSSION and ANALYSIS

SEPTEMBER 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS – Continued

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 when the change occurs, regardless of the timing of the 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 (e.g., uncollected taxes and earned but unused vacation leave).

These two statements report the Fire District's net assets and changes in them. One can think of the District's net assets-the difference between assets and liabilities-as one way to measure the District's financial health, or financial position.

Fund financial statements: A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Fire District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's funds can be divided into two categories: general fund and special revenue fund (impact fees).

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 is used to account for impact fees required to be used for future capital outlays in response to growth of the community.

Notes to the financial statements: The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-37 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The individual fund statements with budget to actual are found on page 38 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets: As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The District's assets exceeded liabilities by \$3,927,235 at the close of the most recent fiscal year. The largest portion of the District's net assets reflects its investment in capital assets (e.g. land, building, apparatus and equipment); less any related debt used to acquire those assets that are still outstanding. The Golden Gate Fire District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its 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 table below reflects the condensed government-wide Statement of Net Assets.

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

MANAGEMENT'S DISCUSSION and ANALYSIS

SEPTEMBER 30, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

**GOLDEN GATE FIRE CONTROL & RESCUE DISTRICT
NET ASSETS
AS OF SEPTEMBER 30, 2011**

	<u>FY 2010</u>	<u>FY 2011</u>	<u>%</u>	
Current and Other Assets	\$ 4,398,529	\$ 4,249,501	-3.4%	
Capital Assets	<u>9,762,563</u>	<u>8,264,939</u>	-15.3%	
Total Assets	<u>14,161,092</u>	<u>12,514,440</u>	-11.6%	(1)
Current and Other Liabilities	922,853	537,410	-41.8%	(2)
Long-Term Liabilities	<u>8,255,366</u>	<u>8,049,795</u>	-2.5%	(3)
Total Liabilities	<u>9,178,219</u>	<u>8,587,205</u>	-6.4 %	
Net Assets:				
Invested in Capital Assets, net	1,878,806	658,328	-65.0%	
Restricted	47,604	68,847	44.6%	
Unrestricted	<u>3,056,463</u>	<u>3,200,060</u>	4.7%	
Total Net Asset	<u>\$ 4,982,873</u>	<u>\$ 3,927,235</u>	-21.2%	

- Net assets show the difference between the Fire District's assets and liabilities.
- The bulk of General fund monies and Impact Fee monies (Special Revenue Fund) are kept in separate saving accounts at the State Board of Administration in Tallahassee until needed.

- (1) During fiscal year 2011 net assets decreased due to old and beyond repair equipment being deleted from the asset list plus the annual depreciation recording of \$1,529,015.
- (2) Current and Other Liabilities went down due to accrued termination benefits for those accepting the early buyout program being paid during fiscal year 2011.
- (3) Long term liabilities went down due to payments made on existing loans and normal debt amortization as well as devaluation of derivative financial instrument.

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

MANAGEMENT'S DISCUSSION and ANALYSIS

SEPTEMBER 30, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

Statement of Activities: The Fire District's net assets decreased by \$1,055,638 during the current fiscal year. The table below compares the revenues and expenses for the two activity types for the current fiscal year.

**GOLDEN GATE FIRE CONTROL & RESCUE DISTRICT
CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>FY 2010</u>	<u>FY 2011</u>	<u>%</u>
Program Revenues:			
Charges for services	\$ 73,810	\$ 81,800	10.8%
Land Trust Agreement	0	0	
General Revenues:			
Ad Valorem Taxes	8,531,502	7,429,381	-12.9%
Investment Earnings	12,395	12,248	-1.2%
Impact Fees and Other	<u>271,686</u>	<u>299,384</u>	<u>10.2%</u>
Total Revenue	<u>8,889,393</u>	<u>7,822,813</u>	<u>-12.9%</u>
Expenses:			
Public safety:			
Employee costs	6,868,280	6,057,097	-11.8%
Outside services	863,149	775,513	-10.2%
Materials and supplies	250,952	218,365	-13.0%
Depreciation	1,568,518	1,529,015	-2.5%
Debt service:			
Interest expense	369,987	298,461	-19.3%
Loss on disposal of capital assets	<u>0</u>	<u>0</u>	<u>-</u>
Total Expenses	<u>9,920,886</u>	<u>8,878,451</u>	<u>-10.5%</u>
Change in net assets	(1,031,493)	(1,055,638)	-2.3%
Net Assets - Beginning of Year	6,582,849	4,982,873	-24.3%
Deferral – swap agreement	(484,833)	0	-100.0%
Prior period adjustment	<u>(83,650)</u>	<u>0</u>	<u>-100.0%</u>
Net Assets – Ending of Year	<u>\$ 4,982,873</u>	<u>\$ 3,927,235</u>	<u>-21.2%</u>

General Revenues

During fiscal year of 2011 the Fire District received a 12.9% decrease in Ad Valorem tax dollars over the prior fiscal year. Investment earnings declined 1.2% due to the decline in interest rates over the prior fiscal year. Other revenues declined 19.9% over the prior fiscal year mainly due to lack of funds from false alarm fees, FEMA and Grants.

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

MANAGEMENT'S DISCUSSION and ANALYSIS

SEPTEMBER 30, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

Expenses

During fiscal year of 2011 employee costs decreased by 11.8% over the prior fiscal year due to employee resignations and not rehiring replacements. Outside services decreased by 10.2% over the prior fiscal year due to cutting back on expenditures wherever possible. Materials and supplies decreased 13% over the prior fiscal year due to purchasing only necessary essential items.

Net Assets

During fiscal year 2011 net assets decreased due to equipment being deleted from the asset list as well as full year of depreciation of \$1,529,015. Total 2011 expenses exceeded total revenues by \$1,055,638.

Liabilities

Long term liabilities went down due to payments being made on existing loans.

GENERAL FUND BUDGETARY HIGHLIGHTS

By motion, transfers of unencumbered appropriation balances are made at midyear to reflect changes in anticipated revenues and/or expenditures. During fiscal year of 2011, the Fire District did not adjust the original budget at mid-year:

The following compares original general fund budget to final budget:

	<u>ORIGINAL</u>	<u>FINAL</u>
• Revenues	<u>\$ 10,975,558</u>	<u>\$ 10,975,558</u>
• Expenditures	<u>\$ 10,975,558</u>	<u>\$ 10,975,558</u>

General Fund final budget revenue amounts and expenditures did not change from the original budget amounts.

SPECIAL REVENUE FUND BUDGETARY HIGHLIGHTS

The following compares original special revenue fund budget to final budget:

	<u>ORIGINAL</u>	<u>FINAL</u>
• Revenues	<u>\$ 90,000</u>	<u>\$ 90,000</u>
• Expenditures	<u>\$ 90,000</u>	<u>\$ 90,000</u>

Special Revenue Fund final budget revenue amounts and expenditures did not change from the original budget amounts.

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

MANAGEMENT'S DISCUSSION and ANALYSIS

SEPTEMBER 30, 2011

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The Fire District's investment in capital assets as of September 30, 2011, amounts to \$8,264,939 (net of accumulated depreciation). The investment in capital assets includes land, buildings, apparatus and equipment.

Long-term Debt: At the end of the current fiscal year, the Golden Gate Fire District had total debt outstanding of \$8,049,795(including derivative financial instrument).

Long-term debt at the end of the current fiscal year included (see page 28 - 31 for further details):

- Lease purchase agreement for Station #70.
- Loan for purchase of new fire truck (Pumper at Station #71).
- Loan for purchase of new fire truck (Pumper at Station #73).
- Construction Loan at Fifth Third Bank for \$8mil for building two fire stations.
- Compensated absences.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

Changes in General Fund Balances

	<u>2010</u>	<u>2011</u>	<u>PERCENT CHANGE</u>
<u>Revenues</u>			
Ad Valorem and County Taxes	\$ 8,531,502	\$ 7,429,381	-12.9%
Impact and Other Fees	\$ 73,810	\$ 81,800	10.8%
Investment Income	\$ 12,308	\$ 12,189	-1.0% (1)
Miscellaneous	\$ 240,784	\$ 184,992	-23.2%
	<u>\$ 8,858,404</u>	<u>\$ 7,708,362</u>	-13.0%
<u>Expenses</u>			
Public Safety	\$ 7,432,690	\$ 7,241,657	-2.6%
Capital Outlay	\$ 75,192	\$ 28,182	-62.5% (2)
Debt Service	\$ 664,069	\$ 435,346	-34.4% (3)
Total Expenses	<u>\$ 8,171,951</u>	<u>\$ 7,705,185</u>	-5.7%
<u>Other Financing Sources (Uses)</u>			
Proceeds from Capital Lease	\$ 0	\$ 0	0%
Change in Net Assets	\$ 686,453	\$ 3,177	-99.5%
Fund Balance - Beginning of Year	<u>\$ 3,341,661</u>	<u>\$ 4,028,114</u>	20.5%
Fund Balance - End of Year	<u>\$ 4,028,114</u>	<u>\$ 4,031,291</u>	0.1%

(1) Investment income fell due to declining interest rates on investments in 2011.

(2) Capital Outlay decreased due to the placing a freeze on any unnecessary spending.

(3) Debt Service declined due to payments being made on existing loans and accrued termination benefits being less.

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

MANAGEMENT'S DISCUSSION and ANALYSIS

SEPTEMBER 30, 2011

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS – Continued

Changes in Special Revenue (Impact Fee) Fund Balances

	<u>2010</u>	<u>2011</u>	<u>PERCENT CHANGE</u>	
<u>Revenues</u>				
Impact and Other Fees	\$ 59,075	\$ 111,183	88.2%	(1)
Investment Income	\$ 87	\$ 60	-31.0%	
	<u>\$ 59,162</u>	<u>\$ 111,243</u>	88.0%	
 <u>Expenses</u>				
Debt Service	\$ 42,605	\$ 90,000	111.2%	
Total Expenses	<u>\$ 42,605</u>	<u>\$ 90,000</u>	111.2%	
 Change in Net Assets	\$ 16,557	\$ 21,243	28.3%	
Fund Balance - Beginning of Year	<u>\$ 35,631</u>	<u>\$ 52,188</u>	46.5%	
Fund Balance - End of Year	<u><u>\$ 52,188</u></u>	<u><u>\$ 73,431</u></u>	40.7%	

(1) Impact and other fees revenue increased due to a slow return of new construction in our area.

FUND BALANCE DISCLOSURE

In accordance with GASB No. 54, the District classifies governmental fund balances as follows:

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUES</u>	<u>TOTAL FUNDS</u>
Non-spendable	\$ 55,212	\$ 0	\$ 55,212
Restricted	62,593	73,431	136,024
Committed	0	0	0
Assigned:			
Revenue and contingency reserve	2,232,845	0	2,232,845
Unassigned	<u>1,680,641</u>	<u>0</u>	<u>1,680,641</u>
Total	<u><u>\$ 4,031,291</u></u>	<u><u>\$ 73,431</u></u>	<u><u>\$ 4,104,722</u></u>

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

MANAGEMENT'S DISCUSSION and ANALYSIS

SEPTEMBER 30, 2011

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

When preparing the fiscal year 2012 budget, the District considered the increase in cost for just doing business and any anticipated changes in the development of our area that would make an impact on the tax dollars received. Consideration was also given to the impact of fewer ad valorem tax dollars because of new State Legislation to lower property taxes and the decline in property value, which started declining in FY 2009, and the economy. This new legislation, which became effective with FY 2009, doubled homestead exemption from \$25,000 to \$50,000 and allowed the portability of tax savings when purchasing a different residence. The Property Appraiser has forecasted another declining year in tax rolls. All of this means less revenue for the Golden Gate Fire District to run your fire department since it is funded with ad valorem tax dollars. Impact fees increased slightly but not enough to have much of an impact on the District's budget. The Fire District will still need to continue to use general fund monies to make capital improvement purchases and most loan payments. This in turn means that the District will have less money to fund necessary operating expenses which includes personnel costs.

In anticipation of less tax dollars for operation of the District, during May 2009, the Golden Gate Fire District went before the voters with a referendum to increase the millage rate from 1.0 to 1.5. The voters approved the increased millage rate maximum of 1.5 mills. This new millage rate became effective with the FY 2010 tax roll. The Fire Board set the millage rate at 1.2968 for fiscal year 2010. The maximum millage rate was not taken to fulfill the promise made to taxpayers of not increasing taxes.

At the end of fiscal year 2010, the Fire Board approved an early retirement buyout program available to employees with fifteen (15) or more years of service. With the Property Appraiser forecasting yet another declining year in tax rolls, the Fire Board felt an early retirement buyout would be a fair way to reduce staffing in an effort to eliminate the need to lay off employees due to lack of tax dollars. The Fire Board accepted the early buyout from four employees. This took effect during fiscal year 2011. Even with setting the millage at the maximum rate of 1.5, the Fire District's tax dollars declined in FY 2011.

General Fund Budget: The Collier County Property Appraiser certified the preliminary FY 2012 tax roll on June 27, 2011. The District's assessed taxable value is at \$4,561,527,088 a decrease of \$460,614,781 or 9.2% from the prior year's final tax roll. The Fire Board approved setting the millage rate at 1.5 mills for FY 2012. The Fire District will receive a decrease in tax dollars of \$690,922 or 9.2%.

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

MANAGEMENT'S DISCUSSION and ANALYSIS

SEPTEMBER 30, 2011

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES - Continued

Use of Prior Year General Fund Cash: The fund balance for FY 2011 is being used to fund the necessary reserve portions of the FY 2011 General Fund Budget.

Special Revenue Fund Budget: The District is anticipating a slight increase in the amount of impact fees to be collected in FY 2012. There has been a decrease in the amount of impact fees collected over the past five years due to change in the real estate market. During FY 2011, the District has noticed a slow return of new construction in our area. It is new construction that generates the impact fees.

Robert D. Metzger

Chief Robert D. Metzger
Golden Gate Fire Control and Rescue District

REQUESTS FOR INFORMATION

This financial report is designed to provide Golden Gate Fire Control & Rescue District's citizens and taxpayers with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Fire Chief, Golden Gate Fire Control & Rescue District, 14575 Collier Blvd., Naples, FL 34119 or phone at 239-348-7540.

PART I. FINANCIAL STATEMENTS

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2011

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash	\$ 299,494
Investments	3,686,224
Receivables	81,326
Prepaid expenses	55,212
Cash, restricted for lease interest (Note 7)	62,593
Cash and investments, restricted for impact fee	64,652
Capital assets, not being depreciated:	
Land	774,341
Capital assets, net of accumulated depreciation	
Buildings and improvements	5,585,980
Autos and trucks	1,292,044
Furniture, fixtures, and equipment	<u>612,574</u>
Total capital assets, net (Note 5)	<u>8,264,939</u>
Total assets	<u>12,514,440</u>
LIABILITIES	
Accounts payable	63,205
Salaries and benefits payable (Note 6)	305,603
Interest payable	13,898
Derivative deferred inflows (Note 7)	154,704
Compensated absences (Note 7):	
Expected to be paid within one year	74,995
Expected to be paid after one year	368,189
Derivative financial instrument – swap agreement (Note 7)	330,129
Notes and capital leases payable (Note 7):	
Portion due within one year	127,293
Portion due after one year	<u>7,149,189</u>
Total liabilities	<u>8,587,205</u>
NET ASSETS	
Invested in capital assets, net of related debt	658,328
Restricted for impact fees	68,847
Unrestricted	<u>3,200,060</u>
Total net assets	<u><u>\$ 3,927,235</u></u>

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

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>GOVERNMENTAL ACTIVITIES</u>
Expenses:	
Public safety - fire protection:	
Personal services	\$ 6,057,097
Outside services	775,513
Materials and supplies	218,365
Depreciation	1,529,015
Interest on long-term debt and capital leases	<u>298,461</u>
Total program expenses	<u>8,878,451</u>
Program revenues:	
Charges for services	<u>81,800</u>
Net program expense	<u>8,796,651</u>
General revenues:	
Property taxes	7,429,381
Impact fee revenue	111,183
Interest income	12,248
Net gain on sale of assets	3,209
Tower leases	144,134
Miscellaneous	<u>40,858</u>
Total general revenues	<u>7,741,013</u>
Change in net assets	(1,055,638)
Net assets, September 30, 2010	<u>4,982,873</u>
Net assets, September 30, 2011	<u><u>\$ 3,927,235</u></u>

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

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2011

	<u>GOVERNMENTAL FUND TYPES</u>		<u>TOTAL</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
Cash (Note 3)	\$ 299,494	\$ 4,078	\$ 303,572
Cash, restricted (Note 7)	62,593	0	62,593
Investments (Note 3)	3,686,224	60,574	3,746,798
Receivables (Note 4)	77,131	4,195	81,326
Prepaid expenses	55,212	0	55,212
Due from the General Fund	<u>0</u>	<u>4,584</u>	<u>4,584</u>
Total Assets	<u>\$ 4,180,654</u>	<u>\$ 73,431</u>	<u>\$ 4,254,085</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 63,205	\$ 0	\$ 63,205
Accrued liabilities (Note 6)	81,574	0	81,574
Due to Special Revenue Fund	<u>4,584</u>	<u>0</u>	<u>4,584</u>
Total Liabilities	<u>149,363</u>	<u>0</u>	<u>149,363</u>
Fund Balances (Notes 7 and 12):			
Non-spendable	55,212	0	55,212
Restricted	62,593	73,431	136,024
Committed	0	0	0
Assigned	2,765,542	0	2,765,542
Unreserved	<u>1,147,944</u>	<u>0</u>	<u>1,147,944</u>
Total Fund Balances	<u>4,031,291</u>	<u>73,431</u>	<u>4,104,722</u>
Total Liabilities and Fund Balances	<u>\$ 4,180,654</u>	<u>\$ 73,431</u>	<u>\$ 4,254,085</u>

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

Fund balance- governmental funds	4,104,722
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,264,939
Long-term liabilities, including capital leases payable, a promissory note obligation, related interest payable, derivative instrument, termination benefits/other are not due and payable in the current period and therefore are not reported in the funds.	<u>(8,442,426)</u>
Net assets of governmental activities	<u>\$ 3,927,235</u>

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

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>GOVERNMENTAL FUND TYPES</u>		<u>TOTAL</u>
	<u>GENERAL</u>	<u>SPECIAL</u>	<u>GOVERNMENTAL</u>
		<u>REVENUE</u>	<u>FUNDS</u>
Revenues:			
Ad valorem and county taxes	\$ 7,429,381	\$ 0	\$ 7,429,381
Impact and other fees	81,800	111,183	192,983
Interest and dividends	12,189	60	12,249
Miscellaneous	<u>184,992</u>	<u>0</u>	<u>184,992</u>
Total Revenues	<u>7,708,362</u>	<u>111,243</u>	<u>7,819,605</u>
Expenditures:			
Current			
Public safety:			
Employee costs	6,247,779	0	6,247,779
Outside services	775,513	0	775,513
Materials and supplies	218,365	0	218,365
Capital outlay	28,182	0	28,182
Debt service:			
Principal retirement	184,840	12,596	197,436
Interest and fiscal charges	<u>250,506</u>	<u>77,404</u>	<u>327,910</u>
Total Expenditures	<u>7,705,185</u>	<u>90,000</u>	<u>7,795,185</u>
Excess (deficiency) of revenues over (under) expenditures	3,177	21,243	24,420
Other financing sources (uses):			
Proceeds from capital lease	0	0	0
Transfers in (out)	<u>0</u>	<u>0</u>	<u>0</u>
Total other financing sources and uses	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	3,177	21,243	24,420
Fund Balances, September 30, 2010	<u>4,028,114</u>	<u>52,188</u>	<u>4,080,302</u>
Fund Balances, September 30, 2011	<u>\$ 4,031,291</u>	<u>\$ 73,431</u>	<u>\$ 4,104,722</u>

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

GOLDEN GATE 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 YEAR ENDED SEPTEMBER 30, 2011

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net change in fund balances - total governmental funds (page 15)	\$ 24,420
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(1,500,833)
The issuance of long-term debt (e.g., notes, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt.	122,441
Some items reported in the statement of activities including interest, vacation/sick leave, termination benefits, and the disposal of capital assets do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>298,334</u>
Change in net assets of governmental activities (page 13)	<u>\$ (1,055,638)</u>

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

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT (the District) is a local governmental unit created by the Florida State Legislature to provide fire and rescue service to a certain prescribed area in Collier County, Florida, and is an independent special district authorized and existing under Florida House Bill 0865. The District is operated by a three-person board of commissioners. The government-wide balance sheet and statement of activities and the General and Special Revenue include all of the operations and activities relevant to the District.

During 2004, the District implemented Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, Statement No. 37, *Basic Financial Statements and Management’s Discussion and Analysis -. for State and Local Governments*; Omnibus Statement No.38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financials*. GASB Statement No. 34 and these related pronouncements established a new financial reporting model for state and local governments that included the addition of management’s discussion and analysis, district-wide financial statements, required supplementary information and the elimination of the effects of internal service activities, if any, and the use of account groups to the already required fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that district-wide financial statements are needed to allow users of financial reports to assess a government’s operational accountability. The new GASB model integrates fund-based financial reporting and district-wide financial reporting as complementary components of a single comprehensive financial reporting model.

As required by Generally Accepted Accounting Principles (GAAP), these financial statements present Golden Gate Fire Control and Rescue District (the primary government) as a stand – government. The reporting entity for the District includes all functions of the government in which the District’s Board of Commissioners exercises oversight responsibility. Oversight responsibility includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, significant ability to influence operations and accountability for fiscal matters.

Based upon the application of the above mentioned criteria as set forth in Governmental Accounting Standards Board Statement Number 14, *The Financial Reporting Entity*, as amended by GASB No. 39, *Determining Whether Certain Organizations Are Component Units*, the District has identified no component units.

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 activities of the primary government. *Governmental activities*, which normally are supported by taxes, are reported separately from *business-type activities* of which the District had no such activities during 2011.

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and fund financial statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, even though such funds are excluded from the government-wide financial statements. All governmental funds of the District are reported as major individual funds.

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

Government 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. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The primary revenue sources that are susceptible to accrual are ad valorem taxes, impact fees, inspection fees and interest. Other receipts and fees become measurable and available when cash is received by the District and are recognized as revenue at that time.

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 District's policy to use restricted resources first, then unrestricted resources as they are needed.

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation (continued)

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 - The Special Revenue Fund is used to account for impact fees required to be used for future capital outlays in response to growth of the community.

Budgetary Process

The budget and amendments, if any, are approved by the Commissioners. The budget is prepared on the cash basis, which is considered not to be materially different from the modified accrual basis in accordance with U.S. generally accepted accounting principles.

The annual budget serves as the legal authorization for expenditures. Expenditures cannot legally exceed the total amount budgeted. All budget amendments, which change the legally adopted total appropriation, are approved by the Commissioners.

Encumbrances

Encumbrance accounting under which purchase orders and other commitments for expenditures of monies are recorded is not employed by the District and thus no amount has been included in these basic financial statements for encumbrances.

Due To and From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by funds affected in the period in which the transactions are executed. There were amounts due to and from other funds at September 30, 2011 in the accompanying fund statements.

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types

The budget column of this statement is prepared from the District's adopted annual budget, as amended during the year, which reflects budgeted revenues and expenditures in total for all governmental fund types on a cash basis which is comparable to the modified accrual basis of accounting for the year ended September 30, 2011. Appropriations lapse at year-end.

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Tax Calendar

The calendar is composed of the following dates:

- | | |
|---------------------|--------------------------|
| 1. Lien date | - 3rd week in May |
| 2. Levy date | - July 1 |
| 3. Due date | - March 31 |
| 4. Collection dates | - November through March |

Total Column on the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

The total columns on the balance sheet and the statement of revenues, expenditures and changes in fund balances is presented only to facilitate financial analysis and also is utilized for reconciliation purposes to the government-wide financial statements. Data in this column does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles, and such data is not comparable to a consolidation.

Investments

Investments are reported and are equal or equivalent to market value. Florida Statutes allows the District to invest surplus funds in:

- a) the State operated Local Government Surplus Funds Trust Fund;
- b) securities guaranteed by the U.S. Government or agencies of the U.S. Government; or
- c) interest bearing time deposits or savings accounts in banks and savings and loans organized under State laws or doing business in and situated in the State, provided collateral requirements are met;
- d) obligations guaranteed by the Government National Mortgage Association or similarly structured and secured associations or corporations.

Certain funds are invested with the State Board of Administration (SBA) of Florida in the Local Government Surplus Funds Trust Fund Investment Pool. These funds are recorded at cost, which according to the State Board of Administration of Florida is approximately equal to the fair value of the investments for financial reporting.

Taxes and Fees Receivable

No allowance for losses on uncollectible accounts has been recorded since the District considers all amounts to be fully collectible.

Prepaid Items

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

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Payables and Accruals

Such payable and accrual amounts are recorded as expenses and liabilities when incurred in the government wide financial statements and as expenditures and liabilities in the fund financial statements when paid and when expected to be liquidated with available expendable financial resources.

Restricted Assets

Cash restricted for prepaid interest was established based on the Lease Agreement dated April 2011, see Note 7. There were no such funds segregated for debt service payments at September 30, 2011 as the following quarterly payment is not due until November 2011. Certain resources set aside for impact fee expenditures, are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and their use is limited by laws and regulations. The "cash and investments restricted for impact fees" are solely required to be used for growth capital expenditures.

Capital Assets

Capital assets, which include land, buildings and improvements, autos and trucks, and furniture, fixtures, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year.

In the case of initial capitalization of District capital assets and within the guidelines promulgated by GASB 34, the District was able to use historical cost and original purchase date for all such assets. As the District constructs or acquires additional capital assets each period, such assets are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life. In the case of donations, the District values these capital assets at the estimated fair value of the item at the date of donation. There were no such donated assets during 2011.

Interest on debt cannot meaningfully be associated with individual District functions and, consequently, is reported as a separate line within governmental activities in the government-wide statement of activities. Such treatment also applies to interest incurred on capital leases. The practical effect of capitalizing interest incurred during the construction of capital assets used in governmental activities would be to allocate interest cost to whatever function reported the related depreciation expense. However, the allocation of interest to individual functions within governmental activities is not appropriate. Consequently, no such interest costs incurred related to the construction of stations #72 and #73 were capitalized.

Capital assets of the District is depreciated using the straight line method over the following estimated useful lives.

	<u>YEARS</u>
Buildings and improvements	20 - 39
Autos and trucks	5 - 10
Furniture, fixtures and equipment	5 - 20

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. In the fund financial statements, the face amount of debt issued and debt principal and interest payments are reported as other financing sources and principal and interest expenditures, respectively, in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Compensated Absences

The District's employees earn vacation which may either be taken or accumulated, up to certain amounts, until paid upon retirement or termination. Unused sick leave accumulates and is subject to a reduction if paid in cash upon retirement or termination. The liability for compensated absences reflects amounts attributable to employee services already rendered on a cumulative basis which is probable for payment.

Fund Equity

In 2011, the District implemented GASB 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This statement establishes fund balance classifications that comprise a hierarchy based on primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Fund balance classifications, under GASB 54, are: Nonspendable, Restricted, Committed, Assigned and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restrictions placed upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. For further details of various fund balance classifications refer to Note 12.

Net Assets in the government-wide 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 building and improvements, vehicles, and furniture, fixtures and equipment, net of any related debt. Restricted net assets for impact fees are funds legally mandated to be set aside solely for growth capital expenditures.

Risk Management

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Insurance coverage for such losses is purchased from third-party carriers. The financial impact of the District's risk management activities are reported in the general fund. For the fiscal year ended September 30, 2011, the District paid \$64,005 to third-party carriers to insure for these purposes. There has been no reduction in coverage from the prior year. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There was no such type of occurrence during fiscal 2011. No accrual has been provided for claims and incidents not reported to the insurer. Claims made have not exceeded the insurance coverage for the current year.

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the government-wide statement of net assets and the governmental fund balance sheet

The government fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.”

Capital Assets:

The details of this \$8,264,939 difference are as follows:

Total historical cost of fixed assets at September 30, 2011 (see Note 5)	\$ 19,349,716
Accumulated depreciation at September 30, 2011 (see Note 5)	<u>(11,084,777)</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 8,264,939</u>

Debt and Other Liabilities:

Another element of that reconciliation explains that “long term liabilities, including capital leases payable, a promissory note obligation, interest payable, and termination benefits are not due and payable in the current period and therefore are not reported in the funds.”

The details of this \$(8,442,426) difference are as follows:

Capital lease payable - facility - Station #70 (Note 7)	(159,544)
Capital lease payable - fire truck and equipment (P71) (Note 7)	(166,702)
Capital lease payable - fire truck and equipment (E73) (Note 7)	(258,324)
Promissory note obligation payable - Station #72 and #73 (Note 7)	(6,691,912)
Derivative financial instrument - swap agreement (Note 7)	(330,129)
Accrued interest- swap agreement (Note 7)	(154,704)
Compensated absences (Note 7)	(443,184)
Accrued termination benefits (Note 6)	(135,967)
Accrued insurance benefits - retired Chiefs (Note 6)	(88,062)
Accrued interest payable	<u>(13,898)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ (8,442,426)</u>

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

Explanation of certain differences between the changes in fund balances and the government-wide statement of activities and governmental fund statement of revenues, expenditures and changes in fund balances

Capital Outlay:

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances - total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense."

The details of this \$(1,500,833) difference are as follows:

Capital outlay	\$ 28,182
Depreciation expense (Note 5)	<u>(1,529,015)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (1,500,833)</u>

Long-term Debt:

Another element of that reconciliation states that, "The issuance of long-term debt (e.g., notes, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets."

The details of this \$122,441 difference are as follows:

Principal repayments:

Capital leases – fire truck and equipment	\$ 105,647
Capital lease – facility	<u>16,794</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 122,441</u>

Compensated Absences and Other Accruals:

Another element of that reconciliation states that, "some expenses reported in the statement of activities including interest, vacation/sick leave expense, and termination benefits do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds."

The details of this \$298,334 difference are as follows:

Net effect of differences in accounting treatment of accrued termination benefits	\$ 337,250
Compensated absences changes	(71,574)
Net effect of differences in accounting treatment of long-term debt related interest, other accruals and capital assets disposals	<u>32,658</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 298,334</u>

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 3 - CASH AND INVESTMENTS

Cash

Cash held at September 30, 2011 consisted of the following:

	GENERAL FUND	SPECIAL REVENUE FUND	TOTAL
Demand Deposits	\$ 361,997	\$ 4,078	\$ 366,075
Petty Cash	90	0	90
	<u>\$ 362,087</u>	<u>\$ 4,078</u>	<u>\$ 366,165</u>

All deposits with banks are entirely insured by Federal Depository Insurance. All District depositories are designated by the Florida State Treasurer as qualified public depositories. Chapter 280 of the Florida Statutes "Florida Security for Public Deposits Act" provides procedures for public depositories to ensure public monies in banks and savings and loans are collateralized with the Treasurer as agent for the public entities.

Financial institutions qualifying as public depositories shall deposit with the Treasurer eligible collateral having a market value equal to or in excess of the average daily balance of public deposits times the depository collateral pledging level required pursuant to Chapter 280 as computed and reported monthly or 25 percent of the average monthly balance, whichever is greater. The Public Deposit Security Trust Fund has a procedure to allocate and recover losses in the event of a default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof. Chapter 280 defines deposits as demand deposit accounts, time deposit accounts, and certificates of deposit.

The District does not have a formal deposit policy that dictates deposits as a means of managing its exposure to losses and follows the guidance stipulated by Chapter 280 of Florida Statutes.

At September 30, 2011, the District's cash carrying amounts and bank balances were \$366,165 and \$466,785, respectively.

Investments

The District has no written policy and/or adopted formal investment policy and consequently adheres to the investment guidelines as set forth in Section 218.415(17) of the Florida Statutes. All the District's investments at September 30, 2011 are invested in the Local Government Surplus Funds Trust Fund (labeled as "Florida PRIME") and the Fund B Surplus Trust Fund (the "Fund B"). These funds are not categorized because it is not evidenced by securities that exist in physical or book entry form. All monies deposited in the surplus funds are collateralized as required under law.

The District invests funds throughout the year with the Local Government Surplus Funds Trust Fund, which is administered by the State Board of Administration (SBA), under the regulatory oversight of the State of Florida. As of September 30, 2011, the investment pool closed with the total investments of approximately \$6.3 billion with the District's investment in the SBA totaling \$3,746,798 of which \$3,702,500 and \$44,298 was invested in Florida PRIME and Fund B.

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments (continued)

The Local Government Surplus Funds Trust Fund is governed by Ch. 19-7.001-through 19.7.017 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration.

Florida Prime is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for a 2a-7 like fund. Consequently, such investments are recorded at amortized costs consistent with GASB Statement #31. In accordance with regulations of a 2a-7 like fund, the method used to determine the participants' shares sold and redeemed is the amortized cost method as a means to maintain a constant net asset value (NAV) of \$1 per share. The Florida PRIME account fair value equals the value in the account of \$3,702,500 at September 30, 2011. The Fund B is accounted for as a fluctuating net asset value (NAV) pool. The fair value factor at September 30, 2011 was 0.7568386. The Fund B fair value at September 30, 2011 was calculated at \$33,526 (\$44,298@0.7568386) or in essence a unrealized loss of \$10,772.

At September 30, 2011, the District's investment balance was as follows:

Florida PRIME and Fund B	<u>\$ 3,746,798</u>
--------------------------	---------------------

Historical information showing the Local Government Surplus Funds Trust Fund's performance is presented in the June 30, 2011 Comprehensive Annual Financial Report, which can be found at the State Board of Administration's website.

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Florida PRIME weighted average days to maturity at September 30, 2011 was 38 days. In addition, information for the Fund B weighted average life at September 30, 2011 is not available from SBA.

Credit Risk

Florida Statutes Section 218.415(17) authorizes certain investment instruments that the District is permitted to invest in since the District does not have a formal investment policy. Consequently, the District has no investment policy that would further limit its investment choices. The Florida PRIME is rated by Standard and Poors and its current rating is AAAM. The Fund B is not rated by any nationally recognized statistical rating agency.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one issuer. All the District investments are in the Florida PRIME and Fund B.

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 4 - RECEIVABLES

Receivables at September 30, 2011 consisted of the following:

Ad valorem taxes – general fund	\$ 60,173
Impact fees – special revenue fund	4,195
Property appraisal fees – general fund	10,286
Other	<u>6,672</u>
Total	<u>\$ 81,326</u>

NOTE 5 - CAPITAL ASSETS, NET

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

	BALANCE SEPT. 30, 2010	ADDITIONS	OTHER/ DELETIONS	BALANCE SEPT. 30, 2011
Capital assets, not being depreciated:				
Land	\$ 774,341	\$ 0	\$ 0	\$ 774,341
Construction in progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total capital assets, not being depreciated	<u>774,341</u>	<u>0</u>	<u>0</u>	<u>774,341</u>
Capital assets, being depreciated:				
Buildings and improvements	11,899,269	0	0	11,899,269
Autos and trucks	4,606,738	0	0	4,606,738
Furniture, fixtures and equipment	<u>2,060,292</u>	<u>28,182</u>	<u>(19,106)</u>	<u>2,069,368</u>
Total capital assets being depreciated	<u>18,566,299</u>	<u>28,182</u>	<u>(19,106)</u>	<u>18,575,375</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,145,102)	(1,175,306)	7,119	(6,313,289)
Autos and trucks	(3,083,806)	(230,888)	0	(3,314,694)
Furniture, fixtures and equipment	<u>(1,349,169)</u>	<u>(122,821)</u>	<u>15,196</u>	<u>(1,456,794)</u>
Total accumulated depreciation	<u>(9,578,077)</u>	<u>(1,529,015)</u>	<u>22,315</u>	<u>(11,084,777)</u>
Total capital assets being depreciated, net	<u>8,988,222</u>	<u>(1,500,833)</u>	<u>3,209</u>	<u>7,490,598</u>
Total capital assets, net	<u>\$ 9,762,563</u>	<u>\$ (1,500,833)</u>	<u>\$ 3,209</u>	<u>\$ 8,264,939</u>

The cost of assets under capital lease arrangements totaled \$2,078,641 with accumulated depreciation of \$1,108,915 at September 30, 2011.

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 6 - ACCRUED LIABILITIES

Accrued liabilities at September 30, 2011, were comprised of the following:

Accrued wages payable	\$ 67,862
Payroll taxes payable	5,191
Retirement contribution payable	8,906
Other miscellaneous	<u>(385)</u>
Total Accrued Liabilities - General Fund	<u>81,574</u>

Termination benefits and other obligations

Accrued termination benefits	35,049
Accrued insurance benefits - terminated employees	<u>100,918</u>
Total accrued termination ad insurance benefits	135,967
Accrued health benefits - retired chiefs	<u>88,062</u>
	<u>224,029</u>
Total Accrued Liabilities - Statement of Net Assets	<u>\$ 305,603</u>

NOTE 7 - LEASES AND OTHER LONG-TERM DEBT

Capital Lease Obligations

The District is committed to three capital leases: (1) Station #70 Collier County lease, (2) Oshkosh Capital firefighter truck lease, (3) Leasing 2 velocity custom pumpers lease. Capital leases are generally defined as leases which transfer benefits and risks of ownership to the lessees.

(1) Station #70 Collier County Lease

The District and Collier County have a lease agreement for the facility previously constructed by Collier County to be shared by the District, the Sheriff's Department and Emergency Medical Services. Based on the lease agreement, the lease has been recorded as a non-interest bearing capital lease in the accompanying financial statements.

Following is a schedule of the future minimum lease payments on the facility capital lease as of September 30, 2011:

<u>YEAR ENDED</u>	
<u>SEPTEMBER 30,</u>	
2012	\$ 16,794
2013	16,794
2014	16,794
2015	16,794
2016	16,794
2017 - 2021	<u>75,574</u>
	<u>\$ 159,544</u>

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 7 - LEASES AND OTHER LONG-TERM DEBT (Continued)

(2) Oshkosh Capital Firefighter Truck Lease

In January 2006, the District entered into a capital lease agreement with Oshkosh Capital for the purchase of one firefighter truck including related equipment totaling \$299,200. Following is a schedule of the present value of the net future minimum lease payments on this lease obligation at September 30, 2011:

<u>YEAR ENDED SEPTEMBER 30,</u>	
2012	\$ 38,185
2013	38,185
2014	38,185
2015	38,185
2016	<u>38,185</u>
	190,925
Less: Amount representing interest	<u>(24,223)</u>
Present value of net minimum lease payments	<u><u>\$ 166,702</u></u>

(3) Leasing 2 Velocity Custom Pumpers Lease

In March 2007, the District entered into a seven year capital lease agreement with Leasing 2 for the purchase of a Pierce velocity custom pumper including related equipment totaling \$538,750. Following is a schedule of the present value of the net future minimum lease payments on this lease obligation at September 30, 2011:

<u>YEAR ENDED SEPTEMBER 30,</u>	
2012	\$ 91,599
2013	91,599
2014	<u>91,599</u>
	274,797
Less: Amount representing interest	<u>(16,473)</u>
Present value of net minimum lease payments	<u><u>\$ 258,324</u></u>

Promissory Note Obligation

In August 2003, the District entered into a promissory note with Fifth Third Bank totaling \$8,000,000. Pursuant to the loan agreement, the District is required to use the loan proceeds for the purpose of constructing two fire station facilities (known as "Station #72" and "Station #73") located in the Golden Gate District. The loan is unsecured and interest is being charged at the sum of 90 day Libor interest rate plus 1.65%. The District's operating funds and impact fees received each year are used as the source of debt service for such loan.

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

Promissory Note Obligation (Continued)

On April 1, 2011, the District entered into a Lease Purchase Agreement with Fifth Third Bank as a means to refinance the original \$8m Promissory Note with a current outstanding principal balance of \$6,691,912 the proceeds of which were originally used to finance the construction and equipping of two fire stations #72 and #73. Pursuant to the Agreement, the District provided the Bank a leasehold interest in the real property and related improvements and equipment of these two specific fire stations as defined, and agreed to pay the Bank quarterly base rent amounts (consisting of principal and interest) for the use of these leased properties as defined in the Agreement. The interest component of the base rent is due quarterly on the 20th of each month commencing May 20, 2011 bearing interest at the three month Libor plus 1.65% (defined as "adjusted rate") and the principal component of the base rent totaling \$83,649 is due quarterly on 20th of each month commencing November 20, 2013 with a final balloon payment of \$5,939,071 due on February 20, 2016. The District agreed to maintain certain required insurance policies and amounts as defined in the Agreement. As of April 1, 2011, the District was required to establish and initially fund an "Interest Account" held by the Bank totaling \$124,680 representing the first 12 months of the respective interest component of the base rent. Annually thereafter, the District is required to fund 12 months of the estimated interest component of the base rent. As of September 30, 2012, the cash balance in this Interest Account was \$62,593 and was reflected as a restricted fund balance, see Note 12.

Derivative Financial Instrument - Swap Agreement

In conjunction with the above respective loan agreement with Fifth Third Bank, the District entered into a ten year (20 year amortization period) interest rate swap agreement (the "swap agreement") for \$8,000,000. Based on the swap agreement, the District owes quarterly interest calculated at a fixed rate of 3.44% to the counterparty to the swap. In return, the counterparty owes the District interest based on 0.29% of the three month (90 day) Libor rate. The District uses the swap agreement to minimize fluctuations in cash flows caused by interest rate volatility and to effectively convert its floating rate debt to fixed-rate debt. Fifth Third Bank, the counterparty, has a current credit rating of BBB+/A3.

Only the net difference in interest payments is actually exchanged with the counterparty. The notional amount of \$8,000,000 is not exchanged; it is only the basis on which interest payments are calculated quarterly. Amounts to be paid or received under the swap agreement are recognized as increases or reductions in interest expense in the periods in which they accrue.

During the term of the swap agreement, the District effectively pays a fixed rate on the loan. The debt service requirements (as presented below based on the new lease agreement dated 4/1/2011 above) to maturity for this loan arrangement are based on that fixed rate at 3.44% and 90 day Libor spread (0.374% at September 30, 2011). The District will be exposed to variable rates if the counterparty to the interest swap defaults or if the interest swap is terminated. A termination of the interest swap agreement may also result in the District's making or receiving a termination payment or benefit amount. Based on Fifth Third Bank's Mark-to-Market Report as of September 30, 2011, the District would owe the bank approximately \$330,129 if the interest swap agreement was terminated. The swap agreement provides a hedge against changes in the amount of cash flows associated with the District's long-term debt. Accordingly, the swap agreement is reflected at fair value in the statements of net assets and the effective portion of the related gains or losses on the agreement is recognized as a component of the change in net assets. The net effect of this accounting on the District's operating results is that interest expense on the variable rate debt being hedged is recorded based on a fixed interest rate. In 2011, the Bank approved to delay principal payments for fiscal 2009, 2010, and 2011 until November 2013(see above) as means to help the District with cash flow needs.

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 7 - LEASES AND OTHER LONG-TERM DEBT (Continued)

Pursuant to GASB Statement No. 53, the District reflected the change in the fair value of the interest swap agreement between fiscal 2011 and 2010 totaling \$154,704 as "derivative deferred inflows" in the accompanying statement of net assets.

Following is a schedule of future principal debt service payments (per 4/1/2011 Lease Agreement denoted above) as of September 30, 2011 based on an overall synthetic rate of 3.81% (3.44 fixed plus Libor rate spread of 0.374%):

<u>YEAR ENDED SEPTEMBER 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2012	\$ 0	\$ 306,974
2013	0	296,171
2014	334,596	133,328
2015	334,596	126,535
2016	<u>6,022,720</u>	<u>61,215</u>
	<u>\$ 6,691,912</u>	<u>\$ 924,223</u>

Long-term liability activity for the year ended September 30, 2011 was as follows:

	<u>BALANCE SEPT. 30, 2010</u>	<u>ADDITIONS</u>	<u>PAYMENTS/ OTHER</u>	<u>BALANCE SEPT. 30, 2011</u>	<u>DUE WITHIN ONE YEAR</u>
Capitalized lease - Station #70 building	\$ 176,338	\$ 0	\$ (16,794)	\$ 159,544	\$ 16,794
Capital lease @ 4.7% w/Oshkosh Capital, principal and interest due annually, secured and matures February 2016.	195,689	0	(28,987)	166,702	30,350
Capital lease @ 4.55% w/Leasing 2, principal and interest due annually, secured and matures March 2014.	334,984	0	(76,660)	258,324	80,149
Promissory note payable, interest paid quarterly at Libor plus 1.65%, unsecured, source of repayment-impact fees. Matures August 2013.	<u>6,691,912</u>	<u>0</u>	<u>0</u>	<u>6,691,912</u>	<u>0</u>
	7,398,923	0	(122,441)	7,276,482	127,293
Derivative financial instrument – swap agreement	484,833	0	(154,704)	330,129	0
Compensated absences	<u>371,610</u>	<u>146,569</u>	<u>(74,995)</u>	<u>443,184</u>	<u>74,995</u>
	<u>\$ 8,255,366</u>	<u>\$ 146,569</u>	<u>\$ (352,140)</u>	<u>\$ 8,049,795</u>	<u>\$ 202,288</u>

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 8 - PENSION PLAN OBLIGATIONS

All paid District employees are participants in the Florida Retirement System (System), a defined benefit non-contributory multiple-employer, cost-sharing public retirement system, which is controlled by the State Legislature and administered by the State of Florida, Department of Administration, Division of Retirement. The plan covers a total of approximately 980,000 employees of various governmental units within the State of Florida.

The System provides for vesting of benefits after 6 years of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 with 6 or more years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation and years-of-service credit, where average compensation is computed as the average of an individual's defined highest fiscal years' earnings (ie, either five or eight years)depending on enrollment date.

Participating employer contributions are based upon State-wide rates established by the State of Florida. These rates effective July 1, 2011 are applied to employee salaries as follows: regular employees - 7.91% and special risk employees – 17.10% of which the employee contribution rate of 3% is included in these rates.

The funding policy provides for monthly employer contributions at actuarially determined rates that are determined using the entry age actuarial cost method.

The District's contribution to the plan for the year ended September 30, 2011 was \$784,096 and was paid by the due date for the contribution. This represents approximately 21% of the District's 2011 covered payroll of \$4,153,073. The total payroll for fiscal 2010 was \$4,176,061. In addition, the District's contribution to the plan for fiscal 2010 was \$888,784.

The pension benefit obligation for the System as a whole, determined through an actuarial valuation was \$126 billion at July 1, 2011, the date of the most recent actuarial report. The report also indicates that the System had total actuarial accrued liability of approximately \$144 billion at that date resulting in an underfunded pension obligation of \$19 billion. The pension benefit obligation is a standardized disclosure measure of the present value of plan benefits, adjusted for the effects of projected salary increases and step-rate benefits estimated to be payable in the future as a result of employee service to date. A variety of significant actuarial assumptions are used to determine the standardized measure of the pension benefit obligation and these assumptions are summarized below:

- a) a rate of return on the investment of present and future assets of 7.75% per year compounded annually;
- b) projected salary increases of 5.85% per year compounded annually, attributable to inflation of 3%; and
- c) cost-of-living adjustments of 3% or as defined in the Plan based on certain timeframes,

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 8 - PENSION PLAN OBLIGATIONS (Continued)

The measure is intended to help users assess the System's funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among retirement systems and among employers. The System does not make separate measurements of assets and pension benefit obligations for individual employers. Significant assumptions used to compute pension contribution requirements are the same as those used to determine the standardized measure of the pension obligation.

Ten year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's June 30, 2011 Comprehensive Annual Financial Report.

NOTE 9 - LEASE AND CONSTRUCTION AGREEMENTS

In June 1999, the District entered into a lease and construction agreement with Sprint Spectrum, L.P. (SSLP) for an initial five-year term. The District agreed to allow SSLP to construct a certain communications tower on a portion of the District's property. Upon completion of the construction of the tower, SSLP agreed to transfer title to the tower and all related rights to the District. Upon title transfer, SSLP would lease such tower space to maintain and operate at SSLP's sole expense a personal communication service system facility. In consideration of this arrangement, the District agreed to charge an annual rent of \$10,800. Such annual rent was waived for the initial term and for four additional terms of five years each since SSLP paid for all construction costs associated with construction of the tower.

In August 2000, the District entered into a lease agreement with Omnipoint Holdings, Inc., presently T-Mobile USA, Inc. ("T-Mobile"), for an initial five-year period. The District agreed to lease tower antenna space located at the Golden Gate Fire Station to T-Mobile. As consideration for this arrangement, T-Mobile agreed to pay the District annual rent of \$22,800 plus applicable sales tax. This lease agreement has a renewable clause for four additional terms of five-years each with certain defined annual rent adjustments. The lease was renewed for an additional term with a 20% increase during fiscal year 2005, resulting in an annual rental payment of \$27,360. This lease was renewed for a second additional term in fiscal year 2010. The rent was increased by 20%, resulting in an annual rental payment of \$32,832 received by the District in August 2011.

In August 2000, the District entered into a lease and construction agreement with Verizon Wireless ("Verizon") for an initial five-year term. The District agreed to lease to Verizon certain tower antenna space located at the Golden Gate Fire Station. Pursuant to the agreement, Verizon agreed to pay to the District annual rent during the initial five-year term of \$16,800 plus applicable sales tax. As consideration separate from and in addition to the mentioned annual rent, Verizon agreed to pay for the installation of VHF cabling in Station #71 costing \$50,000, in lieu of installing a certain shelter, generator and antennas as defined in the original agreement. At September 30, 2001, such installation had been completed. This lease agreement has a renewable clause for four additional terms of five-years each with certain defined annual rent adjustments. The lease was renewed for an additional term with a 20% increase during fiscal year 2005, resulting in an annual rental payment of \$20,160. This lease was renewed for a second additional term in fiscal year 2010. The rent was increased by 20%, resulting in an annual rental payment of \$24,192 received by the District in July 2011.

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 9 - LEASE AND CONSTRUCTION AGREEMENTS (Continued)

In August 2005, the District entered into a communications site lease agreement related to the communications tower located at Golden Gate Fire Station #71 with Alltel Communications, presently known as Verizon, for an initial five-year term. The lessee is granted five additional five-year renewal terms following the initial five-year term. Pursuant to the agreement, Alltel agreed to pay the District monthly rent totaling \$2,500 plus applicable sales tax. The rent will be increased each year thereafter by four percent. A first amendment to the lease agreement was entered into on December 11, 2008, in order to reduce the tenants rent. This amendment commences on January 1, 2009, and expires on December 31, 2013. On January 1, 2009, the rent was decreased to \$2,200 per month. The rent shall be increased by 2% every anniversary thereafter. Alltel, presently known as Verizon, will pay all utility charges applicable to the tower. The prior year monthly rent was increased by 2% to \$2,289 in January 2011. In April 2011 the monthly rent was increased an additional \$556 per month due to improvements made to their antenna holdings on the communication tower. This increase now makes the monthly payment \$2,845.

In September 2005, the District entered into a communications site lease agreement related to the communications tower located at Golden Gate Fire Station #71 with Metro PCS for an initial five-year term. The lessee is granted five additional five-year renewal terms following the initial five year term. Pursuant to the agreement, Metro PCS agreed to pay the District monthly rent totaling \$2,500 plus applicable sales tax. The rent will be increased each year thereafter by four percent. Metro PCS will pay all utility charges applicable to the tower. The prior year monthly rent was increased by 4% to \$3,163 in September 2011.

NOTE 10 - IMPLEMENTATION OF GASB STATEMENT NO. 45

The Governmental Accounting Standards Board has issued Statement No. 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions." This Statement changes the manner in which the District funds and records its post retirement benefit cost other than pension ("OPEB"). During 2010, the District implemented the standard and had to accrue and fund costs rather than fund them on a pay-as-you-go basis. The District had less than 100 employees at September 30, 2010 and met the criteria for the simplified "Alternative Measurement Method", which excuses the District from obtaining an actuarial valuation for the post-employment benefit liability and allows the District to perform a simple present value calculation.

The following significant assumptions and methods were used in developing the 2011 present value calculation of the post-employment benefit liability under the "Alternative Measurement Method":

- a) Two participants in the program (retired chiefs), one receiving benefits for approximately 14 years and the other receiving benefits for approximately 23 years;
- b) Cost of benefits are approximately \$259 per month for the first recipient and approximately \$470 per month for the second recipient;
- c) Long-term growth rate estimated to equal long-term inflation estimate of approximately 3.0%;
- d) Estimated discount rate of 2%, which is the yield on a 10-year Treasury security at September 30, 2011;
- e) Discounted on a monthly basis.
- f) Future healthcare coverage provided solely pursuant to COBRA was not included in the OPEB valuation.

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 11 - TERMINATION BENEFITS

During the year ended September 30, 2010, the District adopted the buyout and separation resolution #10-3 ("Early Retirement Incentive Package"). This permits the District to offer an Early Retirement Incentive Package to all employees who were in the 15th year of service or greater in an effort to reduce the long term operating expenses of the District. Eligible employees were allowed to make a one-time irrevocable decision to accept the Early Retirement Incentive Package.

The Package offered one year's base salary and professional pay incentives, and payout of the balance of accrued unused sick, vacation, and holiday pay where applicable. Additionally, each eligible employee that chose the Early Retirement Incentive Package would receive the same health insurance as bargaining unit employees paid one hundred percent (100%) by the District for three (3) years from the beginning of each employee's early retirement incentive package effective date. The District would also continue to provide life insurance for the employee for twelve (12) months immediately following the employee's early retirement incentive package effective date.

Each eligible employee selecting the early retirement incentive option could choose to receive the payout of the base salary and professional incentives in one (1) lump sum payment, or to receive the amount bi-weekly over twenty six (26) pay periods.

Four (4) District employees elected to accept the early retirement incentive package. One (1) of the four (4) employees chose a single lump sum payment and the remaining three (3) chose to be paid incrementally over twenty six (26) pay periods. The total cost of the termination benefits is estimated to be \$477,628 which is included in full in the salaries and benefits payable at September 30, 2010. Final payments relating to the early retirement incentive package will occur during 2013.

The estimated cost for fiscal years 2011, 2012, and 2013 is based on current rates for health and life insurance coverage for 2011, with a 3.0% increase per year beginning in 2011 through 2012. In addition, we used an annual discount rate of 3.2% (10-year Treasury security at September 30, 2010) to calculate the present value of the termination benefit liability.

The estimated cost for the four (4) participants that elected to accept the early retirement incentive package after adjusting for fiscal 2011 payment activity relating to the remaining two years(see Note 6) is as follows:

<u>YEAR ENDED</u> <u>SEPTEMBER 30,</u>	<u>PRINCIPAL</u>
2012	\$ 87,342
2013	<u>48,625</u>
	<u>\$ 135,967</u>

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 12 - FUND BALANCE DISCLOSURE

In accordance with GASB No. 54, the District classifies governmental fund balances (as applicable) as follows:

- Non-spendable - includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual requirements (i.e., prepaid items)
- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, lenders or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through a formal action of the highest level of decision making authority.
- Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned through the following: (1) the District's Chief is authorized by the Commissioners to assign amounts for specific purpose as denoted in the annual budget; (2) the Commissioners have authorized the District's Chief, in coordination with the District's auditors, to recapture excess fund balance that isn't restricted or committed.
- Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned classifications. Unassigned fund balance may include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents and /or contracts that prohibit doing this, such as grant agreements requiring certain dollars spent. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made, with the exception of the emergency reserve established by the Commissioners. Under normal circumstances, the District would first elect to utilize the Operating Reserve (Unassigned fund balance in the General Fund) before considering use of its Emergency Reserve.

The District does not have a formal minimum fund balance policy. However, the District addresses various targeted reserve positions via the annual budget process and calculates targets and actuals to report the results to the Commissioners annually.

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 12 - FUND BALANCE DISCLOSURE (Continued)

A schedule of the District's fund balances at September 30, 2011 is as follows:

	<u>MAJOR FUNDS</u>		<u>TOTAL FUNDS</u>
	<u>GENERAL FUND</u>	<u>SPECIAL REVENUES</u>	
Non-spendable	\$ 55,212	\$ 0	\$ 55,212
Restricted	62,593	73,431	136,024
Committed	0	0	0
Assigned:			
First year start-up operations	1,460,000	0	1,460,000
Construction loan reserve	387,600	0	387,600
Capital and fleet reserves	180,000	0	180,000
Leave credits reserve	150,000	0	150,000
FRS reserves	110,000	0	110,000
GASB reserves	90,000	0	90,000
Other reserves	<u>387,942</u>	<u>0</u>	<u>387,942</u>
Total revenue and contingency reserve	2,765,542	0	2,765,542
Unassigned	<u>1,147,944</u>	<u>0</u>	<u>1,147,944</u>
Total	<u>\$ 4,031,291</u>	<u>\$ 73,431</u>	<u>\$ 4,104,722</u>

NOTE 13 - SUBSEQUENT EVENTS

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through January 23, 2012, the date that the financial statements were available to be issued.

PART II. REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT

GOVERNMENTAL FUNDS

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL**

FOR THE YEAR ENDED SEPTEMBER 30, 2011

<u>GENERAL FUND</u>				
	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNT</u>	<u>VARIANCE WITH FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Revenues:				
Ad valorem and county taxes	\$ 7,782,592	\$ 7,782,592	\$ 7,429,381	\$ (353,211)
Impact and other fees	173,306	173,306	81,800	(91,506)
Interest and dividends	11,000	11,000	12,189	1,189
Miscellaneous	<u>3,008,660</u>	<u>3,008,660</u>	<u>184,992</u>	<u>(2,823,668)</u>
Total Revenues	<u>10,975,558</u>	<u>10,975,558</u>	<u>7,708,362</u>	<u>(3,267,196)</u>
Expenditures				
Current				
Public safety:				
Employee costs	6,505,869	6,505,869	6,247,779	(258,090)
Outside services	1,060,292	1,060,292	775,513	(284,779)
Materials and supplies	317,000	317,000	218,365	(98,635)
Reserves	2,232,845	2,232,845	0	(2,232,845)
Capital outlay	116,000	116,000	28,182	(87,818)
Debt service:				
Principal retirement	497,448	497,448	184,840	(312,608)
Interest and fiscal charges	<u>246,104</u>	<u>246,104</u>	<u>250,506</u>	<u>4,402</u>
Total Expenditures	<u>10,975,558</u>	<u>10,975,558</u>	<u>7,705,185</u>	<u>(3,270,373)</u>
Excess (deficiency) of revenues over (under) expenditures	0	0	3,177	3,177
Other financing sources (uses):				
Proceeds from capital lease	0	0	0	0
Transfers in (out)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total other financing sources and uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	<u>\$ 0</u>	<u>\$ 0</u>	3,177	<u>\$ 3,177</u>
Fund Balances, September 30, 2010			<u>\$ 4,028,114</u>	
Fund Balances, September 30, 2011			<u>\$ 4,031,291</u>	

SPECIAL REVENUE FUND			
BUDGETED AMOUNTS		ACTUAL AMOUNT	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
ORIGINAL	FINAL		
\$ 0	\$ 0	\$ 0	\$ 0
90,000	90,000	111,183	21,183
0	0	60	60
0	0	0	0
90,000	90,000	111,243	21,243
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
12,596	12,596	12,596	0
77,404	77,404	77,404	0
90,000	90,000	90,000	0
0	0	21,243	21,243
0	0	0	0
0	0	0	0
0	0	0	0
\$ 0	\$ 0	21,243	\$ 21,243
		\$ 52,188	
		\$ 73,431	

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

PART III. OTHER REPORTS

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

January 23, 2012

To the Board of Commissioners
GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT
Naples, Florida

We have audited the financial statements of the governmental activities and each major fund of GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT (the "District") as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 23, 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.

Internal Control Over Financial Reporting

Management of GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT'S internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT'S internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GOLDEN GATE FIRE CONTROL AND RESCUE 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected 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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, we identified certain deficiencies in internal control over financial reporting, that we consider to be significant deficiencies in internal control over financial reporting as denoted as recommendation #1 as described in our recommendation letter dated January 23, 2012 on pages 43 through 44. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

We noted certain matters that we reported to management of GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT, in a separate letter dated January 23, 2012, on page 43.

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


PHILLIPS HARVEY GROUP, P.A.
Certified Public Accountants
Naples, Florida



Nathan A. Phillips, CPA

Deborah L. Harvey, CPA

MANAGEMENT LETTER - LOCAL GOVERNMENT ENTITIES

Stephanie J. Feldman, CPA

Clara V. Guevara, CPA

Shannon Huber, CPA

Michelle L. Vastola, CPA

January 23, 2012

To the Board of Commissioners
GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT
Naples, Florida

Board of Commissioners:

We have audited the financial statements of the governmental activities and each major fund of GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT as of and for the year ended September 30, 2011 which comprise the District's basic financial statements and have issued our report thereon dated January 23, 2012.

We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in those reports, which are dated January 23, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General. Those rules (Section 10.554(1)(i)(1) require that we address in the management letter, if not already addressed in the auditor's reports on internal controls and compliance or schedule of findings and questioned costs, whether findings and/or recommendations reported in the preceding annual financial audit report have been corrected. There were recommendations in the prior fiscal audit year 2008 that have not been implemented at this time, see pages 43-48 and please refer to rebuttal letter for the District's explanation.

As required by the Rules of the Auditor General (Section 10.554(1)(i)(2), the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT complied with Section 218.415, Florida Statutes.

The Rules of Auditor General (Section 10.554(1)(i)(3) require that we address recommendations to improve the local governmental entity's internal controls. There was one significant deficiency in the year carried forward from prior year as follows:

- (1) Designate a qualified person to be responsible for implementation of all applicable Government Accounting Standards Board's new rules and regulations on an annual basis.

Also, see our recommendation letter dated January 23, 2012 for further general comments on pages 43 through 48.

The Rules of Auditor General (Section 10.554(1)(i)(4)) require disclosure in the management letter of the following matters if not already addressed in the auditor's reports on internal controls and compliance or schedule of findings and questioned costs, violations of provisions of contracts or grant agreements, or abuse that occurred, or are likely to have occurred, that have an effect on the financial statement amounts that is less than material but more than inconsequential. There were no instances to report in the current year.

The Rules of Auditor General (Section 10.554(1)(i)(5)) for matters that are inconsequential effect on the financial statements, considering both quantitative and qualitative factors the following may need to be reported based on professional judgment: (a) violations of provisions of contracts and grant agreements; (b) deficiencies in internal control that are not significant deficiencies. Our audit did not identified any matters required to be disclosed other than as denoted in our recommendation letter dated January 23, 2012 at pages 43 through 48.

As required by the Rule of the Auditor General (Section 10.554(1)(i)(7)(a)), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit, we determined that the GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT is not in a state of financial emergency as a consequence of the conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554(1)(i)(7)(b)), we determined that the annual financial report for the GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT for the fiscal year ended September 30, 2011, filed with the Department of Banking and Finance pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2011.

As required by the Rules of the Auditor General (Sections 10.554(i)(7)(c)(1) and 10.556(7)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

This report is intended solely for the information of the GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT, the State of Florida Office of the Auditor General, the Florida Department of Banking and Finance, and is not intended to be and should not be used by anyone other than these specified parties.


PHILLIPS HARVEY GROUP, P.A.
Certified Public Accountants
Naples, Florida



MANAGEMENT RECOMMENDATION LETTER

Nathan A. Phillips, CPA

Deborah L. Harvey, CPA

Stephanie J. Feldman, CPA

Clara V. Guevara, CPA

Shannon Huber, CPA

Michelle L. Vastola, CPA

January 23, 2012

Board of Commissioners
GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT
Naples, Florida

Commissioners:

In planning and performing our audit of the financial statements of the governmental activities and each major fund of GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT as of and for the year ended September 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT's internal control over financial reporting (internal control) 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 GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT's internal control. Accordingly, we do not express an opinion on the effectiveness of the GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT's internal control to be significant deficiencies:

Fiscal 2008 Audit Recommendations Not Implemented Yet:

Significant Deficiency 1: District needs to designate a qualified individual to be responsible for implementation of all applicable Government Accounting Standards Board's new rules and regulations on an annual basis.

The controller position is a key position for an organization but over the last few years the District has used a variety of skill set individuals with certain accounting experience and knowledge. The District has experienced many challenges as the District continues to grow and requires higher levels of accounting competencies. Since the District reports in its financial statements on a basis in accordance with generally accepted accounting principles and the District presently does not have on its staff a person with the accounting and reporting skills and knowledge to apply generally accepted accounting principles in recording the District financial transactions or preparing its financial statements, we recommend that the District hire a controller to fulfill these duties and responsibilities and other items previously mentioned.

During our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated January 20, 2011 on the financial statements of GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

General Comment 1: Consider the Commissioners as a Monitor of Internal Control.

It is very difficult to separate duties of key employees in smaller organizations. The District has been achieving this by having the Treasurer take the lead to perform an oversight function. While the current Treasurer has taken on this responsibility, it is inevitable that these positions will turn over from Commissioner to Commissioner several times as the District proceeds into the future. It is our recommendation that the Commissioners review the monitoring activities listed below and put procedures in place to ensure that these oversight functions will continue to be performed.

1. Have the capability to understand and review the financial statements prepared in accordance with auditing standards generally accepted in the United States of America.
2. Review with management the policies and procedures with respect to officers, key employees (executive director, general manager, chief operating officer), expense accounts, and perks, including excess benefit transactions, ensure written policies and procedures exist, etc.
3. Inquire of management, and the independent auditors about significant risks or exposures facing the organization; assess the steps management has taken or proposes to take to minimize such risks to the organization; and periodically review compliance with such steps.

General Comment 1: Consider the Commissioners as a Monitor of Internal Control (Continued)

4. Review key internal controls with management team, and understand how these controls will be tested, maintained and monitored during the year.
5. Report to the Commissioners on issues relating to internal controls, with emphasis on management's ability to override controls and the monitoring and testing relating to this capacity.
6. Review all material written of communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.
7. Periodically review the organization's code of conduct/ethics to ensure that it is adequate and up-to-date.
8. Review procedures for the confidential, anonymous submission by employees of the organization of concerns regarding questionable accounting or auditing matters (i.e. whistleblower policy).

General Comment 2: Utilize Cash Flow Statements and Cash Flow Projections as a planning tool.

Cash is essential to the success of any business. Cash flow considerations become even more important as the economy struggles and businesses need to tighten all financial controls. A monthly cash-flow projection helps to identify and eliminate deficiencies or surpluses in cash and to compare actual figures to past months. When cash-flow deficiencies are found, business financial plans must be altered to provide more cash. When excess cash is revealed, it might indicate excessive borrowing or idle money that could be invested. The objective is to develop a plan that will provide a well-balanced cash flow plan for the current and coming months.

General Comment 3: Increase awareness of antifraud culture.

Recent publicity has indicated that fraud is rapidly growing in the United States. A proven and effective deterrent to fraud and abuse is the establishment of an antifraud culture within the organization. We would suggest the following:

- Defining the role of the Commissioners as they relate to fraud and abuse
- Establish a written corporate code of conduct and implement a policy on misconduct
- Management and supervisory staff should be aware of fraud risks and indicators
- Internal controls should be given high priority
- Fraud-related policies should be enforced
- Reports of potential fraud and abuse should be investigated promptly

General Comment 4: A fraud risk policy and assessment procedures are needed by the District.

A fraud risk policy would assist employees in knowing what to do if they should become aware of or suspect fraud being committed against the District. The policy would also make it clear that employees are obligated and required to report fraud as dictated in the policy. It has been learned that often fraud is not reported because no one asked them (the employees) about it. This policy should be pro-active and require the employee not to wait until someone asks.

Assessment procedures should be developed by the District so that it can learn where it is vulnerable to fraud. Upon learning of its vulnerabilities, the District could implement procedures and controls to help mitigate or eliminate such risks. An example is the fact that background checks are performed on employees to reduce the risk of hiring undesirable employees.

General Comment 5: Perform and document risk assessment of operations and develop mitigating controls to reduce identified risks.

We recommend that the staff of District review their procedures for collecting funds, distributing monies, and accounting for transactions in the accounting software to determine areas that are susceptible to fraud, abuse or risk due to error. These procedures should be documented and mitigating procedures should be implemented for all risk areas.

For example, establish an oversight committee to perform and document internal control inspections throughout the year.

General Comment 6: Establish and adopt a formal written accounting policies and procedures manual.

The District's accounting policies and procedures have been informally established and perpetuated due to the size of the Organization and the limited personnel. Although some efforts have been focused on documenting certain aspects of the financial matters, we suggest that a formal, accounting policies and procedures manual be adopted.

The principal advantages of such a manual are:

The promotion of consistency and uniformity in the treatment of accounting transactions,

Guidance and reference for all personnel performing accounting and oversight functions, and

The promotion of greater opportunity for constructive improvements of accounting procedures by the periodic critical reviews of the existent procedures prescribed by a manual.

Use as a tool for monitoring critical accounting transaction cycles and to assess overall risks associated with the District's operations.

General Comment 6: Establish and adopt a formal written accounting policies and procedures manual (Continued).

The accounting policies and procedures manual should include, but not necessarily be limited to, the following:

Policy regarding receipts and disbursements; method to properly identify such transactions;

Policy regarding purchase of services and formal quotes and bids;

A list of accounting policies followed in the recording of transactions and preparation of the financial statements;

The nature and source of all entries to accounts as well as required supervisory approvals;

Organization charts supplemented by job descriptions and employee performance evaluation standards;

Exhibits of all accounting records, forms and reports with instructions for their preparation and distributions;

Narratives and flowcharts of accounting procedures; and

Due dates for financial statements and other reports.

General Comment 7: Establish a cross training program to handle critical general ledger functions and financial statements reporting.

We noted that written documentation of the accounting procedures, for example, the general ledger accounting functions: i.e., reconciling the general ledger and monthly financial reports, generating monthly financial statements is not currently in place. In the event the bookkeeper is absent for an extended period of time the District's has no other adequately trained employee to handle such general ledger functions. Therefore, we recommend implementing an accounting procedures manual (as noted above) to provide documentation for accounting procedures, which would require explanation in order to be performed by an individual other than the regular bookkeeper. In addition, we recommend certain designated individuals be trained to handle certain critical general ledger functions to avoid an interruption in operations

General Comment 8: Develop a comprehensive three year fleet maintenance plan.

During our audit, we noted that the District had no formal comprehensive fleet maintenance plan to address adequate funding of new firefighter vehicles and related equipment and to ensure proper operation of such assets are maintained and addressed. The idea of such a plan positions the District into being proactive; managing its fleet maintenance costs, and helps mitigate unexpected problems and emergencies.

General Comment 9: A capitalization policy needs to be implemented and adhere to.

During our audit, we noted that the District has no formal policy for capitalization of property and equipment purchases. This leaves the District open to the possibility that fixed assets will not be appropriately recorded, depreciated, or reported for accounting purposes and in compliance with laws and regulations. Therefore, we recommend that the District implement a written policy that would designate expenditures over a certain dollar value and in compliance with required regulations to be capitalized and depreciated over the assets' useful lives.

General Comment 10: Develop and adopt a methodology plan of funding reserves in the future.

As a means to maintain financial integrity of the District, adequate funding for contingencies and the annual cash flow needs to be established. It is critical for any on-going organization to have the ability to provide for emergencies and unanticipated financial needs. This especially true for the District given the volatile swings in estimation of ad valorem taxes and impact fees and the overall depressed real estate market in Collier County. Therefore, we recommend the District adopts a reserve funding methodology that carries in perpetual in the future to mitigate the risks of these unexpected financial impacts.

We believe that the implementation of these recommendations will provide GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT with a stronger system of internal control and make its operations more efficient. We will be happy to discuss the details of these recommendations with you and assist in any way possible with their implementations. This report is intended solely for the information and use of the management, the Board of Directors, and the Finance Advisory Committee of GOLDEN GATE FIRE CONTROL AND RESCUE DISTRICT and is not intended to be and should not be used by anyone other than these specified parties. Thank you for the opportunity of serving you.


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