

**NORTH NAPLES FIRE CONTROL
AND RESCUE DISTRICT**

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

**YEAR ENDED
SEPTEMBER 30, 2012**

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)	i-xii
<u>BASIC FINANCIAL STATEMENTS</u>	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
Statement of Net Assets.....	4
Statement of Activities.....	5'
FUND FINANCIAL STATEMENTS:	
Governmental Funds:	
Balance Sheet.....	6
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	7
Statement of Revenues, Expenditures and Changes in Fund Balance.....	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	9
Fiduciary Fund - Firefighters' Pension Plan:	
Statement of Fiduciary Net Assets.....	10
Statement of Changes in Fiduciary Net Assets.....	11
NOTES TO THE FINANCIAL STATEMENTS.....	12-54
<u>REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A</u>	
BUDGET TO ACTUAL COMPARISON - MAJOR FUNDS (General and Special Revenue Funds)	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund - Summary Statement.....	55
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund - Detailed Statement.....	56-58
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Impact Fee Fund - Summary Statement.....	59
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Impact Fee Fund - Detailed Statement	60
BUDGET TO ACTUAL COMPARISON - OTHER NON-MAJOR GOVERNMENTAL FUNDS	
Special Revenue Funds:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Inspection Fee Fund - Summary Statement.....	61
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Inspection Fee Fund - Detailed Statement.....	62-63

TABLE OF CONTENTS (CONTINUED)

Page(s)

ADDITIONAL REPORTS OF INDEPENDENT AUDITOR

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	65-65
Independent Auditor's Report to Management.....	66-68
Management's Response to Independent Auditor's Report to Management.....	Exhibit

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
North Naples Fire Control and Rescue District
1885 Veterans Park Drive
Naples, Florida 34109-0492

We have audited the accompanying basic financial statements of North Naples Fire Control and Rescue District (the "District") as of September 30, 2012 and for the year then ended. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of North Naples Fire Control and Rescue District Firefighters' Pension Fund ("Pension Fund"), which represent 100% of the assets, liabilities and net assets as well as 100% of the revenue and expenses of the District's Fiduciary Fund. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for North Naples Fire Control and Rescue District Firefighters' Pension Trust Fund, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the basic financial statements referred to above present fairly, in all material respects, the financial position of North Naples Fire Control and Rescue District as of September 30, 2012, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

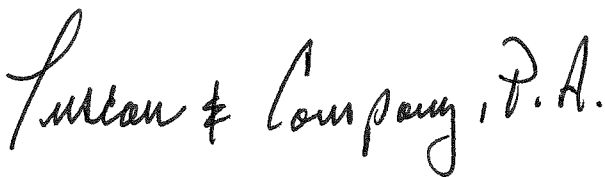
INTEGRITY SERVICE EXPERIENCE

In accordance with Government Auditing Standards, we have also issued our report dated February 14, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants, and other matters. The purpose of that report is to describe the scope of our testing of the internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the North Naples Fire Control and Rescue District's financial statements. The required supplementary information other than MD&A - budgetary comparison information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the required supplementary information other than MD&A - budgetary comparison information is fairly stated in all material respects in relation to the financial statements as a whole.

The Exhibit - Management's Response to Independent Auditor's Report to Management, is not a required part of the financial statements but is required by Government Auditing Standards and State of Florida Chapter 10.550 "Rules of the Auditor General". Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in cursive script that reads "Tuscan & Company, P.A.".

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
February 14, 2013

**MANAGEMENT'S DISCUSSION
AND ANALYSIS
(MD&A)**

Management's Discussion and Analysis of Financial Statements FYE September 30, 2012

This Discussion and Analysis of the North Naples Fire Control & Rescue District's ("The District") basic financial statements is provided to assist the reader in understanding the District's financial activities and significant changes in ending financial position for the fiscal year ended September 30, 2012. The District implemented the requirements of GASB Statement #34 for the fiscal year ended September 30, 2004. This Statement dramatically changed the District's annual reporting requirements, as well as the financial statement format and presentation.

Contained within are the basic financial statements, consisting of the government-wide financial statements, governmental fund financial statements and notes to the financial statements. This Discussion and Analysis will also provide an analytical overview of these statements, including comparisons of the District's financial position at September 30, 2012 versus September 30, 2011.

District Highlights

1. At the conclusion of fiscal year 2012, the District's assets exceeded its liabilities, resulting in net assets of \$33,679,420 as compared to net assets at September 30, 2011 of \$34,187,500.
2. The District's total net assets decreased \$508,080 during fiscal year 2012, as compared to a decrease of \$2,970,305 in total net assets during fiscal year 2011.
3. The District had \$11,081,782 of unrestricted net assets at September 30, 2012, that can be used to meet the District's ongoing obligations, as compared to \$11,193,272 at September 30, 2011. The amount of unrestricted net assets decreased by \$111,490.
4. Total revenues on the government-wide funds basis decreased, \$572,794 or 2 percent, in comparison to the prior year.
5. Total expenses on the government-wide basis decreased \$3,035,019, or 11 percent, in comparison to the prior year.

Government-wide Financial Statements

Government-wide financial statements (Statement of Net Assets and Statement of Activities found on pages 4 and 5) are intended to allow a reader to assess a government's operational accountability. Operational accountability is defined as the extent to which the government has met its operating objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to meet its objectives for the foreseeable future. Government-wide financial statements concentrate on the District as a whole and do not emphasize fund types.

The Statement of Net Assets (page 4) presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. The District's capital assets are included in this statement and reported net of their accumulated depreciation.

The Statement of Activities (page 5) presents revenue and expense information showing how the District's net assets changed during the fiscal year. Both statements are measured and reported using the economic resource measurement focus (revenues and

expenses) and the accrual basis of accounting (revenue recognized when earned and expense recognized when incurred).

Governmental Fund Financial Statements

The accounts of the District are organized on the basis of governmental funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Governmental fund financial statements (found on pages 6 and 8) are prepared on the modified accrual basis using the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available as net current assets.

Notes to the Financial Statements

The notes to the financial statements explain in detail some of the data contained in the preceding statements and begin on page 12. These notes are essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

The government-wide financial statements are designed so that the user can determine if the District's financial condition is better or worse than the prior year.

The following is a Condensed Summary Statement of Net Assets for the District (Primary Government) at September 30, 2012 and 2011:

Summary Statement of Net Assets September 30

Assets:	<u>2012</u>	<u>2011</u>
Current and Other Assets	\$15,400,683	\$15,817,903
Capital Assets	<u>22,572,919</u>	<u>22,994,228</u>
Total Assets	<u>\$37,973,602</u>	<u>\$38,812,131</u>
Liabilities:		
Current Liabilities	\$1,688,217	\$ 2,474,542
Non-Current Liabilities	<u>2,605,965</u>	<u>2,150,089</u>
Total Liabilities	<u>4,294,182</u>	<u>4,624,631</u>
Net Assets:		
Invested in Capital Assets,		
Net of Related Debt	22,572,919	22,994,228
Restricted – Inspection Fee Fund	24,719	-
Unrestricted	<u>11,081,782</u>	<u>11,193,272</u>
Total Net Assets	<u>33,679,420</u>	<u>34,187,500</u>
Total Liabilities and Net Assets	<u>\$37,973,602</u>	<u>\$38,812,131</u>

Current and other assets represent 41 percent of total assets at September 30, 2012, as compared to 41 percent at September 30, 2011. Current assets at September 30, 2012 are comprised of unrestricted cash balances of \$8,848,246, restricted cash of \$1,206,437, unrestricted investments of \$5,019,563, due from other governments of \$222,969, other receivables of \$26,935 and other assets of \$76,533. The balances of unrestricted cash represent amounts that are available for spending at the discretion of the Board of Fire Commissioners of the District. Restricted cash balances are comprised of the impact fee funds restricted for the purchase of capital assets, unspent inspections fee revenue restricted to support the inspection of new construction, and funds received as donations for the District's 50th Anniversary in 2011.

The investment in capital assets, net of related debt, represent 59 percent of net assets at September 30, 2012, as compared to 59 percent at September 30, 2011. These assets are comprised of land, buildings, improvements, equipment, furniture, and vehicles, net of accumulated depreciation, and the outstanding related debt used to purchase the assets. The unrestricted net asset balance of \$11,081,782 represents resources available for spending at September 30, 2012.

**Summary of Revenues, Expenses and Changes in Net Assets
For the Years Ended September 30, 2012 and September 30, 2011**

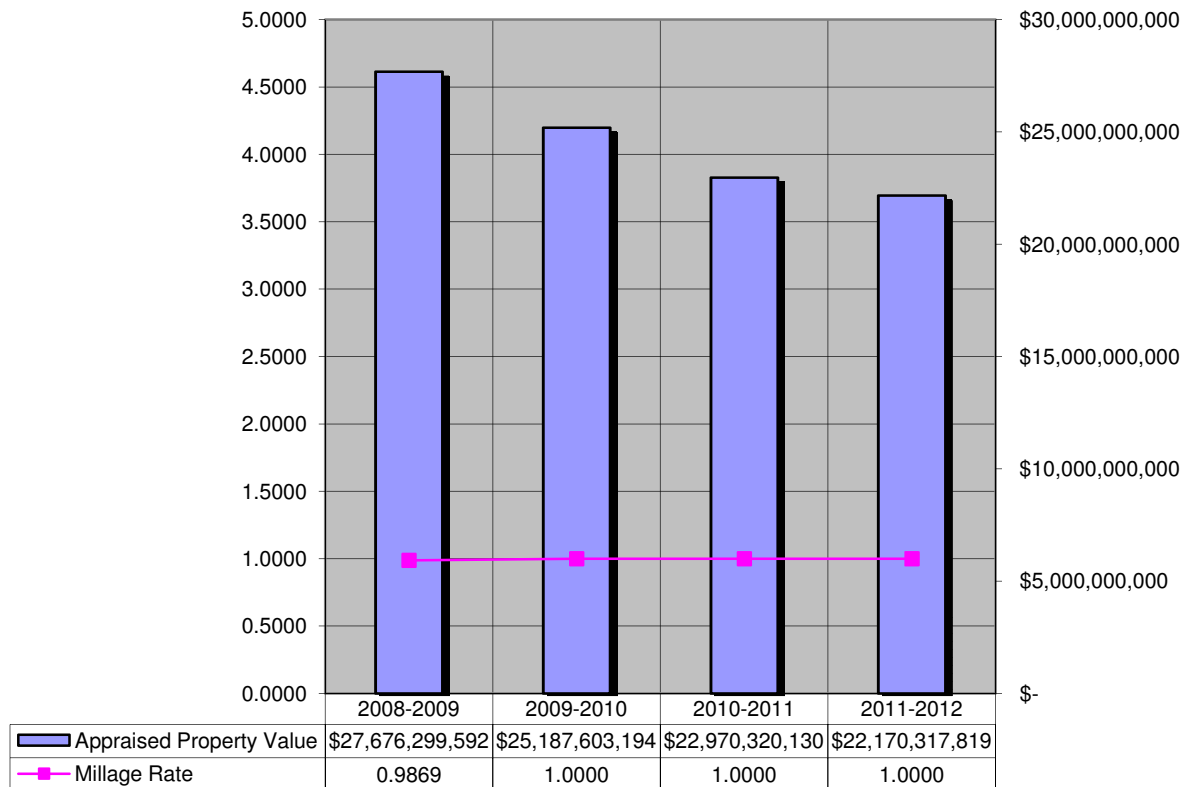
Revenues:	<u>2012</u>	<u>2011</u>
General Revenues		
Ad Valorem Taxes	\$21,551,797	\$22,312,426
Charges for Services	532,305	618,360
Program Revenues		
Grants	34,376	30,750
Miscellaneous		
Impact Fees	412,970	142,361
Investment Earnings	147,221	173,073
Gain (Loss) on Disposition of		
Capital Assets	17,672	(1,596)
Other	<u>225,519</u>	<u>219,280</u>
 Total Revenues	 22,921,860	 23,494,654
 Expenses:		
Public Safety–Fire/ Rescue Service	<u>23,429,940</u>	<u>26,464,959</u>
 Increase (Decrease) in Net Assets	 (508,080)	 (2,970,305)
 Net Assets-Beginning of Year	 <u>34,187,500</u>	 <u>37,157,805</u>
 Net Assets-End of Year	 <u>\$33,679,420</u>	 <u>\$34,187,500</u>

The assessed value of the property within the District decreased 3 percent for the 2011-2012 fiscal year as compared to the prior year's assessed value, resulting in a decrease in Ad Valorem tax revenues. This is the fourth consecutive year that property values in the District have decreased, resulting in a decrease in Ad Valorem revenue. The cumulative reduction in property value for the 2008-2009, 2009-2010, 2010-2011 and 2011-2012 fiscal years resulted in a \$5,505,981,773 reduction in taxable property value, and a 20 percent reduction in Ad Valorem revenue. The Board adopted a millage rate of 1 mil, or \$1.00 for every \$1,000 of property value. This millage rate was 4 percent less than the rolled back rate, or the taxing rate necessary to generate the same Ad Valorem revenue as the 2010-2011 fiscal year. Because the District is capped at a maximum millage rate of 1 mil, the Board could not adopt the rolled back rate.

Historically, the increase in Ad Valorem revenue resulting from the increase in property value has been sufficient to provide adequate funds to support operational, capital and reserve financial requirements in the District without increasing the millage rate. However, the 2011-2012 General Fund Budget reflects a decrease in Ad Valorem revenue corresponding to the decrease in property value. As a result, it was anticipated that reserves in the amount of \$1,432,457 would be required to fund operations. However, General Fund actual expenditures were less than those budgeted and revenue was more than that budgeted; therefore, use of reserves was \$174,944 which was significantly less than originally anticipated.

The following chart identifies the change in appraised property values in the District and the millage rate maintained by the District.

Property Values and Millage Rate Assessed



Fund Balance – Governmental Fund Financial Statements

Staff has worked hard to meet the Board of Fire Commissioners' directive to maintain the fund balance and cash reserve of the General Fund to solidify the District's financial position. The total fund balance of the General Fund, 100 percent of which is assigned reserves, was \$13,751,629 at September 30, 2012. This fund balance represents a decrease of \$174,944 in the total fund balance of the General Fund at September 30, 2011.

In September of 2002, a comprehensive Five Year Plan for the District was developed. This plan is reviewed and revised annually, just prior to preparation of the District's annual budget. The Five Year Plan has become an integral tool to assist in the identification of the financial needs for the future of the District, and as such, has assisted the Board of Fire Commissioners in establishing comprehensive assigned reserves to financially provide for the identified needs of the District.

The fund balance of \$13,751,629 for the fiscal year ended September 30, 2012, is comprised of 100 percent of assigned reserves. In light of the current and forecasted economic trends and accompanying decrease in property value, the Board has established assigned reserves identified as necessary to fund operational activities of the District in future years. These assigned reserves were created in an effort to address anticipated revenue reductions in the 2012-2013 and 2013-2014 fiscal years.

Other reserves are assigned to accommodate the future financial needs of the District as identified in the Five Year Plan as amended in September of 2012. While assigned reserves have been established and maintained in accordance with anticipated future needs of the District, it must be noted that the need may arise for the Board to unassign a portion of these reserves to fund the District's operations should property values continue to fall. The following General Fund Assigned Reserves were approved for the fiscal year ended September 30, 2012, in coordination with the Five Year Plan and as a result of the anticipated reduction in future General Fund Ad Valorem revenue:

<u>Assigned Fund Balance</u>	<u>Amount</u>
Operating Reserve – First Quarter	\$ 6,500,000
Projected Deficit 12-13	2,000,000
2013-2014 Expenses over Revenue	1,546,460
ALS Equipment	226,344
Emergency Reserve	2,223,330
Fire Apparatus	1,074,595
SCBA Replacement	160,000
Station #46 Improvements	20,900
Total Assigned Reserves	<u>\$13,751,629</u>

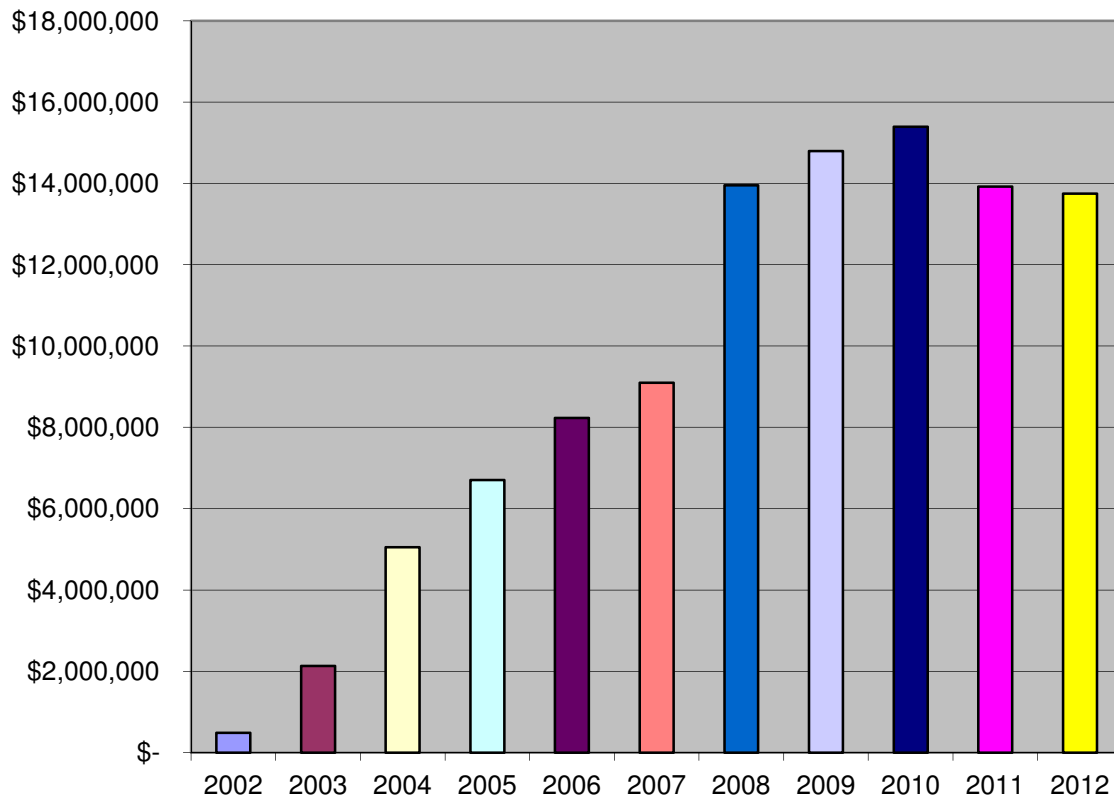
These assigned reserves have been established by the Board of Fire Commissioners to meet the future needs of the District. As indicated in the District's Five Year Plan, one new station is anticipated to be operational within the next five years, with funds allocated to initial permitting and planning expenditures for three other stations. Due to the recent and dramatic decline in impact fees, and the anticipated revenue reduction

resulting from decreasing property values, the Five Year Plan was revised to delay the construction in full on these three other stations. While impact fees can fund the creation of the infrastructure required for these stations, the staffing and maintenance must be funded by the General Fund. These assigned reserves are also created to fund the replacement of capital assets originally funded through impact fees.

Additionally, significant increases in health insurance, and other personnel and operating expenses require that funds be set aside, or assigned, to prepare for the funding of future expenditures. This is especially necessary in light of the current economic situation and the impact of the decline in property values statewide, and the resulting revenue reduction resulting from such decline.

As evidenced by the chart below, the District's General Fund fund balance has increased \$13,268,549 since 2002. While the growth in fund balance is significant, it is by no means an unnecessarily high accumulation of funds. Not only has it become evident that the District must be able to provide for operating and personnel expenses in the event of a serious hurricane or other natural disaster, it has become essential for future planning to ensure the financial stability of the District by increasing designated reserves to provide for the future needs of the District in anticipation of revenue reductions. It is also designed to allow for replacement of capital assets without a planned increase in millage. It should also be noted that the 2011-2012 fiscal year General Fund utilized \$174,944 of reserves to fund operations during the fiscal year due to the decline in property value and accompanying decrease in Ad Valorem revenue. This is the second year since 2001 that the District had to use reserves to fund operations. While significant reserves still remain, it is by no means sustainable to continue to rely on reserves to fund operations.

General Fund Fund Balance 2002 - 2012



Impact Fees

Actual impact fees received for the year ended September 30, 2012 was \$360,328, a decrease of \$36,925, or 9 percent, as compared to the prior fiscal year. However, because of the decline in impact fees over the course of the last few fiscal years, the amount received exceeded budgeted impact fees by \$60,328, or 20 percent. Staff continues to conservatively estimate impact fee revenue for future years and limit planned impact fee expenditures due to the trend in declining revenue.

The Board of Fire Commissioners recognized that the growth in the District was significant in the late 1990s and early 2000s, and anticipated the District would reach a point where the growth and resulting impact fees would substantially decrease. Therefore, the Five Year Plan has reflected decreasing impact fees. However, the decline in impact fees occurred much quicker and at a more substantial rate than originally anticipated. As a result, the Five Year Plan has been amended to reflect the reduction in receipts.

Inspection Fees

Inspection fee revenue for the year ended September 30, 2012 was \$428,911 and represents a decrease of \$73,396 or 15 percent as compared to revenue in the prior fiscal year, as compared to an increase of \$11,035, or 2 percent over the inspection fee revenue for fiscal year 2011 vs. 2010. These inspection fees are received by the District for inspections performed on new construction, and are therefore a function of the number of new structures built and completed in the District. Following three consecutive years of decreasing inspection fee fund receipts, the 2009-2010 fiscal year was the first year to recognize an increase in inspection fees revenue since the fiscal year ended September 30, 2006. The trend continued in the fiscal year ended 2011, with inspection fees received increasing as compared to the prior fiscal year, but then again declined in 2012. The overall reduction in fees since 2006 has resulted in the inability of the revenues of the fund to support the full operating budget. As a result, the General Fund has provided financial assistance to support the Inspection Fee Fund. This fund will continue to require close monitoring in the future to determine if the General Fund will be required to continue to provide financial assistance to support the Inspection Fee Fund operating costs.

Budgetary Highlights

Budget versus actual comparisons are reported in the required supplementary information other than management's discussion and analysis on pages 55 through 63. General Fund expenditures were less than those budgeted, with Personnel Expenditures reflecting \$1,140,162 or 6 percent less than budgeted, Operating Expenditures reflecting \$88,715 or 3 percent less than budgeted, and Capital Outlay reflecting \$16,785 or 10 percent less than budgeted. Differences between the final amended budget and actual expenditures in the General Fund were largely due to fewer non-essential purchases being made, and the serious effort exerted to control expenditures as tightly as possible faced with current and anticipated decrease in property (Ad Valorem) tax revenue.

The amendments to General Fund revenue were necessary to reflect an increase in Ad Valorem tax revenue received resulting in collection above the 95 percent subject to budget requirements and to reflect a reduction in interest revenue earned due to the decline in interest rates available on the District's Certificates of Deposit.

The amendments to the General Fund expenditures were a result of several factors. Budgeted personnel expenses were decreased by \$69,000 due to a reduction in operational overtime resulting from the hiring of three replacement firefighters to address staffing shortages and offset overtime expenditures. Budgeted capital expenses were increased by \$69,000 to reflect the required but unanticipated replacement of bunker gear which failed safety inspection. It should be noted that amendments to reallocate General Fund expenditures resulted in no increase to expenses, and actual General Fund expenditures were still \$1.2 million under budget.

Capital Assets

Non-depreciable capital assets include land and construction in progress. Depreciable assets include buildings, improvements other than buildings, equipment, furniture and vehicles.

The following is a schedule of the District's capital assets as of September 30, 2012 and 2011.

Capital Assets September 30:

Capital Assets	2012	2011
Land	\$11,182,814	\$11,182,814
Construction in Progress	<u>1,102,570</u>	<u>720,146</u>
Total Capital Assets not Depreciated	12,285,384	11,902,960
Buildings	12,428,865	12,428,865
Vehicles	7,165,848	7,698,797
Office Equipment	692,437	706,380
Equipment & Machinery	<u>2,725,609</u>	<u>2,741,134</u>
Total Capital Assets Being Depreciated	23,012,759	23,575,176
Accumulated Depreciation		
Buildings	(4,561,857)	(4,157,543)
Vehicles	(5,604,642)	(5,811,504)
Office Equipment	(486,961)	(456,120)
Equipment & Machinery	<u>(2,071,764)</u>	<u>(2,058,741)</u>
Total Accumulated Depreciation	<u>(12,725,224)</u>	<u>(12,483,908)</u>
Total Capital Assets being Depreciated, Net	<u>10,287,535</u>	<u>11,091,268</u>
Capital Assets – Net of Depreciation	22,572,919	22,994,228
Less: Related Debt	<u>-</u>	<u>-</u>
Net Assets Invested in Capital Assets Net of Related Debt	<u>\$22,572,919</u>	<u>\$22,994,228</u>

The purchases of capital assets were significantly reduced during the 2011-2012 fiscal year in an effort to control costs. Only those assets deemed absolutely necessary were purchased. Significant capital asset purchases made during the fiscal year ended September 30, 2012 include:

1. Medical equipments utilized by the District's paramedics performing Advanced Life Support ("ALS") services totaling \$14,128;

2. Replacement computers and associated computer hardware for use in the apparatus totaling \$44,100;
3. Hurst hydraulic tools totaling \$10,560;
4. New Squad quick response vehicle totaling \$67,789;
5. 49 Sets of replacement Bunker Gear totaling \$90,585; and
6. Payment of architecture, engineering, permitting and site preparation costs and fees for future Station #48 located on Livingston Road in the amount of \$382,485 from the Impact Fee Fund.

For additional information on the District's capital assets, see Note E on pages 30 and 31.

Debt Administration

As of September 30, 2012, the District had long term obligations of \$2,669,847, as compared to \$2,820,261 at September 30, 2011, a decrease of \$150,414 or 5 percent. That debt consists of:

1. Compensated absences (accrued vacation liability) in the amount of \$1,917,976, as compared to \$1,602,209 at September 30, 2011. The increase in this liability is due to hourly rate changes resulting from promotions to replace vacated positions due to retirements and the Early Retirement Incentive programs, and a Collective Bargaining Agreement one year provision providing paid days off.
2. Termination benefits in the amount of \$112,333, as compared to \$777,131 at September 30, 2011. These termination benefits consist of health, dental and vision insurance benefits through 2012 for those employees participating in the District's first early retirement incentive program, and health insurance benefits payable in 2012, 2013 and 2014 related to the second early retirement incentive program.
3. OPEB obligation of \$639,538, representing post employment health insurance obligations pursuant to GASB No. 45.

Economic Facts and Next Year's Budget Millage Rates

The following factors were taken into consideration when the budget for the fiscal year ending September 30, 2013 was prepared:

1. Appraised taxable property values **increased** by \$68,433,215, or less than 1 percent for tax year 2012 (FY2013) as compared to a decrease of 3 percent in 2011. This is the first year since the multi-year decline in taxable property value that the property value in the District has increased, although only slightly. The cumulative effect of the last five years' property value has resulted in an anticipated reduction in Ad Valorem revenue of approximately \$6.6 million, or 23 percent since 2008. Staff did not anticipate any increase in taxable property value for the 2012-2013 fiscal year and, under the Board's direction, has worked hard to control expenditures and maintain the level of service without depleting reserves. Preliminary estimates indicate the property value in Collier County is expected to increase at least 3 percent for the 2013 year. Historically, the District has fared far better than the County as a whole, so it is anticipated that new growth within the District will offset any decline in property value, so value should either remain

- unchanged in a worse-case scenario for the 2013-2014 fiscal year, or might even realize up to a 3 percent increase in a best case scenario. The District must continue to consider ways to fund operating expenses without reducing the level of service and without depleting reserves. Staff will continue to monitor financial projections to provide the Board with current and updated information regarding the future financial needs of the District.
2. The District did not increase its millage rate from 1 mill (\$1.00 for each \$1,000 of appraised property value) for the fiscal year ending September 30, 2013. The rolled-back millage rate, that is, the rate that would need to be levied to generate the same revenue for the 2012-2013 fiscal year as was generated during the 2011-2012 fiscal year, was not levied because it exceeded the maximum millage rate the District is authorized to levy pursuant to its enabling act. The District's millage cap, combined with declining property values, makes it impossible to generate the same revenue as in prior years. Therefore, the District must fund operations with less revenue, while continuing to attempt to maintain service levels.
 3. The District had planned to open Stations #48, #49, #410 and #411 within the next two to five years. However, due to the reduction in revenue resulting from the anticipated and realized decline in property value, and the reduction in impact fees received, all construction of new station sites, except for the site preparation for Station #48, has been halted.
 4. No new positions are provided for in the General Fund Budget for 2012-2013. Thirteen employees participated in the early retirement incentive program established by the Board for the 2008-2009 fiscal year, resulting in 9 shift positions being vacated. An additional seven employees participated in a second early retirement incentive program offered between August 1, 2010 and July 31, 2011. This resulted in an additional 5 shift positions being vacated. In May of 2011, three replacement firefighters were hired to address the 14 shift positions vacated as a result of the two early retirement incentive programs. In August of 2012, three more replacement firefighters were hired, and another three in November of 2012 to address another three vacancies resulting from retirements. Staff continues to monitor the cost benefit of overtime versus filling replacement positions .
 5. Capital purchases have been limited to only those essential items, including the replacement of fire equipment as needed in the total amount of \$25,000, the purchase of replacement protective equipment in the amount of \$51,697, the replacement of computers for the apparatus used to provide call response information in the total amount of \$15,000, and station improvements in the amount of \$20,000.

Request for Information

This financial report is designed to provide the reader an overview of the District. Questions regarding any information provided in this report should be directed to: Becky Bronsdon, Assistant Chief of Administrative Services, North Naples Fire Control & Rescue District, 1885 Veteran's Park Drive, Naples, FL 34109, 239-597-3222, e-mail: bbronsdon@northnaplesfire.com.

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF NET ASSETS
September 30, 2012

Page 4 of 68

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 8,848,246
Restricted cash and cash equivalents	1,206,437
Investments	5,019,563
Due from other governments	222,969
Other receivables	26,935
Other assets	<u>76,533</u>
Total current assets	<u>15,400,683</u>
Noncurrent assets:	
Capital assets:	
Land	11,182,814
Construction in progress	1,102,570
Depreciable buildings, equipment, and vehicles (net of \$12,725,224 accumulated depreciation)	<u>10,287,535</u>
Total noncurrent assets	<u>22,572,919</u>
TOTAL ASSETS	<u><u>\$ 37,973,602</u></u>
 LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	\$ 650,151
Contract deposits	7,500
Deferred revenue	966,684
Current portion of long-term obligations	<u>63,882</u>
Total current liabilities	1,688,217
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	<u>2,605,965</u>
TOTAL LIABILITIES	<u>4,294,182</u>
 NET ASSETS	
Invested in capital assets, net of related debt	22,572,919
Restricted	24,719
Unrestricted	<u>11,081,782</u>
TOTAL NET ASSETS	<u>33,679,420</u>
 TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 37,973,602</u></u>

The accompanying notes are an integral part of this statement.

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF ACTIVITIES
Year Ended September 30, 2012

Page 5 of 68

	<u>Governmental Activities</u>
EXPENSES	
Governmental Activities	
Public Safety - Fire Protection	
Personnel services	\$ 19,345,440
Operating expenses	3,044,074
Depreciation	1,040,426
Interest and fiscal charges	<u>-</u>
TOTAL EXPENSES - GOVERNMENTAL ACTIVITIES	23,429,940
 PROGRAM REVENUES	
Charges for services	532,305
Operating grants and contributions	<u>34,376</u>
NET PROGRAM EXPENSES	<u>22,863,259</u>
 GENERAL REVENUES	
Ad Valorem taxes	21,551,797
Impact fees	412,970
Interest	147,221
Gain on disposition of capital assets	17,672
Other	<u>225,519</u>
TOTAL GENERAL REVENUES	<u>22,355,179</u>
 DECREASE IN NET ASSETS	(508,080)
 NET ASSETS - Beginning of the year	<u>34,187,500</u>
NET ASSETS - End of the year	<u><u>\$ 33,679,420</u></u>

The accompanying notes are an integral part of this statement.

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2012

Page 6 of 68

	General Fund	Impact Fee Fund	Inspection Fee Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 8,848,246	\$ -	\$ -	\$ 8,848,246
Restricted cash and cash equivalents	3,668	972,427	230,342	1,206,437
Investments	5,019,563	-	-	5,019,563
Due from other governments	163,575	24,085	35,309	222,969
Due from other funds	274,067	-	-	274,067
Other receivables	26,935	-	-	26,935
Other assets	76,533	-	-	76,533
TOTAL ASSETS	\$ 14,412,587	\$ 996,512	\$ 265,651	\$ 15,674,750
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable and accrued expenses	\$ 649,790	\$ 361	\$ -	\$ 650,151
Due to other funds	-	33,135	240,932	274,067
Contract deposits	7,500	-	-	7,500
Deferred revenue	3,668	963,016	-	966,684
TOTAL LIABILITIES	660,958	996,512	240,932	1,898,402
FUND BALANCE				
Restricted	-	-	24,719	24,719
Assigned	13,751,629	-	-	13,751,629
Unassigned	-	-	-	-
TOTAL FUND BALANCE	13,751,629	-	24,719	13,776,348
TOTAL LIABILITIES AND FUND BALANCE	\$ 14,412,587	\$ 996,512	\$ 265,651	\$ 15,674,750

The accompanying notes are an integral part of this statement.

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
September 30, 2012

Page 7 of 68

	<u>Amount</u>
Total fund balance of governmental funds	\$ 13,776,348
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Capital assets not being depreciated:	
Land	11,182,814
Construction in progress	<u>1,102,570</u>
	12,285,384
Governmental capital assets being depreciated:	
Building, equipment and vehicles	23,012,759
Less accumulated depreciation	<u>(12,725,224)</u>
	10,287,535
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds.	
Net OPEB obligation	(639,538)
Early termination benefits	(112,333)
Compensated absences	<u>(1,917,976)</u>
	(2,669,847)
Elimination of interfund amounts:	
Due to other funds	(274,067)
Due from other funds	<u>274,067</u>
	-
Total net assets of governmental activities	<u><u>\$ 33,679,420</u></u>

The accompanying notes are an integral part of this statement.

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
Year Ended September 30, 2012

Page 8 of 68

	General Fund	Impact Fee Fund	Inspection Fee Fund	Total Governmental Funds
REVENUES				
Ad Valorem taxes	\$ 21,551,797	\$ -	\$ -	\$ 21,551,797
Intergovernmental revenue:				
Firefighter Supplemental	34,376	-	-	34,376
Charges for services:				
Inspection fees and other	103,394	-	428,911	532,305
Impact fees	-	412,970	-	412,970
Miscellaneous:				
Interest	138,501	7,993	727	147,221
Other	225,519	-	-	225,519
TOTAL REVENUES	<u>22,053,587</u>	<u>420,963</u>	<u>429,638</u>	<u>22,904,188</u>
EXPENDITURES				
Current				
Public safety				
Personnel services	19,003,975	-	491,879	19,495,854
Operating expenditures	3,038,671	5,403	-	3,044,074
Capital outlay	216,215	415,560	-	631,775
Debt service				
Principal reduction	-	-	-	-
Interest and fiscal charges	-	-	-	-
TOTAL EXPENDITURES	<u>22,258,861</u>	<u>420,963</u>	<u>491,879</u>	<u>23,171,703</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(205,274)</u>	<u>-</u>	<u>(62,241)</u>	<u>(267,515)</u>
OTHER FINANCING SOURCES				
Proceeds from disposition of capital assets	30,330	-	-	30,330
TOTAL OTHER FINANCING SOURCES	<u>30,330</u>	<u>-</u>	<u>-</u>	<u>30,330</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>(174,944)</u>	<u>-</u>	<u>(62,241)</u>	<u>(237,185)</u>
FUND BALANCE - Beginning of the year	<u>13,926,573</u>	<u>-</u>	<u>86,960</u>	<u>14,013,533</u>
FUND BALANCE - End of the year	<u>\$ 13,751,629</u>	<u>\$ -</u>	<u>\$ 24,719</u>	<u>\$ 13,776,348</u>

The accompanying notes are an integral part of this statement.

**NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES**

Page 9 of 68

Year Ended September 30, 2012

	<u>Amount</u>
Net change (expenditures and other financing uses over revenues and other financing sources) in fund balance - total governmental funds	\$ (237,185)

The decrease (change) in net assets reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. In the Statement of Activities, however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The gain on disposition of capital assets increases the net assets.

Expenditures for capital assets	631,775	
Less: proceeds on disposition of capital assets	(30,330)	
Plus: gain on disposition of capital assets	17,672	
Less: current year depreciation	<u>(1,040,426)</u>	
		(421,309)

The issuance of debt is reported as a financing source in governmental funds and thus contributes to the change in fund balance. In the Statement of Net Assets, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets.

Borrowings (proceeds from issuance):		
Capital lease	<u>-</u>	-
Repayments (principal retirement):		
Capital lease	<u>-</u>	-

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Decrease in accrued interest payable on long term debt	-	
Increase in Net OPEB obligation	(198,617)	
Decrease in termination benefits ERIP 1	76,597	
Decrease in termination benefits ERIP 2	588,201	
Increase in compensated absences	<u>(315,767)</u>	
		<u>150,414</u>

Decrease in net assets of governmental activities	<u><u>\$ (508,080)</u></u>
---------------------------------------------------	----------------------------

The accompanying notes are an integral part of this statement.

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF FIDUCIARY NET
ASSETS - FIDUCIARY FUND
September 30, 2012

Page 10 of 68

	Firefighters' Pension Fund
<hr/>	
ASSETS	
Investments, at fair value:	
Money market funds	\$ 601,519
Mutual funds	5,020,248
Common stocks	14,286,958
U.S. Government securities	5,377,746
Corporate bonds	4,910,627
Real estate	2,722,609
Due from other governments - State	427,291
Due from District	584,442
Accrued investment income	105,958
	<hr/>
TOTAL ASSETS	34,037,398
	<hr/>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	51,962
	<hr/>
TOTAL LIABILITIES	51,962
	<hr/>
NET ASSETS	
Held in trust for pension benefits and other purposes	33,985,436
	<hr/>
TOTAL NET ASSETS	\$ 33,985,436
	<hr/>

The accompanying notes are an integral part of this statement.

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY
NET ASSETS - FIDUCIARY FUND
Year Ended September 30, 2012

Page 11 of 68

	Firefighters' Pension Fund
ADDITIONS	
Contributions:	
Employer	\$ 2,166,240
Plan members	246,871
Buybacks	48,676
State of Florida, insurance premiums	<u>1,214,214</u>
Total contributions	<u>3,676,001</u>
Investment income:	
Net appreciation (depreciation) including realized gains/losses	3,623,463
Interest and dividends	<u>743,880</u>
	4,367,343
Less: investment expenses	<u>(173,545)</u>
Net investment income (loss)	4,193,798
Other income	<u>-</u>
TOTAL ADDITIONS	<u>7,869,799</u>
DEDUCTIONS	
Refunds of contributions	1,282
Benefits paid	13,263
Administrative expenses	<u>65,962</u>
TOTAL DEDUCTIONS	<u>80,507</u>
NET INCREASE IN NET ASSETS	7,789,292
NET ASSETS - BEGINNING	<u>26,196,144</u>
NET ASSETS - ENDING	<u><u>\$ 33,985,436</u></u>

The accompanying notes are an integral part of this statement.

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Page 12 of 68

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

North Naples Fire Control and Rescue District (the "District") is an independent special taxing district located in northern Collier County, Florida. The District was originally established on April 22, 1961 by Laws of Florida, Chapter 61-2032, then reestablished by Laws of Florida Chapter 84-416, as amended. The District has the general and special powers prescribed by Florida Statute Chapters 189, 191 and 633.15. The District's governing legislation was recreated, reenacted and codified by Laws of Florida, Chapter 99-450 on July 13, 1999 and amended by Laws of Florida, Chapter 2006-353 on June 23, 2006. The District is governed by a five (5) member elected Board of Commissioners. Commissioners serve on a staggered four (4) year term basis.

The District provides fire control and protection services, fire safety, inspections, code enforcement, fire hydrant maintenance, firefighter training, and crash and fire rescue services as well as basic life support services. In providing these services, the District operates and maintains seven (7) stations and the related equipment and employs approximately 145 full-time professional firefighters and administrative staff.

During the year ended September 30, 2009, the District entered into a joint venture agreement with Edison State College (ESC) for the operation of the North Naples Fire Training Center (NNFTC) to educate and train students as State Certified Firefighters. The District is licensed to operate the NNFTC and ESC is the program coordinator. The District provides the training room and training facilities for the NNFTC. ESC, as program coordinator, is responsible for the operations of the NNFTC including but not limited to the screening and enrolling of students and for screening and engaging instructors. Therefore, the activities of the NNFTC are not included in the District's basic financial statements.

Reporting Entity

The District adheres to Governmental Accounting Standards Board (GASB) Statement Number 14, "Financial Reporting Entity," (GASB 14) as amended by GASB Statement Number 39, "Determining Whether Certain Organizations Are Component Units" (GASB 39). This Statement requires the basic financial statements of the District (the primary government) to include its component units, if any. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. Based on the criteria established in GASB 14, as amended, there are no component units required to be included in the District's basic financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the District and do not emphasize fund types. These governmental activities comprise the primary government. General governmental and intergovernmental revenues support the governmental activities. The purpose of the government-wide financial statements is to allow the user to be able to determine if the District is in a better or worse financial position than the prior year. The effect of all interfund activity between governmental funds has been removed from the government-wide financial statements.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the pension fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement Number 33, "Accounting and Financial Reporting for Nonexchange Transactions" (GASB 33).

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability in the government-wide financial statements rather than as expenditures.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Government-wide Financial Statements, continued

Program revenues are considered to be revenues generated by services performed and/or by fees charged such as inspection fees, burn permits, and hydrant tests.

Fund Financial Statements

The District adheres to GASB Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions" that required a change in the reporting format of fund balances in the governmental fund statements. Essentially, the implementation resulted in adoption of a fund balance policy and reclassification of the components within fund balance.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the District's governmental and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in aggregate for governmental funds. The fiduciary statement includes financial information for the firefighters' pension fund. The fiduciary fund represents assets held by the District in a custodial capacity for the benefit of other individuals.

Governmental Funds

When both restricted and unrestricted resources are combined in a fund, expenditures are considered to be paid first from restricted resources, as appropriate, and then from unrestricted resources. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collected within the current period or soon thereafter to pay liabilities of the current period.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Governmental Funds, continued

The District's major funds are presented in separate columns on the governmental fund financial statements. The definition of a major fund is one that meets certain criteria set forth in GASB Statement Number 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" (GASB 34). The funds that do not meet the criteria of a major fund are considered non-major funds and are combined into a single column on the governmental fund financial statements.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns on the fund financial statements.

Fiduciary Fund

The pension trust fund accounts for the activities of the Firefighters' Pension Plan, which accumulates resources for the pension benefit payments to qualified firefighters.

The net assets of this fund are not considered to be net assets of the District and not available to the District's creditors.

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Measurement Focus and Basis of Accounting, continued

Revenues are considered to be available when they are collectible within the current period and soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers tax revenues to be available if they are collected within sixty days of the end of the current fiscal period.

Revenues susceptible to accrual are property taxes, interest on investments, and intergovernmental revenues. Property taxes are recorded as revenues in the fiscal year in which they are levied, provided they are collected in the current period or within sixty days thereafter. Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific purposes or projects are recognized when all eligibility requirements are met.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) principal and interest on long-term debt, if any, is recognized when due; and (2) expenditures are generally not divided between years by the recording of prepaid expenditures.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Non-current Government Assets/Liabilities

GASB 34 requires non-current governmental assets, such as land and buildings, and non-current governmental liabilities, such as notes payable and capital leases, to be reported in the governmental activities column in the government-wide Statement of Net Assets.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Major Funds

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The Impact Fee Fund consists of fees imposed and collected by Collier County based on new construction within the District. The fees are restricted and can only be used for certain capital expenditures associated with growth within the District.

Non-Major Fund

The District reports the following non-major fund:

The Inspection Fee Fund is used by the District to account for the receipt and expenditures of its Inspection Fee Program. Fees are charged for the inspection of new building construction. The fees are collected by Collier County and are distributed by the East Naples Fire Control and Rescue District to the other participating Districts.

Fiduciary Fund

Fiduciary funds are excluded in the government-wide financial statements because the resources of those funds are not available to support the District's programs. The only type of fiduciary funds the District maintains is a Firefighters' Pension Fund, which accounts for retirement assets held by the Plan that are payable to qualified firefighters upon retirement.

Budgetary Information

The District has elected to report budgetary comparisons of its major funds and its non-major fund as required supplementary information (RSI).

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments

The District adheres to the requirements of GASB Statement Number 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," (GASB 31) in which all investments are reported at fair value.

Investments, including restricted investments, consist of certificates of deposit, U.S. Government securities, corporate debt and equity securities, and securities of government agencies unconditionally guaranteed by the U.S. Government.

Capital Assets

Capital assets, which include land, construction in progress, buildings, equipment and vehicles, are reported in the government-wide Statement of Net Assets.

The District follows a capitalization policy which calls for capitalization of all capital assets that have a cost or donated value of \$1,000 or more and have a useful life in excess of one year.

All capital assets are valued at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Public domain (infrastructure) capital assets consisting of certain improvements other than building, including curbs, gutters and drainage systems, are not capitalized, as the District generally does not acquire such assets. No debt-related interest expense is capitalized as part of capital assets in accordance with GASB 34.

Maintenance, repairs and minor renovations are not capitalized. The acquisition of land and construction projects utilizing resources received from Federal and State agencies are capitalized when the related expenditure is incurred.

Expenditures that materially increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement, the cost is eliminated from the respective accounts.

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Page 19 of 68

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital Assets, continued

Expenditures for capital assets are recorded in the fund statements as current expenditures. However, such expenditures are not reflected as expenditures in the government-wide statements, but rather are capitalized and depreciated.

Depreciable capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset</u>	<u>Years</u>
Buildings	15-30
Capital Assets acquired under Capital Lease	10
Office Equipment	3-30
Vehicles	3-10
Equipment and Machinery	3-15

Budgets and Budgetary Accounting

The District adopted an annual budget for the General Fund.

The District adopted annual budgets for the Special Revenue Funds - Impact Fee Fund and the Inspection Fee Fund.

No budget was adopted or required to be adopted for the Firefighters' Pension Trust Fund.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Budgets and Budgetary Accounting, continued

The District follows these procedures in establishing budgetary data for the General Fund, the Impact Fee Fund, and the Inspection Fee Fund:

1. During the summer of each year, the District Fire Chief submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing on the upcoming October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. The budget is adopted by approval of the Board of Commissioners.
4. Budget amounts, as shown in these basic financial statements, are as originally adopted or as amended by the Board of Commissioners.
5. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.
6. The level of control for appropriations is exercised at the fund level.
7. Appropriations lapse at year-end.

Several budget amendments were approved by the Board of Commissioners during the fiscal year ended September 30, 2012 for the General Fund. Budgeted revenues and reserves in the General Fund were increased by \$831,777. No budget amendments were approved for the Impact Fee Fund or for the Inspection Fee Fund.

Impact Fees/Deferred Revenue

The District levies an impact fee on new construction within the District. The intent of the fee is for growth within the District to pay for capital improvements needed due to the growth. The fee is imposed and collected by Collier County and remitted to the District. The fee is refundable if not expended by the District within six (6) years from the date of collection. The District, therefore, records this fee as restricted cash and deferred revenue until the date of expenditure, at which time it is recognized as revenue and charged to capital outlay in the fund financial statements and capital assets in the government-wide financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Net Assets

In governmental fund statements net assets are identified as restricted when there are externally imposed constraints as to their use, such as through debt covenants, by grantors, or by law.

Fund Balances

The governmental fund financial statements the District maintains include nonspendable, restricted, assigned, and unassigned fund balances. Nonspendable fund balances are those that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Criteria include items that are not expected to be converted into cash, for example prepaid expenses.

Restricted fund balances are those that are restricted by a third party. Restricted fund balances can only be spent for the stipulated purposes.

The District's assigned fund balances are a result of the actions of the District's Board. The District's intent is to maintain a minimum assigned fund balance level of three (3) months of budgeted total expenditures. The assigned fund balance includes the District's operational and capital reserves as well as its disaster reserve. At September 30, 2012, fund balance is also assigned for a variety of specific items by District Board action. Any use of the assigned fund balance requires the District's Board approval.

Due To/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.

Due From Other Governments

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Compensated Absences

The District's employees accumulate annual leave based on the number of years of continuous service. Upon termination of employment, employees can receive payment of accumulated annual leave if certain criteria are met. The costs of accumulated annual leave benefits (compensated absences) are expended in the respective operating funds when payments are made to employees. However, the liability for all accrued vacation and personal leave benefits is recorded in the government-wide Statement of Net Assets.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District because, at present, it is not necessary in order to assure effective budgetary control or to facilitate effective cash planning and control.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Interfund Transactions

The District considers interfund receivables (due from other funds) and interfund payables (due to other funds) to be loan transactions to and from other funds to cover temporary (three months or less) cash needs. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing funds and as reduction of expenditures/expenses in the fund that is reimbursed. Such amounts are eliminated in the Government-wide Financial Statements.

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Page 23 of 68

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Subsequent Events

Subsequent events have been evaluated through February 14, 2013, which is the date the basic financial statements were available to be issued.

NOTE B - CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the primary government (exclusive of the Firefighters' Pension Trust Fund) were \$10,054,683, of which \$1,206,437 was restricted. Total cash and cash equivalents included cash on hand of \$1,150 at September 30, 2012.

Deposits

The District's deposit policy allows deposits to be held in demand deposit, money market accounts and the Florida State Board of Administration - Local Government Surplus Trust Fund (SBA). All District depositories are institutions designated as qualified depositories by the State Treasurer at September 30, 2012.

The District adheres to GASB Statement Number 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." Under this Statement, the District has elected to show all investments at fair value, with the exception of the Local Government Surplus Funds Investment Pool Fund PRIME (State Board of Administration), an external 2a7 - like investment pool. The Local Government Surplus Funds Investments Pool Trust Fund's shares are stated at amortized cost, which approximates fair value. These investments are subject to the risk that the market value of an investment, collateral protecting a deposit or securities underlying a repurchase agreements, will decline.

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Page 24 of 68

NOTE B - CASH AND CASH EQUIVALENTS, CONTINUED

Deposits, continued

Deposits consist of the following at September 30, 2012:

<u>District</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Unrestricted		
<u>General Fund</u>		
Depository Accounts	\$ 1,242,518	\$ 2,304,066
Money Market	7,603,940	7,603,940
SBA	638	638
Total General Fund	<u>\$ 8,847,096</u>	<u>\$ 9,908,644</u>
Restricted		
<u>General Fund</u>		
Depository Accounts	\$ 3,668	\$ 7,225
<u>Special Revenue Funds</u>		
Impact Fee		
Depository Accounts	972,427	972,661
Inspection Fee		
Depository Accounts	230,342	230,342
Total Special Revenue Funds	<u>\$ 1,206,437</u>	<u>\$ 1,210,228</u>

The District's deposits were entirely covered by federal depository insurance or by collateral pursuant to the Public Depository Security Act (Florida Statute 280) of the State of Florida except for the \$638 held in the SBA. Bank balances approximate market value.

The District held no other types of deposits during the year ended September 30, 2012. The local Government Surplus Funds Trust Fund is not required to be categorized because the investments are not evidenced by securities that exist in physical or book entry form.

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Page 25 of 68

NOTE B - CASH AND CASH EQUIVALENTS, CONTINUED

Restricted Cash and Equivalents

The following is a brief description of the restrictions on cash and cash equivalents:

The General fund account is used to segregate all funds received and disbursed for activities in relation to the District's 50th Anniversary.

The Impact Fee account is used to account for the deposit of impact fees received and is restricted for certain capital asset acquisition associated with growth within the District. Impact fees are collected by Collier County for the District pursuant to County ordinance and District resolution.

The Inspection Fee account is used to account for inspection fees collected by the District for performing fire inspections within the District. Such revenue is restricted for inspection service related costs.

NOTE C - INVESTMENTS

District - Investments

Investments of the District (primary government) (exclusive of the Firefighters' Pension Trust Fund) was \$5,019,563 (market value) and \$5,019,563 (bank balance) at September 30, 2012 and consisted of certificates of deposit which were designated as public funds with a qualified public depository, and were, therefore, entirely collateralized pursuant to the Public Depository Security Act (Florida Statute 280) of the State of Florida.

Firefighters Pension Plan - Investments

Investments held in the Firefighters' Pension Trust Fund totaled \$32,919,707 (including \$601,519 in money market funds, \$5,020,248 in equity mutual funds, \$14,286,958 in equity securities, \$10,288,373 in fixed income securities, and \$2,722,609 in real estate) at September 30, 2012. Such investments are administered by Firefighters' Pension Board policy. This policy provides for investments in money markets, mutual funds, treasury notes, federal agency guaranteed securities, corporate bonds, notes and/or equities and real estate.

NOTE C - INVESTMENTS, CONTINUED

Firefighters Pension Plan - Investments, continued

The Firefighters' Pension Trust Fund accounts for resources held to fund the respective firefighter employee pension benefits.

The Firefighters' Pension Trust Fund investments were held by a financial and investment institution and are subject to certain insurances up to limits specific to the trustee/custodian institution and retirement trust funds. These assets are subject to loss of principal.

Investment Authorization:

The Plan's investment policy is determined by the Plan's Board of Trustees. The policy has been designed by the Board to conduct the operations of the Plan in a manner so that the assets will provide the pension and other benefits provided under applicable laws. As such, the policy is designed by the Board to maximize the Plan's asset value, while assuming risk that is consistent with the Board's risk tolerance. The Trustees are authorized to acquire and retain every kind of property (real, personal or mixed) and every kind of investment specifically including, but not by way of limitation, money markets, mutual funds, bonds, debentures, stocks (preferred or common) and other corporate obligations. Investments are carried at fair value at September 30, 2012. Interest and dividend revenues are recorded as earned. Purchases and sales of investments are recorded on the trade-date basis.

Unrealized gains and losses are presented as net appreciation (depreciation) in fair value of investments on the statement of changes in plan net assets along with gains and losses realized on sales of investments.

Given the inherent nature of investments, it is reasonably possible that changes in the value of those investments will occur in the near term and that such changes could materially affect the amounts reported (loss of principal) in the statement of plan net assets.

Investment in all equity securities shall be limited to those listed on a major U.S. stock exchange and limited to no more than 70% (at market) of the Plan's total asset value. The equity position in any one company shall not exceed 5% of the Plan's total assets at market. Investments in stock of foreign companies shall be limited to 25% of the value of the Plan's total assets at market.

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Page 27 of 68

NOTE C - INVESTMENTS, CONTINUED

Firefighters Pension Plan - Investments, continued

Investment Authorization, continued:

The fixed income portfolio shall be comprised of securities with a quality rating of investment grade or higher by a major rating service. Except for Treasury and Agency obligations, the debt portion of the Fund shall contain no more than 3% of a given issuer irrespective of the number of differing issues.

The current target allocation of these investments at market is as follows:

<u>Authorized Investments</u>	<u>Target % of Portfolio</u>
Domestic Equities	45%
Fixed Income	40%
International Equities	15%

Interest Rate Risk:

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

Information about the sensitivity of the fair values of the Plan's fixed income investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Plan's investment by maturity at September 30, 2012:

<u>Investment Maturities (in years)</u>					
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
Corporate bonds	\$ 4,910,627	\$ 608,739	\$ 1,695,998	\$ 1,731,824	\$ 874,066
U.S. Agencies	3,416,103	-	320,831	-	3,095,272
U.S. Treasuries	1,961,643	-	-	1,625,158	336,485
	<u>\$ 10,288,373</u>	<u>\$ 608,739</u>	<u>\$ 2,016,829</u>	<u>\$ 3,356,982</u>	<u>\$ 4,305,823</u>

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Page 28 of 68

NOTE C - INVESTMENTS, CONTINUED

Firefighters Pension Plan - Investments, continued

Credit Risk:

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Plan's investment policy utilizes portfolio diversification in order to control this risk.

The following table discloses credit rating by fixed income investment type at September 30, 2012, if applicable:

	Fair Value	Percentage of Portfolio	
U.S. government guaranteed*	\$ 5,377,746	16.34	%
Quality rating of credit risk debt securities			
A1	\$ 1,148,295	3.49	%
A2	1,147,889	3.49	
A3	861,088	2.62	
Aa1	21,603	0.07	
Aa2	500,347	1.52	
Aa3	325,899	0.99	
Aaa	285,052	0.87	
Baa2	506,058	1.54	
Unrated	114,396	0.35	
Total credit risk debt securities	\$ 4,910,627	14.94	%

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

Concentration of Credit Risk:

The investments policy of the Plan contains limitations on the amount that can be invested in any one equity issuer as well maximum portfolio allocation percentages. There were no individual equity investments that represented 5% or more of Plan net assets at September 30, 2012. In addition, the Plan contains limitations on the amount that can be invested in any one debt issuer, except for the debt securities issued by the U.S. Government. There were no investments in non-U.S. Government debt securities that represented 10% or more of Plan net assets at September 30, 2012.

Custodial Credit Risk:

This is the risk that in the event of the failure of the counterparty, the plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. This risk is generally measured by the assignment of a

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Page 29 of 68

NOTE C - INVESTMENTS, CONTINUED

Firefighters Pension Plan - Investments, continued

Custodial Credit Risk, continued:

rating by a nationally recognized statistical rating organization. Consistent with the Plan's investment policy, the investments are held by Plan's custodial bank and registered in the Plan's name.

Foreign Currency Risk:

This is the risk that fluctuations in currency exchange rate may affect transactions conducted in currencies other than US Dollars and the carrying value of foreign investments. The Plan's exposure to foreign currency risk is derived mainly from its investments in international equity and fixed income funds. The Plan owns shares in international equity funds and does not own the individual securities. The investment policy limits the foreign investments to no more than 25% of the Fund's investment balance in equities and no more than 10% in fixed income. As of September 30, 2012, the foreign investments in these investment types were 17% of total investments which was in compliance with Board policy. The Plan's exposure to foreign currency risk related to foreign equity funds is as follows:

	Fair Value	Percentage of Portfolio
International equity funds and fixed income (bonds)	\$ 5,020,248	<u>15%</u>

NOTE D - DUE TO/FROM OTHER FUNDS

Interfund receivables and payables at September 30, 2012, are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund:		
Impact Fee Fund	\$ 33,135	\$ -
Inspection Fee Fund	240,932	-
Total General Fund	<u>274,067</u>	<u>-</u>
Special Revenue Funds:		
Impact Fee Fund		
General Fund	-	33,135
Inspection Fee Fund		
General Fund	-	240,932
Total Special Revenue Funds	<u>-</u>	<u>274,067</u>
Total	<u>\$ 274,067</u>	<u>\$ 274,067</u>

Interfund receivables and payables were eliminated for presentation purposes in the Statement of Net Assets at September 30, 2012.

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Page 30 of 68

NOTE E - CAPITAL ASSETS ACTIVITY

The following is a summary of changes in capital assets activity for the year ended September 30, 2012:

	Balance October 1 2011	Increases/ Additions	Decreases/ Retirements	Adjustments/ Reclassifications	Balance September 30 2012
Capital Assets Not Being Depreciated:					
Land	\$ 11,182,814	\$ -	\$ -	\$ -	\$ 11,182,814
Construction in Progress	720,146	382,424	-	-	1,102,570
Total Capital Assets Not Being Depreciated	11,902,960	382,424	-	-	12,285,384
Capital Assets Being Depreciated:					
Buildings	12,428,865	-	-	-	12,428,865
Office Equipment	706,380	51,118	(65,061)	-	692,437
Vehicles	7,698,797	67,789	(600,738)	-	7,165,848
Equipment & Machinery	2,741,134	130,444	(145,969)	-	2,725,609
Total Capital Assets Being Depreciated	23,575,176	249,351	(811,768)	-	23,012,759
Less Accumulated Depreciation:					
Buildings	(4,157,543)	(404,314)	-	-	(4,561,857)
Office Equipment	(456,120)	(92,593)	61,752	-	(486,961)
Vehicles	(5,811,504)	(393,488)	600,350	-	(5,604,642)
Equipment & Machinery	(2,058,741)	(150,031)	137,008	-	(2,071,764)
Total Accumulated Depreciation	(12,483,908)	(1,040,426)	799,110	-	(12,725,224)
Total Capital Assets being Depreciated, Net	11,091,268	(791,075)	(12,658)	-	10,287,535
Capital Assets, Net	\$ 22,994,228	\$ (408,651)	\$ (12,658)	\$ -	22,572,919
Net assets invested in capital assets, net of related debt					\$ 22,572,919

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Page 31 of 68

NOTE E - CAPITAL ASSETS ACTIVITY, CONTINUED

Depreciation expense was charged to the following functions during the year ended September 30, 2012:

	<u>Amount</u>
General Government	
Total Depreciation Expense	<u>\$1,040,426</u>

NOTE F - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended September 30, 2012:

	Balance October 1 2011	Additions	Retirements And Adjustments	Balance September 30 2012	Amounts Due Within One Year
Net OPEB obligation	\$ 440,921	\$ 198,617	\$ -	\$ 639,538	\$ -
Termination Benefits ERIP 1	76,597	-	(76,597)	-	-
Termination Benefits ERIP 2	700,534	-	(588,201)	112,333	63,882
Compensated Absences	<u>1,602,209</u>	<u>315,767</u>	<u>-</u>	<u>1,917,976</u>	<u>-</u>
	<u>\$ 2,820,261</u>	<u>\$ 514,384</u>	<u>\$ (664,798)</u>	<u>\$ 2,669,847</u>	<u>\$ 63,882</u>

The following is a summary of long-term obligations at September 30, 2012:

	<u>Amount</u>
Net OPEB obligation. Cumulative difference between annual OPEB cost and District payments toward the cost of post employment benefits other than pensions since GASB No. 45 transition date of October 1, 2009.	\$ 639,538
Early termination benefits (ERIP 1). During the year ended September 30, 2009, the District approved an early retirement incentive package to all sworn employees (see Note M). The ERIP 1 benefits were payable over a three (3) year period which ended September, 2012.	-
Early termination benefits (ERIP 2). During the year ended September 30, 2010, the District approved an early retirement incentive package to all sworn employees (see Note M). The early retirement benefits are payable over a three (3) year period ending September, 2014.	112,333

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Page 32 of 68

NOTE F - LONG-TERM OBLIGATIONS, CONTINUED

Non-current portion of compensated absences. Employees of the District are entitled to paid vacation based on length of service and job classification.

1,917,976
\$ 2,669,847

Interest expense for the year ended September 30, 2012, was \$0.

NOTE G - RETIREMENT PLANS

The following two retirement plans have been established by the District:

Plan 1 - Florida Retirement System (FRS)

Plan 2 - Firefighter's Pension Trust Fund (Florida Statute 175)

Employee participation in a specific plan is based on the respective employee's original hire date.

Plan 1 - Plan Description and Provisions - Florida Retirement System

All District personnel employed prior to January 1, 1996 and all other District personnel (other than certified firefighters) including the Board of Commissioners, hired on or after January 1, 1996, are participants in the statewide Florida Retirement System (FRS) under the Authority of Article X, Section 14 of the State Constitution and Florida Statutes, Chapters 112 and 121. The FRS Plan (the "Plan") was noncontributory prior to July 1, 2011. Beginning July 1, 2011, FRS required a 3% of eligible compensation employee contribution for all classes of employees except for those enrolled in the DROP program, which requires no employee contribution. The FRS is totally administered by the State of Florida. The District contributed 100% of the required contributions for the years ended September 30, 2012, 2011, and 2010. The District's covered payroll for the years ended September 30, 2012, 2011, and 2010 was \$4,706,793, \$5,078,230 and \$5,500,663, respectively. The District's contributions to the Plan were \$556,815, \$941,412, and \$1,062,265 for the years ended September 30, 2012, 2011 and 2010, respectively, which represents 12%, 19% and 19%, respectively, of covered payroll. Pension costs for the District ranged between 4.91% to 14.90% for the year ended September 30, 2012.

NOTE G - RETIREMENT PLANS, CONTINUED

Plan 1 - Plan Description and Provisions - Florida Retirement System, continued

Employees, enrolled prior to July 1, 2011, who retire at or after age 62 with 6 years of creditable service (6 years for elected state officials), 6 years of senior management service and age 62, 6 years of special risk service and age 55, or 30 years of service (25 for special risk) regardless of age, are entitled to a retirement benefit, payable for life, equal to 1.6% to 3.0% per year of creditable service, depending on the class of employee (regular, special risk, etc.) based on average final compensation of the five (5) highest fiscal years' compensation. Benefit cannot exceed 100% of average final compensation.

Employees, enrolled on or after July 1, 2011, who retire at or after age 65 with 8 years of creditable service, 8 years of senior management service and age 65, 8 years of special risk service and age 60, or 33 years of service (30 for special risk) regardless of age, are entitled to a retirement benefit, payable for life, equal to 1.6% to 3.0% per year of creditable service, depending on the class of employee (regular, special risk, etc.) based on average final compensation of the eight (8) highest fiscal years' compensation. Benefit cannot exceed 100% of average final compensation.

Benefits vest after six years of creditable service for those enrolled prior to July 1, 2011, and after eight years for those enrolled on or after July 1, 2011. Vested employees may retire anytime after vesting and incur a 5% benefit reduction for each year prior to normal retirement age.

Early retirement, disability, death and survivor benefits are also offered. Benefits are established by State Statute. The Plan provides for a constant 3% cost-of-living adjustment for retirees.

The Plan also provides several other Plan and/or investment options that may be elected by the employee. Each offers specific contribution and benefit options. The Plan documents should be referenced for complete detail.

Description of Funding Policy - This is a cost sharing, multi-employer plan available to governmental units within the State. Actuarial information with respect to an individual participating entity is not available. Participating employers are required, by Statute, to pay monthly contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due.

NOTE G - RETIREMENT PLANS, CONTINUED

Plan 1 - Plan Description and Provisions - Florida Retirement System, continued

Trend Information - A copy of the FRS's June 30, 2012 annual report can be obtained by writing the Florida Division of Retirement, Cedars Executive Center, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560, or by calling (850) 488-5706.

Plan 2 - Plan Description and Provisions - Firefighters' Pension Trust Fund

The following brief description of the North Naples Fire Control and Rescue District Firefighters' Pension Plan (the "Plan") is provided for general information purposes only. Participants should refer to the plan agreement for a more complete description of the Plan. On July 11, 1996, under the authority of Florida Statute 175 and Laws of Florida, Chapter 95-338, the District's Board of Commissioners passed Resolutions 96-004 and 96-005, providing for the establishment and funding of a single employer defined benefit retirement plan and trust for newly hired fire suppression personnel. The resolutions establish that certified firefighters hired on or after January 1, 1996 are to become participants in the District's Firefighters' Pension Trust Fund. The Plan is totally administered, including all investment management, by a third party administrator and the Plan's appointed Pension Board.

During the year ended September 30, 2009, the Plan adopted Governmental Accounting Standards Board (GASB) Statement Number 50 "Pension Disclosures" (GASB 50) which amends GASB Statements Number 25 "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans", and Number 27 "Accounting for Pensions by State and Local Government Employers". GASB 50 requires disclosure in the notes to the financial statements of pension plans and certain employer governments of the current funded status of the plan and other actuarial information. The adoptions of GASB 50 had an impact on the presentation of the notes to the financial statements but had no impact on the Plan's net assets available for Plan benefits.

Effective October 1, 2011, employee participants were required to contribute 3% of compensation (an increase from .5% of compensation) per Resolution 11-031.

During the years ended September 30, 2012, 2011, and 2010, there were employee contributions in the amounts of \$48,676, \$42,021 and \$62,549, respectively. These

NOTE G - RETIREMENT PLANS, CONTINUED

Plan 2 - Plan Description and Provisions - Firefighters' Pension Trust Fund, continued

employee contributions were for the buyback of military service time for certain employees. There were no employee contributions to the Plan during the years ended September 30, 2005 or 2004, as the District funded the scheduled employee required contributions. The employer contributed 100% of its required contributions, as well as those required contributions of the participating firefighters (0.5% pick-up).

The Plan provides for full-time firefighting personnel to become eligible to participate in the Plan immediately upon hire. Under District resolution 96-005, the District elected to pay the 0.5% (1% prior to December 9, 2004) employee required contribution on behalf of the employee. Effective December 9, 2004 the employee contribution was reduced to 0.5% (employee pick up). Effective July 1, 2001 (per resolution 01-01), benefits under the Plan vest after six years of creditable service. Employees who elect normal retirement at or after age 55 with 6 years of creditable service, or 25 years of service regardless of age, are entitled to a retirement benefit. Effective October 1, 2011, required employee contributions increased to 3% of compensation. Employees may elect early retirement after 6 years of creditable service with a reduction in benefit not to exceed 3% for each year before normal retirement. The Plan also includes certain disability and death benefits.

Contributions - Contributions to the Plan are derived from three sources: the plan's participants are required to contribute to the plan in the amount of 3% of their covered wages and pursuant to resolution 11-031 the District has elected to increase the affected employees' salary by 0.5% (employer pick-up), State funds (fire [hazard] insurance premium tax per Florida Statute Chapter 175) and employer (remaining amount necessary to meet actuarial requirement). For the period from January 1, 1996 through September 30, 1996, no employer contributions were required. Employer contributions were required beginning October 1, 1996. The State contributions under Chapter 175 began in June 1997. This revenue is based on property fire insurance premiums paid within the District and is applied up to an approved "frozen" limit of \$1,746,716. The District (employer) is required to fund the difference each year between the total contributions from all other sources for the year and the total cost for the year pursuant to the most recent actuarial valuation of the Plan. The total cost for any year equals total normal cost plus the additional amounts sufficient to amortize the unfunded past service liability over a 30 year period commencing the first year of the Plan's inception.

NOTE G - RETIREMENT PLANS, CONTINUED

Plan 2 - Plan Description and Provisions - Firefighters' Pension Trust Fund, continued

Pursuant to the actuarial study dated October 1, 2011, the District's fiscal year 2012 contribution (District only) requirement was 26.24% of the actuarially determined covered payroll. Actual District contributions to the Plan for the year ended September 30, 2012, were \$2,166,240. The State contributions for the year ended September 30, 2012 were \$1,214,214. Employees contributed (3%) \$246,871 to the Plan for the year ended September 30, 2012. At October 1, 2012, \$33,985,436 of the Plan's total net assets were restricted for future benefits increases.

Pension Benefits - Effective July 1, 2001, employees with 6 or more years of service are entitled to monthly pension benefits, beginning at the earlier of age 55 with 6 years of credited service or 25 years credited service regardless of age. Benefit is equal to 3.53% of their average final compensation (AFC) times credited service prior to October 1, 2010 plus 3% of average final compensation times credited service on and after October 1, 2010. Maximum benefit is 100% of AFC. The plan permits early retirement at age 50 with 6 years of credited service. Employees may elect to receive their pension benefits in the form of a 10 year certain and life annuity. If employees terminate before rendering 6 years of credited service, they forfeit the right to receive the portion of their accumulated plan benefits.

All retirement benefits are annually increased for cost of living at 3%.

Death and Disability Benefits - Upon the death of any vested member, whether or not still in active employment, a survivor benefit is payable to the beneficiary starting when the member would have reached retirement age. The benefit is equal to the vested pension benefit and is payable for 10 years. A spousal and/or minor benefit is provided for line of duty death is equal to a minimum of one half of the members salary for life (spouse) or age 18 (child).

Employees who become totally disabled with at least 8 years of credited service receive the greater of the accrued pension benefit or 25% of AFC, if non-service incurred, or 42% of AFC, if active service incurred. Effective December 9, 2004, the active service related benefit was increased to 65%.

NOTE G - RETIREMENT PLANS, CONTINUED

Plan 2 - Plan Description and Provisions - Firefighters' Pension Trust Fund, continued

Supplemental Benefits - Effective December 31, 2004, each service and disability retiree and their joint pensioners or beneficiaries and vested terminated members shall receive a supplemental payment to be used as a health insurance subsidy payment. The amount shall be five dollars (\$5) for each full year of credited service for life. The maximum monthly supplement is one hundred fifty dollars (\$150) and the minimum thirty dollars (\$30).

Income Recognition - Interest income is recorded on the accrual basis. Investments are reported at market value. Short-term investments are reported at cost, which approximates market value.

Actuarial Present Value of Accumulated Plan Benefits - Accumulated plan benefits are those future periodic payments, including lump-sum distributions, that are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits under the Plan are based on employees' age at entry to the Plan and are based upon the current starting salary for firefighters at entry level. Benefits payable under all circumstances, retirement, death, disability and termination of employment, are included, to the extent they are deemed attributable to employee service rendered to the valuation date.

The actuarial present value of accumulated plan benefits is determined by an actuary and is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuations as of October 1, 2010 were (a) life expectancy of participants - RP 2000 (combined healthy, sex distinct) Mortality Table was used, (b) retirement age assumptions (the assumed average retirement age was 55), and (c) annual investment return of 8%. The October 1, 2011 actuarial valuation reflected assumed average rates of return of 8%. The foregoing actuarial assumptions are based on the presumption that the Plan

NOTE G - RETIREMENT PLANS, CONTINUED

Plan 2 - Plan Description and Provisions - Firefighters' Pension Trust Fund, continued

will continue. If the Plan terminated, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

Payment of Benefits - Benefit payments to participants are recorded upon distribution. The District contributed 100% of the required contributions. A summary of certain Plan details and trend information is included below.

A copy of the Plan and Plan audit for September 30, 2012 can be obtained by writing the District at 1885 Veterans Park Drive, Naples, Florida 34109-0492, or by calling (239) 597-3222.

The following is a summary of the Single Employer-Defined Benefits Plan (Florida Statutes Chapter #175), including funding policies, contribution methods, benefit provisions and trend information:

	Firefighters' Pension Trust Fund - Plan 2
Year established and governing authority	District Resolution 96- 004 (July 11, 1996)
Governing body	Board of Trustees of Plan
Determination of contribution requirements:	Actuarially determined
Employer (District)	Amount required in excess of Member and applicable State contributions needed in order to pay current costs and amortize any unfunded past service cost over 30 years
Plan members	3.0% of covered payroll

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Page 39 of 68

NOTE G - RETIREMENT PLANS, CONTINUED

Plan 2 - Plan Description and Provisions - Firefighters' Pension Trust Fund, continued

	<u>Firefighters' Pension Trust Fund - Plan 2</u>
Funding of administrative costs	Employer
Period required to vest	6 years
Annual salary increase	6%
Post retirement benefit increase	Cost of living increase of of 3% each year
Eligibility for distribution (Normal retirement)	Earlier of 55 with 6 years of credited service or 25 years credited service regardless of age
Provisions for:	
Disability benefits	Yes
Death benefits	Yes
Early retirement	Yes

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Page 40 of 68

NOTE G - RETIREMENT PLANS, CONTINUED

Plan 2 - Plan Description and Provisions - Firefighters' Pension Trust Fund, continued

Memberships of the Plan consisted of the following at October 1, 2011:

	Firefighters' Pension Trust Fund - Plan 2
Active plan participants	
Vested	58
Non-vested	42
Retirees and beneficiaries receiving benefits	0
Terminated Plan members entitled to but not yet receiving benefits	<u>6</u>
Total	<u>106</u>
Number of participating employers	<u>1</u>
Number of participating state agencies	<u>1</u>

Annual Pension Cost, Net Pension Obligation and Reserves

Current year annual pension costs for the Firefighters' Pension Trust Fund are shown in the trend information provided. The Firefighters' Pension Trust Fund had a net unfunded actuarial accrued liability at October 1, 2011 of (\$42,199).

The Plan assets are legally reserved for the payment of the respective plan member benefits within the Plan. There are no assets legally restricted for plan benefits other than these assets within the Plan. The Firefighters' Pension Trust Fund held certain investments at year end.

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Page 41 of 68

NOTE G - RETIREMENT PLANS, CONTINUED

Plan 2 - Plan Description and Provisions - Firefighters' Pension Trust Fund,
continued

Trend Information

Firefighters' Pension Trust Fund							
Fiscal Year	Total (1) Required Annual Pension Contribution	District Required Contribution	State Required Contribution	State (2) Frozen Contribution	Actual Contribution	Percentage Contributed	Net Pension Obligation (NPO)
2011	\$ 3,473,598	\$ 2,333,799	\$ 1,139,799	\$1,746,716	\$ 3,626,125	104%	-
2010	\$ 3,190,997	\$ 2,170,443	\$ 1,020,554	\$1,746,716	\$ 3,200,901	100%	-
2009	\$ 2,796,158	\$ 1,756,228	\$ 1,039,931	\$1,746,716	\$ 3,079,738	110%	-
2008	\$ 2,211,933	\$ 1,009,715	\$ 1,485,798	\$1,485,798	\$ 2,495,513	113%	-
2007	\$ 2,132,248	\$ 2,019,430	\$ 1,390,449	\$ 112,818	\$ 2,132,248	100%	-
2006	\$ 1,178,959	\$ 1,066,141	\$ 733,516	\$ 112,818	\$ 1,178,959	100%	-
2005	\$ 1,000,009	\$ 887,191	\$ 608,709	\$ 112,818	\$ 1,000,009	100%	-
2004	\$ 792,577	\$ 679,759	\$ 527,004	\$ 112,818	\$ 792,577	100%	-

- (1) The District considers its annual pension cost to be its actuarially determined required annual pension contribution including the employer and state contribution.
(2) The Plan's State frozen limit for 2011, 2010 and 2009 was \$1,746,716.

Pension Trust Required Supplementary Information

Schedule of Funding Progress Firefighters' Pension Plan:

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Liability (AAL) -Entry Age (b)	Unfunded Actuarial Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
10/01/11	\$26,196,164	\$26,153,965	\$ (42,199)	100.2%	\$ 8,291,830	-0.5%
10/01/10	\$22,990,534	\$23,284,830	\$ 294,296	98.7%	\$ 7,737,940	3.8%
10/01/09	\$17,833,111	\$18,108,267	\$ 275,156	98.5%	\$ 7,522,834	3.7%
10/01/08	\$16,719,426	\$16,890,153	\$ 170,727	99.0%	\$ 7,082,194	2.4%
10/01/07	\$12,904,948	\$12,884,785	\$ (20,163)	100.2%	\$ 7,276,954	-0.3%
10/01/06	\$ 8,572,161	\$ 9,025,001	\$ 452,840	95.0%	\$ 5,960,908	7.6%
10/01/05	\$ 6,322,176	\$ 6,783,798	\$ 461,622	93.2%	\$ 3,815,952	12.1%
10/01/04	\$ 4,063,514	\$ 4,991,512	\$ 927,998	81.4%	\$ 3,300,680	28.1%

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Page 42 of 68

NOTE G - RETIREMENT PLANS, CONTINUED

Plan 2 - Plan Description and Provisions - Firefighters' Pension Trust Fund,
continued

	Firefighters' Pension Trust Fund
Valuation date	10/01/11
Actuarial cost method	Frozen Entry Age
Amortization method	Level dollar, closed
Mortality table	RP2000
Remaining amortization period	27 years (as of 10/1/09)
Actuarial asset valuation method	Market
Actuarial assumptions:	
Investment rate	8%
Projected salary increase*	6%
*Includes inflation at	3%
Post retirement cost of living adjustment	3%

NOTE H - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

The District formally established two (2) OPEB Plans to provide its retirees the opportunity to obtain insurance (health, dental, life and vision) benefits. The year ended September 30, 2010, was the District's transition year. As such, the District implemented GASB No. 45 on a prospective basis. All retired full-time employees are eligible for OPEB benefits if actively employed by the District immediately before retirement. As such, active employees with at least twenty five (25) years of service as of September 30, 2010 were allowed to elect to remain in the Defined Benefit Plan or to enter the Post Employment Health Plan (PEHP) a defined contribution plan. All retirees and Early Retirement Incentive Program (ERIP) participants, who were eligible, remained in the Defined Benefit Plan. All other active employees at that time, September 30, 2010, as well as future employees entered the PEHP.

The benefits are provided both with and without contractual or labor agreements. The benefits may require contribution from the retirees, depending on certain specified criteria and, in particular, length of creditable employment. The District finances the benefits on a pay-as-you-go basis and recognizes expenditures at the time the premiums are due for both Plans.

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

Defined Benefit Plan

Specifically, the Defined Benefit Plan provides that the District will pay a portion of medical and dental premiums for retirees depending on their years of credited service starting with the completion of fifteen (15) years of credited service. As such, the District pays 50% of the employee's premium and 25% of the spouse's premium at 15 years of service progressing to 100% of the employee's premium and 50% of the spouse's premium upon completion of 25 years of service. The District also pays the premium associated with a \$5,000 life insurance benefit and offers access to a vision plan for which the retiree is expected to pay the full premium.

During fiscal years 2009 and 2010, the District offered two (2) separate Early Retirement Incentive Programs (ERIP) to a number of active employees. A portion of the programs includes full payment of premiums associated with medical, dental, vision and life insurance coverage, including dependent coverage for a period of 3 years. After the 3 year period ends, the ERIP participants will receive the Defined Benefit Plan benefits they had been eligible for at termination.

Note that the projected premiums for the dental, vision and life benefits are assumed to cover the entire cost of the program.

Post Employment Health Plan (PEHP)

The PEHP is a defined contribution plan administered by the District.

All current employees who did not elect to remain in the Defined Benefit Plan, and all future active employees will be participants in the PEHP.

Participants in the PEHP have \$7,000 deposited on their behalf into a trust account on the 20th anniversary of their date of hire and on each subsequent anniversary. Additionally, those participants who have over 20 years of credited service at their date of retirement will also receive a \$30,000 deposit on their behalf at date of separation. Effective October 1, 2012, the Plan was changed to limit District contributions to \$50,000 per employee.

The PEHP is designed to offer similar benefits to those offered under the Defined Benefit Plan.

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Page 44 of 68

NOTE H - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(OPEB), CONTINUED

Post Employment Health Plan (PEHP), continued

The District, as part of the PEHP, entered a group variable annuity contract. As such, the PEHP Plan's asset custodian and third party administrator is the insurance company through which the annuity is contracted.

General - Funding Policy

The District paid \$221,717 for retiree's and ERIP participants' health care premiums as part of the Defined Benefit Plan on a pay-as-you-go basis for the year ended September 30, 2012.

The District also contributed \$154,000 to the PEHP Plan for the year ended September 30, 2012.

No separate trust has been established for either Plan. No separate financial statement is issued for either OPEB Plan. All required disclosures are presented herein. The District obtained an actuarial valuation for its OPEB Plans to measure the current year's subsidies and project these subsidies into the future, making an allocation of that cost to different years. The following schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Page 45 of 68

NOTE H - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(OPEB), CONTINUED

General - Funding Policy, continued

Schedule of Funding Progress - Defined Benefit Plan

(1)	Actuarial		Unfunded			
Actuarial	Value of	Actuarial	Actuarial		Annual	UAAL as a
Valuation	Assets	Accrued	Liability	Funded	Covered	Percentage of
Date	(AVA)	Liability (AAL)	(UAAL)	Ratio	Payroll	Covered
	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c
10/01/11	\$ -	\$ 6,882,021	\$6,882,021	0.0%	\$ 1,057,211	651.0%
10/01/10	\$ -	\$ 6,787,805	\$6,787,805	0.0%	\$ 1,057,211	642.0%
10/01/09	\$ -	\$ 6,677,408	\$6,677,408	0.0%	\$ 1,057,211	631.6%

(1) - Initial actuarial valuation dated 10/1/09 (transition year)

Schedule of Contributions from Employer - Three Year Trend - Defined Benefit Plan

Year	Annual	Expected	Actual	Percentage of	
Ended	OPEB Cost	Cash	Cash	Annual OPEB	Net OPEB
		Payment	Payment	Cost	Obligation
9/30/2012	\$ 506,731	\$ 308,114	\$ 221,717	60.8%	\$ 639,538
9/30/2011	\$ 497,105	\$ 281,789	\$ 227,483	56.7%	\$ 440,921
09/30/10	\$ 493,106	\$ 263,804	\$ 267,501	53.5%	\$ 225,605

Note: Actuarial projection for the PEHP is N/A

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Page 46 of 68

NOTE H - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(OPEB), CONTINUED

Annual OPEB Cost and Net OPEB Obligation

The annual OPEB cost is the amount that was expensed in the current year. Since the District's Defined Benefit Plan is unfunded, the offset to that expense comes from subsidies paid on behalf of the current retirees and their dependents for the current year. This offset is called the expected cash payment. The cumulative difference between the annual OPEB cost for the year and the expected cash payment is called the net OPEB obligation (NOO). The net OPEB obligation is reflected as a liability in the Statement of Net Assets. The following table shows the components of the District's annual OPEB cost for the year and the net OPEB obligation.

Fiscal year ended September 30, 2012

	Defined Benefit Plan	PEHP	Total
Annual required contribution (ARC)	\$513,414	\$ 154,000	\$667,414
Adjustment to ARC	(26,524)	-	(26,524)
Plus interest on NOO	19,841	-	\$ 19,841
Annual OPEB cost	506,731	154,000	660,731
Annual Net contribution made	221,717	-	221,717
Expected cash payment	(308,114)	(154,000)	(462,114)
Yearly change in OPEB obligation	198,617	-	198,617
Net OPEB obligation - beginning of year	440,921	-	440,921
Net OPEB obligation - end of year	<u>\$639,538</u>	<u>\$ -</u>	<u>\$639,538</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funding status of a plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plans (the plans as understood by the employer and plan members) and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and plan members. The actual methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial valuation of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2011 actuarial valuation, the projected credit unit cost method with linear pro-ratio to assumed benefit commencement was used. The actuarial assumptions included a 4.5 percent investment rate of return. Since there are no invested plan assets held in trust to finance the Defined Benefit Plan - OPEB obligations, the investment return discount rate is the long-term expectation of investment return on assets held in District funds pursuant to its investment policy. The assumptions also included an annual healthcare cost trend using 6% in 2012 declining by 1% per year to 5% in 2013. Dental care at 6% per year. Life insurance at 0% per year. The unfunded actuarial accrued liability, as calculated, is being amortized over a closed period of 30 years as a level percent of payroll. The assumed rate of payroll growth is 6.0 percent. The funding method is the entry age normal actuarial cost method (level percent of pay).

NOTE I - RISK MANAGEMENT

The District began participating in a self-insurance program for health and dental insurance claims beginning January 1, 2005 and continued to do so through December 31, 2008.

Beginning January 1, 2009, the District converted to a fully funded third party insured health plan; however, dental remained a self-insurance plan. Maximum benefit per participant was \$1,500 per year, which included employees, spouses, and family.

NOTE I - RISK MANAGEMENT, CONTINUED

Vision insurance was added to the benefits offered and was not a self-insurance plan. In addition, the District added a policy for reimbursement of the cost of certain over-the-counter medications in lieu of prescriptions. There is no stated maximum amount that will be reimbursed for prescriptions.

Beginning October 1, 2010, the District changed to a high deductible health plan and eliminated the dental and vision plans offered to employees and retirees. The District also established a flexible spending plan for its employees. The District contributes \$3,000 per eligible participant to the plan annually. Participants may also elect to contribute to the plan on a pre-tax basis. Participant contributions that are not utilized by the grace period following the year end are forfeited. District contributions that are not utilized by the grace period following the year end are divided evenly among the participants and added to the District's contribution for the subsequent year. The District has recorded \$60,130, as part of accrued liabilities for flexible spending owed to employees.

The District incurred \$1,738,107 in claims, third party administration costs, premiums and reinsurance premiums during the fiscal year ending September 30, 2012, for the self-insurance and fully-funded insurance programs.

It is the policy of the District to purchase third party commercial insurance for other remaining forms of potential risks to which it is exposed. The District's risk management activities are reported in the General Fund. No accrual has been recorded for claims and incidents not reported to the insurer. The District had no significant reductions in insurance coverage from the prior year. Reported claims have not exceeded the insurance coverage for the years ended September 30, 1998 through September 30, 2012.

NOTE J - PROPERTY TAXES

Property taxes are levied after formal adoption of the District's budget and become due and payable on November 1 of each year and are delinquent on April 1 of the following year. Discounts on property taxes are allowed for payments made prior to the April 1 delinquent date. Tax certificates are sold to the public for the full amount of any unpaid taxes and must be sold not later than June 1 of each year. The billing,

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Page 49 of 68

NOTE J - PROPERTY TAXES, CONTINUED

collection, and related record keeping of all property taxes is performed for the District by the Collier County Tax Collector. No accrual for the property tax levy becoming due in November 2012 is included in the accompanying basic financial statements, since such taxes are collected to finance expenditures of the subsequent period.

Procedures for collecting delinquent taxes, including applicable tax certificate sales and tax deed sales, are provided for by Florida Statutes. The enforceable lien date is approximately two years after taxes become delinquent and occurs only upon request of a holder of a delinquent tax certificate. As of September 30, 2012, \$163,575 was recorded in the General Fund and was due from the Collier County Tax Collector to the District for ad valorem taxes and excess fees, and interest.

Important dates in the property tax cycle are as follows:

Assessment roll certified	July 1
Millage resolution approved	No later than 93 days following certification of assessment roll.
Taxes due and payable (Levy date)	November/with various discount provisions through March 31.
Property taxes payable - maximum discount (4 percent)	30 days after levy date
Beginning of fiscal year for which taxes have been levied	October 1
Due date	March 31
Taxes become delinquent (lien date)	April 1
Tax certificates sold by the Collier County Tax Collector	Prior to June 1

For the year ended September 30, 2012, the Board of Commissioners of the District levied ad valorem taxes at a millage rate of \$1.00 per \$1,000 (1.00 mill) of the 2011 net taxable value of real property located within the District.

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Page 50 of 68

NOTE K - ASSIGNED AND/OR RESERVED FUND BALANCE/NET ASSETS

Fund Balance/Net Assets were assigned/reserved for the following purposes at September 30, 2012:

Assigned fund balance - General Fund	Amount
General Fund - 2012 - Expenses- Oct- Dec	\$ 6,500,000
General Fund - 2012-2013 Expenditures over revenue	2,000,000
General Fund - 2013-2014 Expenditures over revenue	1,546,460
General Fund - Emergency Reserve	2,223,330
General Fund - Fire Apparatus	1,074,595
General Fund - SCBA replacement	160,000
General Fund - ALS	226,344
General Fund - Station #46 improvements	20,900
Total General Fund	<u>\$ 13,751,629</u>

Reserved Net Assets	Amount
Firefighters' Pension Fund-firefighters' retirement benefits	<u>\$ 33,985,436</u>

NOTE L - IMPACT FEE FUND ACTIVITY

During the year ended September 30, 2012, the Impact Fee Fund had the following activity:

	Amount
Deferred revenue, October 1, 2011	\$ 1,015,658
Impact fee receipts (1)	360,328
Interest income	7,993
Operating fees - collection fees	(5,403)
Capital outlay	<u>(415,560)</u>
Deferred revenue, September 30, 2012	<u>\$ 963,016</u>

(1) Including Impact fee receipts due from other governments of \$24,085.

NOTE M - TERMINATION BENEFITS

During the year ended September 30, 2009, the District offered an Early Retirement Incentive Package (ERIP1) to all sworn employees 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 effective date, as selected by each employee, was to be no later than ninety (90) days after the employee's anniversary date occurring between October 1, 2008 and September 30, 2009 but under no circumstances could the effective date be later than September 30, 2009.

The ERIP1 package offered one (1) year's base salary and professional pay incentives, and payout of the balance of accrued unused sick, vacation, and holiday pay where applicable. The ERIP1 package also allowed for the use of any unused personal and/or Column D time, provided the use of such time was completed prior to the commencement of the Early Retirement Incentive option, no later than ninety days after the employee's anniversary date, or no later than September 30, 2009, whichever was the earliest.

Additionally, each eligible employee that chose the ERIP1 option received the same health, vision and dental insurance as bargaining unit employees for employee, spouse, and their dependents, paid one hundred percent (100%) by the District for three (3) years from the beginning of the each employee's Early Retirement Incentive Package effective date. The District also continued 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 ERIP1 option could choose to receive the payout of the base salary and professional incentives in one (1) or two (2) lump sum payments, or to receive the amount incrementally over twenty four (24) pay periods. If the incremental payout was selected, the payment of the balance of accrued, unused sick, vacation, and holiday pay would be paid on the twenty fourth (24th) incremental payment. If the lump sum payment option was chosen, the payment of the balance of the accrued, unused sick, vacation, and holiday pay was paid on dates selected by each employee between their Early Retirement Incentive option effective date and September 30, 2009.

NOTE M - TERMINATION BENEFITS, CONTINUED

Employees selecting the incremental payout were also credited one (1) year of service to be included in the calculation of the retiree health insurance benefit pursuant to District Policy Section 14.05.

Thirteen (13) District employees elected to accept the ERIP1 package. Two (2) of the thirteen (13) employees chose a single lump sum payment, two (2) chose two (2) lump sum payments, and the remaining nine (9) chose to be paid incrementally over twenty four (24) pay periods (twelve (12) months). The total cost of the ERIP1 benefits was estimated to be \$2,157,471 consisting of \$76,597 paid during the year ended September 30, 2012 which represents the final payments due by the District.

During the year ended September 30, 2010, the District offered an additional Early Retirement Incentive Package (ERIP2) to all sworn employees 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 effective date, as selected by each employee, was to be no later than ninety (90) days after the employee's anniversary date occurring between August 31, 2010 and July 31, 2011.

The ERIP2 package offered one (1) year's base salary and professional pay incentives, and payout of the balance of accrued unused sick, vacation, and holiday pay where applicable. The ERIP2 package also allowed for the use of any unused personal and/or Column D time, provided the use of such time was completed prior to the commencement of the Early Retirement Incentive option, no later than ninety days after the employee's anniversary date, or no later than July 31, 2011, whichever was the earliest.

Additionally, each eligible employee that chose the ERIP2 option received the same health, vision and dental insurance benefits as bargaining unit employees for employee, spouse, and their dependents, for three (3) years from the beginning of the each employees' Early Retirement Incentive Package effective date. The District also continued to provide life insurance for the employee for twelve (12) months immediately following the employee's Early Retirement Incentive Package effective date.

NOTE M - TERMINATION BENEFITS, CONTINUED

Each eligible employee selecting the ERIP2 option could choose to receive the payout of the base salary and professional incentives in one (1) or two (2) lump sum payments, or to receive the amount incrementally over twenty four (24) pay periods. If the incremental payout was selected, the payment of the balance of accrued, unused sick, vacation, and holiday pay would be paid on the twenty fourth (24th) incremental payment or upon entry into the FRS DROP. If the lump sum payment option was chosen, the payment of the balance of the accrued, unused sick, vacation, and holiday pay was paid on dates selected by each employee between their Early Retirement Incentive option effective date and July 31, 2011.

Employees selecting the incremental payout were also credited one (1) year of service to be included in the calculation of the retiree health insurance benefit pursuant to District Policy Section 14.05.

Employees selecting the incremental payout could, at anytime during the payment of the incremental pay periods, elect to receive the balance of payments due in one remaining lump sum. If such elections were made, at the time the lump sum payment was made, all further monies due to the employee were be paid.

As of September 30, 2010, no employees had elected to take the Early Retirement Incentive package.

During the year ended September 30, 2011, seven (7) District employees elected to accept the ERIP2 package. One (1) employee chose a single lump sum payment, two (2) chose two (2) lump sum payment, and the remaining four (4) chose to be paid incrementally over twenty-four (24) pay periods (twelve (12) months). The total cost of the ERIP2 benefits was estimated to be \$1,212,382 and consisted of \$588,201 paid during the year ended September 30, 2012, \$63,882 included in the government-wide statements as current portion of long term debt, and \$48,451 included in non-current portion of long term debt. Final payment of benefits relating to ERIP2 will occur during July 2014. The estimated cost for fiscal years 2012, 2013 and 2014 are based on current rates for health insurance coverages and do not include any rate increases as any increase cannot be readily estimated.

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Page 54 of 68

NOTE M - TERMINATION BENEFITS, CONTINUED

The estimated cost for the seven (7) participants that elected to accept the ERIP2 package over the next three (3) years is as follows:

<u>Year Ending</u>	<u>Estimated Cost</u>
9/30/2013	\$ 63,882
9/30/2014	48,451
	<u>\$ 112,333</u>

NOTE N - COMMITMENTS AND CONTINGENCIES

The District is involved from time to time in certain routine litigation, the substance of which either as liabilities or recoveries, would not materially affect the financial position of the District. Although the final outcome of the lawsuits, assertions, and claims or the exact amount of costs and/or potential recovery is not presently determinable, in the opinion of the District's legal counsel, the resolution of these matters will not have a materially adverse affect on the financial condition of the District. As a general policy, the District plans to vigorously contest any such matters.

NOTE O - SUBSEQUENT EVENT

The District elected to waive assessment and collection of impact fees for fiscal year 2013 in an effort to stimulate construction within the District.

**REQUIRED SUPPLEMENTARY
INFORMATION
OTHER THAN MD&A**

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND -
SUMMARY STATEMENT
Year Ended September 30, 2012

Page 55 of 68

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Ad Valorem taxes	\$ 21,085,731	\$ 21,551,549	\$ 21,551,797	\$ 248
Intergovernmental revenue	-	-	34,376	34,376
Charges for services	85,000	85,000	103,394	18,394
Miscellaneous:				
Interest	185,000	172,261	138,501	(33,760)
Other	250,517	263,257	225,519	(37,738)
Subtotal - revenues	21,606,248	22,072,067	22,053,587	(18,480)
Cash brought forward	13,560,615	13,926,573	-	(13,926,573)
TOTAL REVENUES	35,166,863	35,998,640	22,053,587	(13,945,053)
EXPENDITURES				
Current				
Public safety				
Personnel services	20,213,137	20,144,137	19,003,975	1,140,162
Operating expenditures	3,127,386	3,127,386	3,038,671	88,715
Capital outlay	164,000	233,000	216,215	16,785
Debt service				
Principal reduction	-	-	-	-
Interest and fiscal charges	-	-	-	-
Reserves	11,662,340	12,494,117	-	12,494,117
TOTAL EXPENDITURES	35,166,863	35,998,640	22,258,861	13,739,779
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(205,274)	(205,274)
OTHER FINANCING SOURCES				
Proceeds from disposition of capital assets	-	-	30,330	30,330
Proceeds from capital lease	-	-	-	-
TOTAL OTHER FINANCING SOURCES	-	-	30,330	30,330
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	\$ -	\$ -	(174,944)	\$ (174,944)
FUND BALANCE - Beginning			13,926,573	
FUND BALANCE - Ending			\$ 13,751,629	

The accompanying notes are an integral part of this statement.

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND - DETAILED STATEMENT
Year Ended September 30, 2012

Page 56 of 68

	General Fund			
	Original	Final		Variance
	Budget	Budget	Actual	Favorable (Unfavorable)
REVENUES				
Ad Valorem taxes	\$ 21,085,731	\$ 21,551,549	\$ 21,551,797	\$ 248
Intergovernmental revenue	-	-	34,376	34,376
Charges for services	85,000	85,000	103,394	18,394
Miscellaneous:				
Interest	185,000	172,261	138,501	(33,760)
Other	250,517	263,257	225,519	(37,738)
Subtotal - revenues	21,606,248	22,072,067	22,053,587	(18,480)
Cash brought forward	13,560,615	13,926,573	-	(13,926,573)
TOTAL REVENUES	35,166,863	35,998,640	22,053,587	(13,945,053)
EXPENDITURES				
Current				
Public safety				
Personnel services:				
Salaries				
Firefighters & Admin.	11,558,313	11,558,313	11,419,795	138,518
Commissioners	30,000	30,000	30,000	-
Overtime	718,146	674,146	677,127	(2,981)
Vacation	59,000	34,000	46,734	(12,734)
Sick leave	527,000	527,000	465,432	61,568
Incentives and holiday pay	463,866	463,866	461,683	2,183
Payroll taxes				
Social Security	1,023,875	1,023,875	951,737	72,138
Benefits				
Retirement	3,195,117	3,195,117	2,723,279	471,838
Health insurance	1,977,820	1,977,820	1,738,107	239,713
Disability insurance	45,000	45,000	42,482	2,518
Unemployment insurance	5,000	5,000	-	5,000
Workers compensation	390,000	390,000	289,715	100,285
Employee physicals	35,000	35,000	3,024	31,976
Post employment health plan	184,000	184,000	154,000	30,000
Retirement recognition	1,000	1,000	860	140
Subtotal - Personnel services	20,213,137	20,144,137	19,003,975	1,140,162

The accompanying notes are an integral part of this statement.

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND - DETAILED STATEMENT (CONTINUED)
Year Ended September 30, 2012

Page 57 of 68

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating expenditures:				
Insurance	265,000	265,000	267,527	(2,527)
Uniforms	40,000	40,000	59,328	(19,328)
Communications	10,300	10,300	14,783	(4,483)
Telephone	176,400	176,400	155,744	20,656
Utilities	200,000	200,000	190,876	9,124
Maintenance				
Vehicle	360,000	410,000	423,379	(13,379)
Equipment	36,700	36,700	43,579	(6,879)
Computer	116,565	116,565	156,682	(40,117)
Hydrant	90,000	90,000	101,160	(11,160)
Building	266,500	266,500	172,016	94,484
Supplies				
Office	28,000	28,000	31,344	(3,344)
Protective gear	39,000	39,000	64,295	(25,295)
Station	30,000	30,000	29,217	783
Emergency medical	63,600	63,600	71,598	(7,998)
Hurricane/emergency	5,000	5,000	2,079	2,921
Equipment				
Office	41,350	41,350	24,044	17,306
Fire	55,000	55,000	54,964	36
Shop	7,000	7,000	15,053	(8,053)
Warehouse/logistics	1,000	1,000	225	775
Professional and other fees				
Legal and professional	230,000	230,000	187,812	42,188
Property appraiser fees	195,010	195,010	164,679	30,331
Tax collector fees	424,915	424,915	431,171	(6,256)
Accounting	60,000	60,000	53,030	6,970
Miscellaneous				
Travel	5,000	5,000	8,693	(3,693)
Water/sewer fee St. 44	5,000	5,000	5,025	(25)
Public information officer	1,000	1,000	241	759
Public education officer	15,000	15,000	11,972	3,028
Fuel and oil	220,000	220,000	214,442	5,558
Legal advertisements	5,000	5,000	3,798	1,202
Dues and subscriptions	7,896	7,896	5,672	2,224
CERT team	3,000	3,000	2,759	241
Dive team	5,300	5,300	5,080	220
Fire prevention	5,400	5,400	3,879	1,521
Training	41,200	41,200	43,106	(1,906)
Hazardous materials	4,000	4,000	538	3,462
Technical rescue	2,950	2,950	142	2,808
Boat team	5,300	5,300	7,244	(1,944)
K-9 search and rescue	-	-	-	-
Honor guard	-	-	-	-
OPS	-	-	-	-
Peer fitness	-	-	-	-
Miscellaneous	10,000	10,000	11,495	(1,495)
Operational Reserves			-	-
Contingency	50,000	-	-	-
Subtotal - Operating expenditures	3,127,386	3,127,386	3,038,671	88,715

The accompanying notes are an integral part of this statement.

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND - DETAILED STATEMENT (CONTINUED)
Year Ended September 30, 2012

Page 58 of 68

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Capital outlay:				
Land	-	-	-	-
Station improvements	25,000	25,000	7,018	17,982
Fire & rescue equipment	25,000	25,000	21,861	3,139
Protective gear	22,000	91,000	90,589	411
Communication equipment	5,000	5,000	3,865	1,135
Medical equipment	15,000	15,000	14,128	872
Computers	42,000	42,000	44,100	(2,100)
Technical rescue equipment	-	-	-	-
Boat team	-	-	-	-
Vehicle Purchase	30,000	30,000	34,654	(4,654)
Training equipment	-	-	-	-
Shop equipment	-	-	-	-
Logistics/warehouse	-	-	-	-
Hazardous materials equip.	-	-	-	-
Fire apparatus	-	-	-	-
Dive equipment	-	-	-	-
Fire prevention	-	-	-	-
Subtotal - Capital outlay	<u>164,000</u>	<u>233,000</u>	<u>216,215</u>	<u>16,785</u>
Debt service:				
Principal reduction	-	-	-	-
Interest and fiscal charges	-	-	-	-
Subtotal - Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Reserves:				
Assigned reserves	<u>11,662,340</u>	<u>12,494,117</u>	<u>-</u>	<u>12,494,117</u>
TOTAL EXPENDITURES	<u>35,166,863</u>	<u>35,998,640</u>	<u>22,258,861</u>	<u>13,739,779</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(205,274)</u>	<u>(205,274)</u>
OTHER FINANCING SOURCES				
Proceeds from disposition of capital assets	-	-	30,330	30,330
Proceeds from capital lease	-	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>30,330</u>	<u>30,330</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>(174,944)</u>	<u>\$ (174,944)</u>
FUND BALANCE - Beginning			<u>13,926,573</u>	
FUND BALANCE - Ending			<u>\$ 13,751,629</u>	

The accompanying notes are an integral part of this statement.

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - IMPACT FEE FUND -
SUMMARY STATEMENT
Year Ended September 30, 2012

Page 59 of 68

	Impact Fee Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Fees:				
Impact fees	\$ 300,000	\$ 300,000	\$ 412,970	\$ 112,970
Miscellaneous:				
Proceeds from Sale of Land	-	-	-	-
Interest	6,000	6,000	7,993	1,993
Other	-	-	-	-
Subtotal - revenues	306,000	306,000	420,963	114,963
Cash brought forward	799,000	799,000	-	(799,000)
TOTAL REVENUES	<u>1,105,000</u>	<u>1,105,000</u>	<u>420,963</u>	<u>(684,037)</u>
EXPENDITURES				
Current				
Public safety				
Operating expenditures	5,000	5,000	5,403	(403)
Capital outlay	1,100,000	1,100,000	415,560	684,440
Reserves	-	-	-	-
TOTAL EXPENDITURES	<u>1,105,000</u>	<u>1,105,000</u>	<u>420,963</u>	<u>684,037</u>
EXCESS OF REVENUES				
OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE - Beginning			<u>-</u>	
FUND BALANCE - Ending			<u>\$ -</u>	

The accompanying notes are an integral part of this statement.

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
IMPACT FEE FUND - DETAILED STATEMENT
Year Ended September 30, 2012

Page 60 of 68

	Impact Fee Fund			
	Original	Final		Variance
	Budget	Budget	Actual	Favorable
				(Unfavorable)
REVENUES				
Fees:				
Impact fees	\$ 300,000	\$ 300,000	\$ 412,970	\$ 112,970
Miscellaneous:				
Proceeds from sale of land	-	-	-	-
Interest	6,000	6,000	7,993	1,993
Other	-	-	-	-
Subtotal - revenues	306,000	306,000	420,963	114,963
Cash brought forward	799,000	799,000	-	(799,000)
TOTAL REVENUES	1,105,000	1,105,000	420,963	(684,037)
EXPENDITURES				
Miscellaneous:				
Refunds	-	-	-	-
Impact fee collection	5,000	5,000	5,403	(403)
Subtotal - Operating expenditures	5,000	5,000	5,403	(403)
Capital outlay:				
Emergency traffic device - St. 42	-	-	-	-
New Vehicles	50,000	50,000	33,135	16,865
Station 48 engineering	1,000,000	1,000,000	382,425	617,575
Medical Equipment	50,000	50,000	-	50,000
Subtotal - Capital outlay	1,100,000	1,100,000	415,560	684,440
Reserves:	-	-	-	-
TOTAL EXPENDITURES	1,105,000	1,105,000	420,963	684,037
EXCESS OF REVENUES				
OVER EXPENDITURES	\$ -	\$ -	-	\$ -
FUND BALANCE - Beginning			-	
FUND BALANCE - Ending			\$ -	

The accompanying notes are an integral part of this statement.

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - INSPECTION FEE FUND -
SUMMARY STATEMENT
Year ended September 30, 2012

Page 61 of 68

	Inspection Fee Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 480,000	\$ 480,000	\$ 428,911	\$ (51,089)
Miscellaneous:				
Interest	<u>1,000</u>	<u>1,000</u>	<u>727</u>	<u>(273)</u>
Subtotal - revenues	481,000	481,000	429,638	(51,362)
Cash brought forward	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>481,000</u>	<u>481,000</u>	<u>429,638</u>	<u>(51,362)</u>
EXPENDITURES				
Current				
Public safety				
Personnel services	477,711	477,711	491,879	(14,168)
Operating expenditures	-	-	-	-
Capital outlay	-	-	-	-
Reserves	<u>3,289</u>	<u>3,289</u>	<u>-</u>	<u>3,289</u>
TOTAL EXPENDITURES	<u>481,000</u>	<u>481,000</u>	<u>491,879</u>	<u>(10,879)</u>
EXCESS OF REVENUES				
OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	(62,241)	<u>\$ (62,241)</u>
FUND BALANCE - Beginning			<u>86,960</u>	
FUND BALANCE - Ending			<u>\$ 24,719</u>	

The accompanying notes are an integral part of this statement.

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
INSPECTION FEE FUND - DETAILED STATEMENT
Year ended September 30, 2012

Page 62 of 68

Inspection Fee Fund				
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services:				
Inspection fees	\$ 480,000	\$ 480,000	\$ 428,911	\$ (51,089)
Miscellaneous:				
Interest	1,000	1,000	727	(273)
Subtotal - revenues	481,000	481,000	429,638	(51,362)
Cash brought forward	-	-	-	-
TOTAL REVENUES	481,000	481,000	429,638	(51,362)
EXPENDITURES				
Current				
Public safety				
Personnel services:				
Salaries				
Regular	434,163	434,163	444,624	(10,461)
Overtime	-	-	-	-
Professional/Incentives and holiday pay	9,600	9,600	12,300	(2,700)
Payroll taxes				
Social Security	33,948	33,948	34,955	(1,007)
Benefits				
Retirement	-	-	-	-
Health insurance	-	-	-	-
Disability insurance	-	-	-	-
Vacation	-	-	-	-
Sick leave	-	-	-	-
Unemployment compensation	-	-	-	-
Workers compensation	-	-	-	-
Subtotal - Personnel services	477,711	477,711	491,879	(14,168)

The accompanying notes are an integral part of this statement.

NORTH NAPLES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
INSPECTION FEE FUND - DETAILED STATEMENT (CONTINUED)
Year ended September 30, 2012

Page 63 of 68

	Inspection Fee Fund			
	Original	Final		Variance
	Budget	Budget	Actual	Favorable
				(Unfavorable)
Operating expenditures:				
Uniforms	-	-	-	-
Telephone	-	-	-	-
Utilities	-	-	-	-
Maintenance				
Contract labor	-	-	-	-
Hydrant	-	-	-	-
Supplies				
Office	-	-	-	-
Miscellaneous				
Employee physicals	-	-	-	-
Dues & subscriptions	-	-	-	-
Fire prevention	-	-	-	-
Training	-	-	-	-
Miscellaneous	-	-	-	-
Subtotal - Operating expenditures	-	-	-	-
Capital outlay:				
Office facility	-	-	-	-
Vehicles	-	-	-	-
Subtotal - Capital outlay	-	-	-	-
Debt service:				
Principal reduction	-	-	-	-
Interest and fiscal charges	-	-	-	-
Subtotal - Debt service	-	-	-	-
Reserves:	3,289	3,289	-	3,289
TOTAL EXPENDITURES	481,000	481,000	491,879	(10,879)
EXCESS OF REVENUES				
OVER (UNDER) EXPENDITURES	\$ -	\$ -	(62,241)	\$ (62,241)
FUND BALANCE - Beginning			86,960	
FUND BALANCE - Ending			\$ 24,719	

The accompanying notes are an integral part of this statement.

**ADDITIONAL REPORTS OF
INDEPENDENT AUDITOR**

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

Board of Commissioners
North Naples Fire Control and Rescue District
1885 Veterans Park Drive
Naples, Florida 34109-0492

We have audited the basic financial statements of North Naples Fire Control and Rescue District as of and for the year ended September 30, 2012 and have issued our report thereon dated February 14, 2013. 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 of America.

Internal Control Over Financial Reporting

Management of North Naples 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 North Naples Fire Control and Rescue District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Naples Fire Control and Rescue District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North Naples 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 misstatements on a timely basis.

INTEGRITY SERVICE EXPERIENCE

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America, such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected and corrected 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 basic 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Naples Fire Control and Rescue District's basic 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 basic 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.

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

A handwritten signature in cursive script that reads "Tuscan & Company, P.A.".

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
February 14, 2013

INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT

Board of Commissioners
North Naples Fire Control and Rescue District
1885 Veterans Park Drive
Naples, Florida 34109-0492

We have audited the accompanying basic financial statements of North Naples Fire Control and Rescue District (the "District") as of and for the year ended September 30, 2012 and have issued our report thereon dated February 14, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which is dated February 14, 2013, should be considered in conjunction with this report to management.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter included the following information, which is not included in the aforementioned auditor's report:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The prior year report contained no comments.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include 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 the District complied with Section 218.415, Florida Statutes.

INTEGRITY SERVICE EXPERIENCE

- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. No such recommendations were noted to improve financial management.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rule of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit if the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The District discloses this information in the notes to the financial statements.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the District for the fiscal year ended September 30, 2012, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a) Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2012. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management.

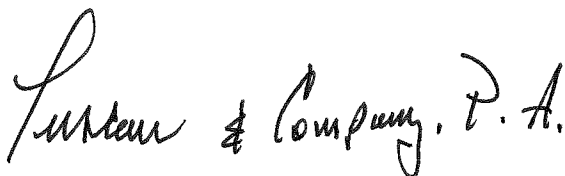
PRIOR YEAR COMMENTS:

There were no financially significant prior year comments.

CURRENT YEAR COMMENTS:

No financially significant comments noted.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Board of Commissioners, management, the Auditor General of the State of Florida and other federal and state agencies. This report is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Tuscan & Company, P.A." in a cursive script.

TUSCAN & COMPANY, P.A.

Fort Myers, Florida

February 14, 2013

EXHIBIT

J. Christopher Lombardo, Chairman
John O. McGowan, Vice Chairman
Norman E. Feder, Treasurer
Margaret Hanson, Commissioner
James Burke, Commissioner



1885 Veterans Park Drive
Naples, FL 34109
(239) 597-3222
Fax (239) 597-7082

North Naples Fire Control and Rescue District

April 3, 2013

Auditor General's Office
Local Government Audits/342
Claude Pepper Building, Room 401
111 West Madison Street
Tallahassee, FL 32399-1450

We are pleased to note that the audit report for the fiscal year 2011/2012 reflected no current year or prior comments which require management's response.

The Board of Fire Commissioners and management staff of the North Naples Fire Control & Rescue District have worked diligently to resolve past audit comments and address deficiencies in internal controls, and policy and procedures to insure the financial stability of the District.

The audit report for the fiscal year ended September 30, 2012 reflects the commitment of the Board and staff to successfully resolve prior year issues.

Sincerely,

NORTH NAPLES FIRE CONTROL & RESCUE DISTRICT



ORLY C. STOLTS
Fire Chief



REBECAH BRONSDON
Assistant Chief of Administrative Services