

ESTERO FIRE RESCUE DISTRICT

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

YEAR ENDED SEPTEMBER 30, 2022

**ESTERO FIRE RESCUE DISTRICT
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Estero Fire Rescue District
Estero, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Estero Fire Rescue District, Estero, Florida (the "District") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of September 30, 2022 and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of the District's net proportionate share of net pension liability- pension plan and health insurance subsidy plan, schedules of district contributions- pension plan and health insurance subsidy plan and schedule of changes in the total OPEB liability and related ratios to be presented to supplement the basic financial statements. Such information is the responsibility of

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Ashley, Brown & Smith, CPAs

Punta Gorda, Florida
May 9, 2023

Management's Discussion and Analysis

(unaudited)

This discussion and analysis of the Estero Fire Rescue District's (the "District") financial statements is designed to introduce the basic financial statements and provide an analytical overview of the District's financial activities for the fiscal year ended September 30, 2022. The basic financial statements are comprised of the government-wide financial statements, governmental fund financial statements, and notes. We hope this will assist readers in identifying significant financial issues and changes in the District's financial position.

Estero Fire Rescue Highlights

- At close of fiscal year 2022 the District's assets and deferred outflow of resources exceeded its liabilities and deferred inflow of resources, resulting in a net position of \$34,523,441 on a government wide basis.
- Total net position increased \$1,574,415, or 4.8 percent, in comparison to the prior year.
- The increase to net position is due primarily to an increase in Deferred Outflow of Pension Resources.
- The unrestricted balance of \$18,681,270 can be used to meet ongoing obligations of the District and fund amounts assigned by the Board.
- General and program revenues increased \$559,550, or 3.2 percent, in comparison to the prior year primarily due to an increase in property values which led to an increase in ad valorem revenue.
- Total program expenses reported an increase of \$814,800, or 5.1 percent, in comparison to the prior year. This increase is due to an increase in personnel expenses, operating costs, and total depreciation.

Government-wide Financial Statements

Government-wide financial statements (Statement of Net Position and Statement of Activities found on pages 11 and 12) are intended to allow a reader to assess a government's operational accountability. Operational accountability is defined as the extent to which the government has met its operation objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to meet its objectives for the foreseeable future. Government-wide financial statements concentrate on the District as a whole and do not emphasize fund types.

The Statement of Net Position (page 11) presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. The District's capital assets (land, property, and equipment) are included in this statement and reported net of their accumulated depreciation, when applicable.

The Statement of Activities (page 12) presents revenue and expense information showing how the District's net position changed during the fiscal year. Both statements are measured and reported using the economic resource measurement focus (revenues and expenses) and the accrual basis of accounting (revenue recognized when earned and expenses recognized when a liability is incurred).

Fund Financial Statements

The accounts of the District are organized on the basis of governmental funds; a fund is considered a separate accounting entity. The operation of funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources may be allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District is reporting all financial activity in the General Fund for the fiscal year ended September 30, 2022. The activity for restricted amounts is administered separately; however, for reporting purposes there is no need or requirement to report the restricted activity in separate funds.

Governmental fund financial statements (found on pages 13 and 15) are prepared on the modified accrual basis using the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available as net current assets. Grant revenue, however, is recognized when the grant related expense is incurred.

Notes to the Financial Statements

The notes to the financial statements explain in detail some of the data contained in the preceding statements and begin on page 21. These notes are essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

The government-wide financial statements were designed so the user could determine if the District is in a better or worse financial condition from the prior year.

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The following is a condensed summary of net position for the primary government for fiscal years 2022 and 2021:

Summary of Net Position

	2022	2021
Assets:		
Current Assets	\$ 18,103,816	\$ 28,969,929
Capital Assets	16,015,019	10,611,908
Total Assets	34,118,835	39,581,837
Deferred Outflow of Resources:		
Accumulated Decreases in Fair Value Hedge	14,164	78,493
Deferred Amount on OPEB	901,969	759,322
Deferred Amount on VEBA	390,025	220,860
Deferred Amount on Pension	11,205,042	5,087,829
Total Deferred Outflow of Resources	12,511,200	6,146,504
Total Assets and Deferred Outflow of Resources	\$ 46,630,035	\$ 45,728,341
Liabilities:		
Current Liabilities	\$ 1,705,281	\$ 1,857,495
Unearned Revenue	24,879	41,137
Non-current Liabilities	6,157,931	5,780,586
Total Liabilities	7,888,091	7,679,218
Deferred Inflow of Resources:		
Deferred Amount on OPEB	480,218	128,830
Deferred Amount on VEBA	437,287	501,195
Deferred Amount on Pension	3,300,998	4,470,072
Total Deferred Inflow of Resources	4,218,503	5,100,097
Total Liabilities and Deferred Inflow of Resources	12,106,594	12,779,315
Net Position:		
Net Investment in Capital Assets	15,258,750	9,642,889
Restricted	583,421	622,763
Unrestricted	18,681,270	22,683,374
Total Net Position	34,523,441	32,949,026
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 46,630,035	\$ 45,728,341

Current assets represent 53.1 percent of total assets. Current assets are comprised of unrestricted cash and investments of \$17,006,164, restricted cash of \$585,056, and other assets of \$512,596. The unrestricted cash represents amounts that are available for spending at the District's discretion. Restricted cash includes impact fees restricted for debt repayment and the debt reserve required by the notes. The investment in capital assets is comprised of land and improvements, buildings, vehicles, and equipment, net of accumulated depreciation and the outstanding related debt used to acquire the assets. The Restricted Net Position is comprised of \$583,421 for repayment of debt.

The following schedule reports the revenues, expenses, and changes in net position for the District for the current fiscal years 2022 and 2021:

Summary of Activities

	2022	2021
Revenues:		
General Revenues		
Ad Valorem Taxes	\$ 16,936,092	\$ 16,041,775
Insurance Premium Tax for Firefighters' Pension	344,806	352,673
Interest	72,741	39,930
Gain (Loss) on Sale of Capital Assets	29,008	38,893
Other Revenues	69,576	91,597
Program Revenues		
Federal, State, and Local Grants	5,000	649,690
State Shared	27,002	20,237
Charges for Services	134,222	80,162
Impact Fees	615,615	359,555
Total Revenues	18,234,062	17,674,512
Expenses:		
Public Safety - Fire and Rescue Services	16,659,646	15,844,846
Increase in Net Position	1,574,416	1,829,666
Net Position - Beginning of the Year	32,949,025	31,119,359
Net Position - End of the Year	\$ 34,523,441	\$ 32,949,025

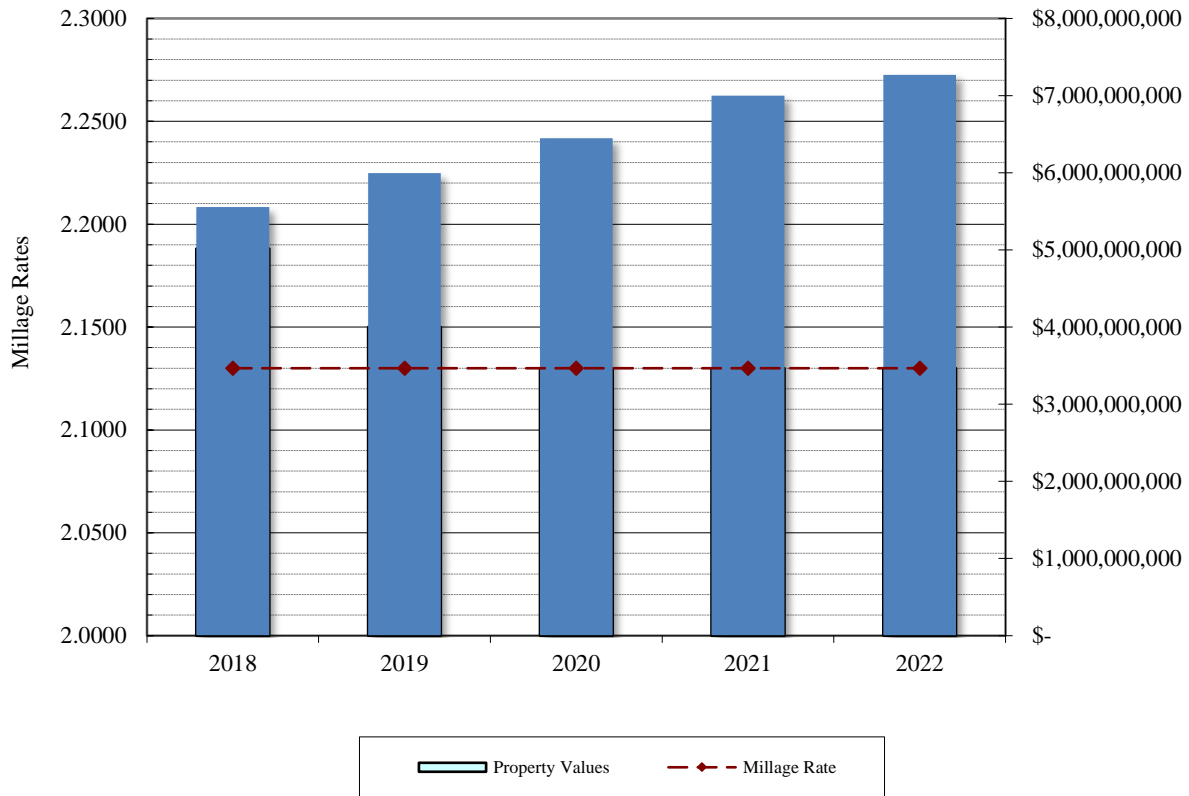
Total revenues increased \$559,550, or 3.2 percent, in comparison to prior year. Total expenditures increased by \$814,800, or 5.1 percent, in comparison to prior year. This is primarily the result of increases in payroll expenses.

Additional Financial Overview

Property values have increased by approximately \$1,290,953,226, or 18.4 percent, in the past five years. The taxable property value has been increasing in the last 5 years and the area noticed an increase of 6.2 percent between fiscal years 2021 and 2022. The District adopted a millage rate of 2.13 for fiscal year 2022. The millage rate remained the same as the 2.13 adopted in 2021. Ad Valorem tax revenues increased by \$894,317, or 5.6 percent, in comparison to the prior year. Estero Fire Rescue's millage rate continues to be one of the lowest fire district millage rates in the region.

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

Property Values and Millage Assessed



Impact fee receipts increased \$256,060, or 71.2 percent, in comparison to the prior year; however, overall impact fees have experienced an average increase of 24.2 percent for the last five years. The five year trend of impact fee receipts compounded with the increase in property values is a positive indicator the economy is maintaining stability. The District will continue to anticipate conservative growth for budget purposes and long term planning.

Budgetary Highlights

Estero Fire Rescue adopts an annual budget for its General Fund as required by Florida Statute. Budget versus actual comparisons are reported on pages 17 and 18. Budget transfers are made from time to time in the General Fund to manage unanticipated costs as they relate to originally estimated amounts. The General Fund difference between the final budgeted expenditures and actual expenditures represents a favorable variance of \$3,561,132, or 14.5 percent.

Debt Administration

At September 30, 2022, the District had \$742,105 of outstanding debt for notes payable. Total long-term liabilities of \$5,605,338, which includes notes payable, derivative instrument, an implicit subsidy for OPEB, compensated absences, and deferred compensation, decreased \$175,248, or 3.0 percent, in comparison to the prior year. The decrease is significantly due to the decrease in our outstanding balance in the Series 2007A loan. The following is a schedule of the District's outstanding notes payable as of September 30, 2022 and 2021:

	Outstanding Debt	
	<u>2022</u>	<u>2021</u>
Series 2007 A	<u>\$ 742,105</u>	<u>\$ 890,526</u>
Total	<u>\$ 742,105</u>	<u>\$ 890,526</u>

The General Fund is currently responsible for payment of the debt. Impact Fees designated for debt will be used for debt as they become available. The District's debt was collateralized by future impact fee revenue. As such, general dollars currently paying debt will be reimbursed by future impact fee revenue. Additional information on the repayment process can be found in Note L on page 62-63.

Additional information on the District's long-term debt can be found in Note E on pages 38-39.

Capital Assets

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

The following is a schedule of the District's capital assets as of September 30, 2022 and 2021:

	Capital Assets	
	<u>2022</u>	<u>2021</u>
CAPITAL ASSETS		
Land	\$ 2,433,668	\$ 2,433,668
Construction in Progress	<u>6,753,295</u>	<u>914,983</u>
Total Capital Assets Not Depreciated	<u>9,186,963</u>	<u>3,348,651</u>
Buildings and Improvements	8,857,830	9,101,192
Vehicles	6,338,048	6,486,056
Equipment	<u>2,207,443</u>	<u>1,950,735</u>
Total Capital Assets Being Depreciated	<u>17,403,321</u>	<u>17,537,983</u>
ACCUMULATED DEPRECIATION		
Buildings and Improvements	(4,412,164)	(4,409,590)
Vehicles	(5,053,043)	(4,782,602)
Equipment	<u>(1,110,058)</u>	<u>(1,082,534)</u>
Total Accumulated Depreciation	<u>(10,575,265)</u>	<u>(10,274,726)</u>
Total Capital Assets Being Depreciated, Net	<u>6,828,056</u>	<u>7,263,257</u>
CAPITAL ASSETS, NET	<u>\$ 16,015,019</u>	<u>\$ 10,611,908</u>

Noteworthy capital asset activity that took place in fiscal year 2022 is as follows:

- The District purchased four new portable radios and one new mobile radio to equip a new fire engine for Station 45. The capital outlay was approximately \$33,746.
- The District purchased a new generator for the newly constructed Station 45. The capital outlay was approximately \$105,000.
- The District purchased six new SCBA Air Packs to equip a new fire engine for Station 45. The capital outlay was approximately \$43,079.
- The District purchased six new cardiac monitors to replace end-of-life equipment. The capital outlay was approximately \$188,123.
- The District purchased three new Hurst tools to replace and upgrade existing equipment. The capital outlay was approximately \$31,885.
- The District began constructing a new fire station to better serve residents in fiscal year 2021. In fiscal year 2022, approximately \$5,152,070 was put into the construction of the new station.
- The District purchased new EMS equipment consisting of two AEDs, an ultrasound device, and a chest compression system to replace and upgrade existing equipment. The capital outlay was approximately \$26,267.
- The District purchased a new fire engine to increase services in the east side of the District. The capital outlay for the initial purchase of the engine was approximately \$669,490. The truck is recorded as construction in progress while it is finished being prepared to go into service in FY2023.

Economic Factors and Next Year's Budget Rates

The following were factors considered when next year's budget (2022-2023) was prepared:

- Property values within the District increased approximately \$1,104,702,074 or 13.3 percent, to \$9,394,935,392. When property values increase, the rolled-back millage rate decreases so tax revenue may remain unchanged. Although the District adopted the same millage rate of 2.13 in FY 2023, the tax levy increased by \$894,317. When the millage rate adopted exceeds the calculated rolled-back rate, the government is levying a tax increase, regardless of the change in the millage rate. The rolled-back rate formula essentially provides a rate relative to the current property values, which creates a tax levy equal to the amount in the previous year. The property values used in the rolled-back rate formula excludes, among other things, amounts for new construction and improvements, essentially rolling back a government's operating revenue to that of the prior year.
- The District budgeted for several new capital items to include construction on a new fire station, the replacement of four staff vehicles, and a forklift for the training center.
- With the anticipated increase to revenue and expenditures, the District is anticipating a net decrease to fund balance in an amount of \$1,041,003

Request for Information

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

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

ESTERO FIRE RESCUE DISTRICT
STATEMENT OF NET POSITION
September 30, 2022

ASSETS	<u>Governmental Activities</u>
Cash	\$ 15,765,605
Investments	1,240,559
Prepaid Items	170,396
Accounts Receivable	8,389
Due from Other Governments	96,898
Restricted Assets:	
Cash	585,056
Due from Other Governments	236,913
Capital Assets:	
Land	2,433,668
Construction in Progress	6,753,295
Depreciable Buildings, Equipment, and Vehicles, Net of Accumulated Depreciation	<u>6,828,056</u>
TOTAL ASSETS	<u>34,118,835</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Accumulated Decreases in Fair Value of Hedging Derivative	14,164
Deferred Amount on OPEB	901,969
Deferred Amount on VEBA	390,025
Deferred Amount on Pensions	<u>11,205,042</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>12,511,200</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 46,630,035
 LIABILITIES	
Accounts Payable and Accrued Expenses	1,705,281
Unearned Revenue	24,879
Pension Liability	552,593
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due within one year	148,421
Due in more than one year	<u>5,456,917</u>
TOTAL LIABILITIES	<u>7,888,091</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred Amount on OPEB	480,218
Deferred Amount on VEBA	437,287
Deferred Amount on Pensions	<u>3,300,998</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>4,218,503</u>
 TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	 <u>12,106,594</u>
 NET POSITION	
Net Investment in Capital Assets	15,258,750
Restricted for:	
Debt Service	583,421
Unrestricted	<u>18,681,270</u>
TOTAL NET POSITION	<u>34,523,441</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 46,630,035</u></u>

**ESTERO FIRE RESCUE DISTRICT
STATEMENT OF ACTIVITIES
Year Ended September 30, 2022**

	<u>Governmental Activities</u>
PROGRAM EXPENSES	
Public Safety - Fire and Rescue Services	
Personal Services	\$ 13,183,374
Operating	2,507,753
Depreciation	933,659
Interest and Fiscal Charges	34,860
TOTAL PROGRAM EXPENSES	<u>16,659,646</u>
PROGRAM REVENUES	
Insurance Premium Tax for Firefighters' Pension	344,806
Federal, State, and Local Grants	5,000
State Shared	27,002
Charges for Services	134,222
Impact Fees	615,615
TOTAL PROGRAM REVENUES	<u>1,126,645</u>
NET PROGRAM EXPENSES	<u>15,533,001</u>
GENERAL REVENUES	
Ad Valorem Taxes	16,936,092
Interest	72,741
Gain (Loss) on Sale of Capital Assets	29,008
Other Revenues	69,576
TOTAL GENERAL REVENUES	<u>17,107,417</u>
INCREASE IN NET POSITION	1,574,416
NET POSITION - Beginning of the Year	<u>32,949,025</u>
NET POSITION - End of the Year	<u>\$ 34,523,441</u>

**ESTERO FIRE RESCUE DISTRICT
BALANCE SHEET – GENERAL FUND
Year Ended September 30, 2022**

ASSETS

Unrestricted

Cash	\$ 15,765,605
Investments	1,240,559
Prepaid Items	170,396
Accounts Receivable	8,020
Due from Other Governments	96,898
TOTAL UNRESTRICTED	<u>17,281,478</u>

Restricted

Cash	585,056
Due from Other Governments	236,913
TOTAL RESTRICTED	<u>821,969</u>

TOTAL ASSETS	<u>\$ 18,103,447</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable and Accrued Expense	\$ 1,705,281
Unearned Revenue	24,879
TOTAL LIABILITIES	<u>1,730,160</u>

FUND BALANCE

Restricted

Debt	448,473
Impact Fees	373,496

Committed

Capital Improvement Program	3,289,711
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Nonspendable

Prepaid Items	170,396
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Assigned

Community Safety Program	26,621
Mobile Radio Fund	24,879

Unassigned

TOTAL FUND BALANCE	<u>12,039,711</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 18,103,447</u>

**ESTERO FIRE RESCUE DISTRICT
RECONCILIATION OF THE BALANCE SHEET –
GENERAL FUND TO THE STATEMENT OF NET POSITION
September 30, 2022**

	<u>Amounts</u>
Total Fund Balance for General Fund	\$ 16,373,286
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Pension liabilities used in governmental activities are not financial resources and therefore, are not reported in the general fund.	(552,593)
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the general fund.	
Capital assets not being depreciated:	
Land & Improvements	2,433,668
Construction in Progress	6,753,295
Capital assets being depreciated:	
Building, Equipment, and Vehicles	\$ 17,403,321
Less Accumulated Depreciation	<u>(10,575,265)</u>
	6,828,056
Deferred outflows of resources are not recognized in the general fund; however, they are recorded in the statement of net position under full accrual accounting.	
OPEB	901,969
Pension earnings and experience	11,205,042
Derivative Instruments	14,164
VEBA	390,025
Deferred inflows of resources are not recognized in the general fund; however, they are recorded in the statement of net position under full accrual accounting.	
Pension assumptions	(3,300,998)
OPEB Assumptions	(480,218)
VEBA	(437,287)
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.	
Series 2007A Promissory Note Payable	(742,105)
Termination Benefit	(75,849)
Compensated Absences	(1,239,727)
Derivative Instruments	(14,164)
OPEB-Retiree Insurance Trust	(113,631)
Implicit Subsidy (OPEB)	<u>(3,419,862)</u>
	(5,605,338)
Expenditures for services extending over more than one accounting period are not allocated between or among accounting periods, but are accounted for as expenditures of the period of acquisition in the governmental funds.	<u>369</u>
Total Net Position of Governmental Activities	<u>\$ 34,523,441</u>

**ESTERO FIRE RESCUE DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
 Year Ended September 30, 2022**

Revenues

Ad Valorem Taxes	\$ 16,936,092
Insurance Premium Tax for Firefighters' Pension	344,806
Intergovernmental:	
State Shared	27,002
Local Grant	126,286
Charges for Services	134,222
Miscellaneous:	
Impact Fees	615,615
Community Safety Program Donations	1,865
Interest	72,741
Other	67,711
TOTAL REVENUES	<u>18,326,340</u>

EXPENDITURES

Current	
Public Safety	
Personnel Services	12,020,401
Operating Expenditures	2,507,753
Capital Outlay	6,349,843
Debt Service	
Principal Reduction	148,421
Interest and Fiscal Charges	34,860
TOTAL EXPENDITURES	<u>21,061,278</u>

EXCESS OF REVENUES OVER EXPENDITURES (2,734,938)

OTHER FINANCING SOURCES

Proceeds from Sale of Capital Assets	<u>41,989</u>
TOTAL OTHER FINANCING SOURCES	<u>41,989</u>

NET CHANGE IN FUND BALANCE (2,692,949)

FUND BALANCE - Beginning of the Year 19,066,235

FUND BALANCE - End of the Year \$ 16,373,286

**ESTERO FIRE RESCUE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2022**

	<u>Amounts</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balance - general fund	\$ (2,692,949)
General fund reports capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	5,416,184
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	(12,981)
Repayment of principal is an expenditure in the general fund but reduces the liability in the statement of net position.	
Repayments:	
Notes payable	148,421
Some expenses reported in the statement of activities do (do not) require the use of current financial resources and therefore, are (are not) reported as expenditures in the governmental funds.	
Decrease in compensated absences	\$ 10,769
Increase in termination benefits	<u>(1,487)</u>
	9,282
The increase in OPEB expense does not affect the use of financial resources and is not reflected as an increase of expenditures in the governmental funds.	(22,452)
The reduction of pension expense does not affect the use of financial resources and is not reflected as a reduction of expenditures in the governmental funds.	(1,149,803)
Intergovernmental revenue is recorded as revenue in the statement of net position when measurable and is not recognized as a revenue in the fund financial statements in accordance with modified accrual accounting.	<u>(121,286)</u>
Change in Net Position of Governmental Activities	<u>\$ 1,574,416</u>

ESTERO FIRE RESCUE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
Year Ended September 30, 2022

REVENUES	General Fund			Variance with Final Budget
	Original Budget	Final Budget	Actual	
Taxes				
Ad Valorem Taxes	\$ 16,955,988	\$ 16,955,988	\$ 16,936,092	\$ (19,896)
Insurance Premium Tax for Pension	300,000	344,806	344,806	0
Subtotal - Taxes	17,255,988	17,300,794	17,280,898	(19,896)
Intergovernmental:				
State Shared (Degree Incentive)	20,000	20,000	27,002	7,002
State and local grants	5,000	5,000	126,286	121,286
Subtotal - Intergovernmental	25,000	25,000	153,288	128,288
Charges for services				
EMS Standby	36,000	36,000	44,223	8,223
Public Safety Classes	14,000	14,000	7,515	(6,485)
False Alarm Fees	1,000	1,000	750	(250)
Permit & Plan Review Fees	29,000	29,000	31,718	2,718
Community Safety Program Vaccine Program	-	-	1,231	1,231
Inspection Fees	31,000	31,000	48,785	17,785
Subtotal - Charges for Services	111,000	111,000	134,222	23,222
Miscellaneous:				
Impact Fees	180,000	180,000	615,615	435,615
Community Safety Program	1,500	1,500	1,865	365
Interest				
Operating Interest	25,000	25,000	62,680	37,680
Other Interest	3,000	3,000	8,875	5,875
Impact Fees Interest - Restricted	1,100	1,100	1,186	86
Other				
Ambulance Bay Rent	29,893	29,893	31,605	1,712
Miscellaneous	500	500	36,106	35,606
Subtotal - Miscellaneous	240,993	240,993	757,932	516,939
TOTAL REVENUES	17,632,981	17,677,787	18,326,340	648,553
EXPENDITURES				
Current				
Public Safety				
Personal Services:				
Regular Salaries/Wages/Unemployment	7,475,293	7,399,348	6,971,302	428,046
Other Salaries and Wages	135,856	135,856	94,204	41,652
Overtime	234,000	309,945	300,194	9,751
Special Pay	1,057,664	1,057,664	976,216	81,448
FICA Taxes	681,072	681,072	615,698	65,374
Retirement Contributions	1,110,359	1,155,165	987,180	167,985
Life, Health Insurance	2,009,696	2,009,696	1,627,259	382,437
Workers' Compensation Insurance	285,000	285,000	244,370	40,630
Other Postemployment Benefits	261,749	261,749	203,978	57,771
Subtotal - Personnel Services	13,250,689	13,295,495	12,020,401	1,275,094

(continued on next page)

**ESTERO FIRE RESCUE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
Year Ended September 30, 2022**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Operating Expenditures:				
Property Appraiser Fees	98,618	101,618	101,532	86
Tax Collector Fees	354,145	354,145	338,286	15,859
Professional Services	256,920	165,158	99,874	65,284
Accounting and Auditing	43,775	43,775	42,875	900
Other Services (Janitorial)	7,300	7,340	7,340	-
Travel	112,110	102,710	74,372	28,338
Communications and Freight Services	152,397	158,797	154,007	4,790
Utility Services	69,540	72,540	68,466	4,074
Rentals and leases	2,900	3,122	3,122	-
Insurance	212,065	212,065	189,241	22,824
Repair and Maintenance Services	803,970	803,970	681,680	122,290
Printing and Binding	2,665	2,665	135	2,530
Promotional Activities	24,125	24,125	10,121	14,004
Other Current Charges and Obligations	46,490	51,990	51,740	250
Office Supplies	15,500	15,500	11,597	3,903
Operating Supplies	499,511	582,511	529,044	53,467
Training, Subscriptions, Memberships	213,348	213,198	144,321	68,877
Subtotal - Operating Expenditures	<u>2,915,379</u>	<u>2,915,229</u>	<u>2,507,753</u>	<u>407,476</u>
Capital Outlay:				
Buildings	6,545,000	6,545,000	5,152,070	1,392,930
Land	50,000	50,000	32,352	17,648
Vehicles	950,000	950,000	669,490	280,510
Equipment	657,400	657,400	484,897	172,503
Information Technology	26,000	26,000	11,034	14,966
Subtotal - Capital Outlay	<u>8,228,400</u>	<u>8,228,400</u>	<u>6,349,843</u>	<u>1,878,557</u>
Debt Service:				
Principal Retirement - Unrestricted	148,422	148,422	148,421	1
Interest and Fiscal Charges - Unrestricted	34,714	34,864	34,860	4
Subtotal - Debt Service	<u>183,136</u>	<u>183,286</u>	<u>183,281</u>	<u>5</u>
TOTAL EXPENDITURES	<u>24,577,604</u>	<u>24,622,410</u>	<u>21,061,278</u>	<u>3,561,132</u>
EXCESS OF REVENUES OVER EXPENDITURES	(6,944,623)	(6,944,623)	(2,734,938)	4,209,685
OTHER FINANCING SOURCES				
Proceeds from Sale of Capital Assets	-	-	41,989	41,989
TOTAL OTHER FINANCING	<u>-</u>	<u>-</u>	<u>41,989</u>	<u>41,989</u>
NET CHANGE IN FUND BALANCE	<u>(6,944,623)</u>	<u>(6,944,623)</u>	<u>(2,692,949)</u>	<u>4,251,674</u>
Beginning Fund Balance	11,644,604	12,050,419	19,066,235	7,015,816
TOTAL FUND BALANCE - BEGINNING	<u>11,644,604</u>	<u>12,050,419</u>	<u>19,066,235</u>	<u>7,015,816</u>
Ending Fund Balance	4,699,981	5,105,796	16,373,286	11,267,490
TOTAL FUND BALANCE - ENDING	<u>\$ 4,699,981</u>	<u>\$ 5,105,796</u>	<u>\$ 16,373,286</u>	<u>\$ 11,267,490</u>

**ESTERO FIRE RESCUE DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUND
 September 30, 2022**

ASSETS	<u>Firefighters' Trust</u>
Cash	\$ 369,755
Contributions Receivable	3,431
Investments, at fair value:	
Pooled/common/comingled funds:	
Fixed Income	\$ 10,870,803
Equities	<u>25,734,962</u>
Total investments at fair value	<u>36,605,765</u>
 TOTAL ASSETS	 <u>36,978,951</u>
 PLAN NET POSITION	
RESTRICTED FOR PENSIONS	<u><u>\$ 36,978,951</u></u>

**ESTERO FIRE RESCUE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
FIDUCIARY FUND
Year Ended September 30, 2022**

	<u>Firefighters' Trust</u>
ADDITIONS	
Contributions	
Employer	\$ 528,508
Plan Members	178,846
State Contributions	<u>344,806</u>
Total Contributions	<u>1,052,159</u>
Investment Income (Expense)	
Net Appreciation in Fair Value of Investments	(5,615,405)
Less: Investment Expenses	<u>(47,000)</u>
Total Investment Income	<u>(5,662,404)</u>
TOTAL ADDITIONS	<u>(4,610,245)</u>
DEDUCTIONS	
Benefits and Refunds	446,324
Administrative Expenses	<u>26,434</u>
TOTAL DEDUCTIONS	<u>472,758</u>
NET DECREASE IN PLAN NET POSITION	(5,083,003)
PLAN NET POSITION - Beginning of Year, as restated	<u>42,061,953</u>
PLAN NET POSITION - End of Year	<u>\$ 36,978,950</u>

The accompanying notes are an integral part of this statement.

**ESTERO FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022**

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

Organization and nature of activities

Estero Fire Rescue District (the "District") is an independent special taxing district located in southern Lee County, Florida. The District was established on June 25, 1976 by Laws of Florida, Chapter 76-408. The District's governing legislation was recreated, reenacted and codified by the Laws of Florida, Chapter 2000-437 on July 5, 2000. The District is governed by a five-member (5) elected Board of Commissioners. Commissioners serve on a staggered four (4) year term basis.

The District provides fire control and rescue services, fire safety inspections, fire prevention education, and EMS services. In providing these services, the District operates and maintains four (4) station houses, an administrative building and the related equipment, and employs 70 professional firefighters and administrative and support personnel.

Summary of significant accounting policies

The following is a summary of the significant accounting policies used in the preparation of these basic financial statements.

Reporting entity

Governmental Accounting Standards Board (GASB) Statement Number 14, "Financial Reporting Entity" (GASB 14), as amended, requires the financial statements of the District (the primary government) to include its component units, if any. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. Based on the criteria established in GASB 14, as amended, there are no component units included and/or required to be included in the District's financial statements.

Government-wide Financial Statements

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

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

**ESTERO FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022**

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

Government-wide Financial Statements (Continued)

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

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

Fund Financial Statements

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

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

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collected within the current period or soon thereafter to pay liabilities of the current period.

The District's only major fund, the General Fund, is presented in the governmental fund financial statements. The definition of a major fund is one that meets certain criteria set forth in GASB Statement Number 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments" (GASB 34).

**ESTERO FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022**

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

Fiduciary Fund

A Fiduciary Fund accounts for assets held by the government in a trustee capacity or as an agent on behalf of others. Specifically, a trust fund accounts for assets held by the government under the terms of a formal trust agreement. The District has one fiduciary fund: a pension trust fund—the Retirement Plan and Trust for the Firefighters of Estero Fire Rescue District.

The Fiduciary Fund is excluded from the government-wide financial statements because the resources of that fund are not available to support the District's programs.

Measurement Focus and Basis of Accounting

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

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

Governmental fund financial statements are reported using the current financial resources management focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period and soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers tax revenues to be available if they are collected within sixty days of the end of the current fiscal period.

Revenues susceptible to accrual are property taxes, interest on investments, charges for services and intergovernmental revenues. Property taxes are recorded as revenues in the fiscal year in which they are levied, provided they are collected in the current period or within 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. In accordance with GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, the District records unavailable revenues (deferred inflow of resources) for amounts for which all eligibility requirements have been met, however funds are not available. Unavailable revenues are also recorded when amounts have been received and all eligibility requirements, except time requirements, have been met.

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

**ESTERO FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022**

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

Measurement Focus and Basis of Accounting (Continued)

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

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

Major Funds

The District reports the following major governmental fund:

The General Fund is the District's only major governmental and operating fund. It accounts for all financial resources of the District. Restricted funds are accounted for separately within the General Fund. Restricted activities include those activities related to impact fees and projects funded by loan proceeds. The community safety program is also accounted for in the District's General Fund and those funds are assigned to activities relating to promoting safety through education, for supporting the Estero Fire Rescue Cadet Program, and providing smoke alarms and emergency relief.

Investments

The District adheres to the requirements of GASB Statement Number 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", as amended, GASB Statement Number 79, "Certain External Investment Pools and Pool Participants," GASB Statement Number 40, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement Number 3*, and GASB Statement Number 72, *Fair Value Measurement and Application*.

Investments consist of the Florida Municipal Pension Trust Fund.

The District's Firefighters' Retirement Plan is part of a collectively managed single-employer plan, and therefore reports all income (loss) from investments as allocated investment income as it is not feasible to allocate specific components of income to a specific plan.

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and vehicles, are reported in the government-wide financial statements in the Statement of Net Position.

The District follows a capitalization policy which calls for capitalization of all capital assets that have a cost or donated value of \$2,000 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 acquisition cost on the date donated. No debt-related interest expense is capitalized as part of general capital assets in accordance with GASB 34.

**ESTERO FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022**

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

Capital Assets (Continued)

The acquisition of land and construction projects utilizing resources received from federal and state agencies are capitalized when the related expenditure is incurred.

Maintenance, repairs, and minor renovations are not capitalized. Expenditures that materially increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement, the cost and related accumulated depreciation is eliminated from the respective accounts.

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

<u>Asset</u>	<u>Years</u>
Buildings and improvements	3-35
Equipment	3-7
Vehicles	4-15

Deferred Outflows/Inflows of Resources

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

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

Pensions

The Pension financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). These standards require two basic financial statements: (1) a Statement of Fiduciary Net Position and (2) a Statement of Changes in Fiduciary Net Position. In addition, actuarially determined information about the funded status of the Plan and related funding progress is presented in two additional schedules: (1) a Schedule of Funding Progress and (2) a Schedule of Employer and Employee Contributions. GAAP also establishes certain parameters for the measurement of all actuarially determined information.

**ESTERO FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022**

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

Pensions (Continued)

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

The District expenses are required pension contributions as a component of personal services expense. The remaining portion of pension expenses, consisting of the actuarially determined amounts related to the amortization of deferred outflows and deferred inflows of resources, is presented as an expense in the statement of activities by function.

Other Post Employment Benefits (OPEB)

The District expenses OPEB payments to retirees as a component of personal services expense. The remaining portion of OPEB expense, consisting of the actuarially determined amounts related to the amortization of deferred outflows of resources and deferred inflows of resources, is presented as an expense in the statement of activities.

Budgets and Budgetary Accounting

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

The District follows these procedures in establishing budgetary data for the General Fund:

1. During the summer of each year, the District's Fire Chief submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing on the upcoming October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is adopted by approval of the Board of Commissioners.
4. Budget amounts, as shown in these financial statements, are as originally adopted and as amended by the Fire Chief and Board of Commissioners.
5. The budget was adopted on a basis consistent with accounting principles generally accepted in the United States of America. From time to time there may be activity that differs from a basis consistent with GAAP. For the year ended September 30, 2021, no differences were noted.
6. The level of control for appropriations is exercised at the account level.
7. Appropriations for expenditures lapse at year-end.

**ESTERO FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022**

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

Budgets and Budgetary Accounting (Continued)

The Board of Commissioners approved one (1) separate request to reconcile budget amounts at the program level and/or the account level during the year ended September 30, 2022. The Fire Chief has the authority to reclassify budgeted amounts at the account level up to \$10,000, and such reclassifications are performed as needed. During the year ended September 30, 2022, the Fire Chief approved no separate requests to transfer budgeted amounts at the account level. These transfers are reclassification transactions necessary to appropriately manage the budget. Overall expenditure amounts would not change as a result of these types of transfers.

Compensated Absences

The District's employees accumulate annual personal leave, based on the number of years of continuous service and the bargaining unit contract. Upon termination of employment, employees can receive payment of accumulated annual leave, if certain criteria are met. Annually, the District will purchase banked hours in excess of 200 hours for administrative employees; 500 hours for 40 hour chief officers, executive staff, and bargaining unit employees; and 600 hours for 56 hour chief officers and bargaining unit employees. The cost of personal leave benefits (compensated absences) are expended in the General Fund when payments are made to employees. However, the liability for all accrued personal leave benefits is recorded in the government-wide financial statements—Statement of Net Position.

Accounts Receivable

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

Management Estimates

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

Fund Balance

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

The components of Fund Balance are:

Nonspendable

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

**ESTERO FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022**

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

Fund Balance (Continued)

Restricted

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

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

Committed

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

Assigned

The portion of fund balance that reflects the District's intended use of resources. Such intent can be established by the Board or delegated to the Fire Chief for unforeseen expenses below \$10,000 that were not budgeted for and advance Board approval is deemed unnecessary in order to maintain the normal operation of the District. The Board has assigned the activities of the Community Safety Program to the Fire Chief. Additionally, any amounts appropriated for projected deficits in the subsequent year will be assigned. Assigned funds also include funds donated to purchase mobile repeaters for radio enhancements. These funds were donated in fiscal years 2016, 2017, and 2018 but will not be recognized until the radios can be purchased. A portion of these funds were recognized in fiscal years 2019 and 2020 with the purchase of some mobile repeaters.

Unassigned

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

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

**ESTERO FIRE RESCUE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2022**

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

Derivatives

The District adheres to the requirements of GASB Statement Number 53, "Accounting and Financial Reporting for Derivative Instruments". GASB 53 requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts (SGIC) that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. This should allow users of the financial statements to more fully understand a government's resources available to provide services. The application of inter-period equity means that changes in fair value are recognized in the reporting period to which they relate. The changes in fair value of hedging derivative instruments do not affect investment revenue but are reported as deferrals. On the other hand, the changes in fair value of investment derivative instruments (which include ineffective hedging derivative instruments) are reported as part of investment revenue in the current reporting period. The disclosures provide a summary of the government's derivative instrument activity (hedging) and the information necessary to assess the government's objectives for derivative instruments, their significant terms, and the risks associated with the derivative instruments. The fair market value of the Districts hedging derivative instruments is reported as deferrals in the Statement of Net Position.

NOTE B CASH

As of September 30, 2022, the District's cash was as follows:

General Fund		
Cash on Hand	\$	400
Demand Deposits		<u>16,350,261</u>
Total General Fund		16,350,661
Pension Trust		
Cash with Fiscal Agent		<u>369,755</u>
Total General Fund and Pension Trust	\$	<u>16,720,416</u>

Custodial Credit Risk

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

**ESTERO FIRE RESCUE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2022**

NOTE B CASH (CONTINUED)

Custodial Credit Risk (Continued)

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

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

NOTE C DEPOSITS AND INVESTMENTS

District Investment

FL-FIT Cash Pool is a money market alternative that is managed to a dollar-in/dollar-out strategy. The portfolio management team utilizes a hybrid approach managing current market conditions and portfolio duration, to ensure maximum flexibility in all market conditions. The Cash Pool is rated AAAs/S1+ by Fitch Ratings. Offering same day liquidity for transactions entered by 2:00 p.m. EST, while seeking to preserve principal and maximize yield, the Cash Pool provides an investment option for local governments short-term funds.

District Investment – FV Maturity

Investment Maturities (in years)

Investment Type	Total Fair	Investment Maturities (in years)			
	Value	Less than 1	1 to 5	6 to 10	More than 10
Florida Fixed Income Trust	\$ 1,240,559	\$ 1,240,559	\$ -	\$ -	\$ -

District Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The Florida Fixed Income Trust uses a weighted average days to maturity (WAM). A portfolio's WAM reflects the average maturity in days based on final maturity or rest date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rates changes.

The Florida Fixed Income Trust's Cash Pool has daily liquidity with unlimited investments and redemptions. The pool has investments in Commercial Paper, Certificates of Deposit, collateralized bank deposits, U.S. Treasury Notes, Corporate Notes, and Federal Agencies.

**ESTERO FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022**

NOTE C DEPOSITS AND INVESTMENTS (CONTINUED)

District Credit Risk

The District follows Florida Statute 218.415 (17)

AUTHORIZED INVESTMENTS;NO WRITTEN INVESTMENT POLICY.—Those units of local government electing not to adopt a written investment policy in accordance with investment policies developed as provided in subsections (1)-(15) may investment or reinvest any surplus public funds in their control or possession in:

- (a) The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01.
- (b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- (c) Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in s. 280.02.
- (d) Direct obligations of the U.S Treasury.

The Florida Fixed Income Trust is rated AAaf/S1+ by Fitch.

FL-FIT is a Local Government Investment Pool created by Florida Statute 163.01.

District Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transactions, the District will not be able to recover the value of investments or collateral securities that are in possession of an outside party. Section 218.415(1), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if, in book-entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch of principal place of business in the State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault.

The Florida Fixed Income Trust uses U.S. Bank as its custodian.

District Concentration of Credit Risk

The Florida Fixed Income Trust investment policies have established permitted investment sectors to reduce the concentration of credit risk of the Districts in the various local government investment pools.

District Foreign Current Risk

The Florida Fixed Income Trust does not allow for investments in foreign currency. Therefore, the pool has no exposure to foreign currency risk.

**ESTERO FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022**

NOTE C DEPOSITS AND INVESTMENTS (CONTINUED)

District Quality Rating of Credit Risk Debt:

Quality rating of credit risk debt securities	FL-FIT	
	Fair Value	Percentage of Portfolio
AAA	\$ 2,977	0.24%
AAAmmf	19,353	1.56%
AAAf	90,189	7.27%
F1+	331,477	26.72%
F1	796,563	64.21%
Total credit risk debt securities	\$ 1,240,559	100.00%

(1) 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.

Custodial Credit Risk

By Florida Statutes 218.415 the District is authorized to invest in the Florida Local Government Surplus Funds Trust Fund, Florida Local Government Investment Trust, Securities and Exchange Commission registered money market funds, interest-bearing savings accounts, certificates of deposit, federal agencies and instrumentalities, and direct obligations of the U.S. Treasury.

The Pension Trust Funds' investment policy pursuant to Section 112.661(10), Florida Statutes, states that securities should be held with a third party custodian; and all securities purchased by, and all collateral obtained by the Pension Fund, should be properly designated as an asset of the Pension Fund.

As of September 30, 2022, the Firefighters' Retirement Pension Trust Fund investments were held with a third-party custodian as required by Florida Statutes. Its investments in the external pool are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical book entry form.

The Pension Plan adheres to State Statutes and prudent business practices. By decision of the Board of Trustees, the Plan is affiliated with the Florida Municipal Pension Trust Fund ("FMPTF"). As a result, the Plan's assets are held with FMPTF, an agent multiple employer pension plan administered by the FMPTF Board of Trustees. The FMPTF issues a publicly available report that includes the combined financial statements of all plan members. Separate accounts are maintained for each employer group.

The Florida Municipal Investment Trust (FMIT) was created under the laws of the State of Florida to provide eligible units of local government with an investment vehicle to pool their surplus funds and to reinvest such funds in one or more investment portfolios under the direction and daily supervision of an investment advisor. The Florida League of Cities serves as the administrator, investment manager and secretary-treasurer of the Trust. The FMIT is a Local Government Investment Pool and is considered an external investment pool for GASB reporting purposes. The District reports its investment in the FMIT at fair value in accordance with the GASB Statement 72, *Fair Value Measurement and Application* fair value hierarchy.

**ESTERO FIRE RESCUE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2022**

NOTE C DEPOSITS AND INVESTMENTS (CONTINUED)

GASB 72 requires governments to disclose the fair value hierarchy for each type of asset or liability measured at fair value in the notes to the financial statements. The standard also requires governments to disclose a description of the valuation techniques used in the fair value measurement and any significant changes in valuation techniques. GASB 72 establishes a three-tier fair value hierarchy. The hierarchy is based on valuation inputs used to measure the fair value as follows:

Level 1: Inputs are directly observable, quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs are other than quoted prices included within Level 1 that are for the asset or liability, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation or by other means.

Level 3: Inputs are unobservable inputs used only when relevant Level 1 and Level 2 inputs are unavailable.

The level in which an asset is assigned is not indicative of its quality but an indication of the source of valuation inputs.

At September 30, 2022, the Plan reported the following investments:

<u>Investments by Fair Value Level:</u>	Fair Value Measurement Using:	
	<u>Balance</u>	<u>Level</u>
FMIvT Broad Market High Quality Bond Fund	\$ 5,509,352	2
FMIvT Core Plus Fixed Income Fund	5,361,450	3
FMIvT Diversified Large Cap Equity Portfolio	8,208,566	2
FMIvT Diversified Small to Mid Cap Equity Portfolio	5,176,573	2
FMIvT International Equity Portfolio	6,248,863	2
FMIvT Core Real Estate	6,100,961	3
Total Investments at Fair Value	<u>\$ 36,605,765</u>	

Investment management and custodial fees are calculated quarterly as a percentage of the fair market value of the Plan’s managed assets. The Plan follows the investment policies of the FMPTF. The Master Trustees of the FMPTF have the exclusive authority and discretion to manage and control the assets of the FMPTF. The District has elected to participate in the FMPTF 60% equity fund. The maximum target asset allocation for equities is 60%. A variance of more than 10% from the approved allocation percentages of any asset class requires approval by the Master Trustees. Percentage allocations are intended to serve as guidelines; the Master Trustees will not be required to remain strictly at the designated allocation. Market conditions or an investment transition (asset class or manager) may require an interim investment strategy and, therefore, a temporary imbalance in asset mix.

**ESTERO FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022**

NOTE C DEPOSITS AND INVESTMENTS (CONTINUED)

The following was the adopted asset allocation policy as of September 30, 2022:

<u>Asset Class</u>	<u>Target Allocation</u>
Equity Funds	60%
US Large Cap Equity	25%
US Small/Mid Cap Equity	14%
International (non US)	21%
Fixed Income	30%
Core Bonds	15%
Core Plus	15%
Core Real Estate	10%

All employee pension plans assets with the FMPTF are included in the trust's master Trust Fund. Employee pension plan assets of the defined benefit type are invested by the FMPTF through the Florida Municipal Investment Trust ("FMIvT") for the benefit of the Participating Employers, Participating Employees and Beneficiaries. The FMIvT is a Local Government Investment Pool (LGIP) and, therefore, considered an external investment pool. The plans have a beneficial interest in shares in the FMIvT portfolios listed below. The plan's investment is the beneficial interest in the FMIvT portfolio, not the individual securities held within each portfolio.

The Plan had no instrument that in whole, or in part, is accounted for as a derivative instrument under GASB Statement 53, *Accounting and Financial Reporting for Derivative Instruments* during the current Plan year.

As of September 30, 2022, the asset allocations for the various investment models were as follows:

<u>Investment</u>	<u>Fair Market Value</u>	<u>Percentage of Portfolio</u>
Cash	\$ 369,755	1.00%
Pooled, common, comingled funds:		
Fixed income funds	10,870,802	29.40%
Equity funds	19,634,002	53.10%
Core Real Estate	6,100,961	16.50%
	<u>\$ 36,975,520</u>	<u>100.00%</u>

**ESTERO FIRE RESCUE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2022**

NOTE C DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. Generally, the longer the time to maturity, the greater the exposure to interest rate risk.

FMIvT Interest Rate Risk (Years)		
Fixed Income Fund	Modified Duration	WAM*
FMIvT Broad Market High Quality Bond Fund	5.46	6.70
FMIvT Core Plus Fixed Income Fund	6.02	8.92

*w eighted average maturity

Credit Risk

Credit risk is the risk that a debt issuer will not fulfill its obligations. Consistent with state law the Plan’s investment guidelines limit its fixed income investments to a quality rating of A or equivalent as rated by Fitch bond rating services at the time of purchase. Fixed income investments, which are downgraded below the minimum rating, must be liquidated at the earliest beneficial opportunity.

The Plan’s investments had the following credit structure at September 30, 2022:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fitch Rating</u>
FMIvT Broad Market High Quality Bond Fund	\$ 5,509,362	Aaf/S4
FMIvT Core Plus Fixed Income Fund	5,361,450	Not Rated
FMIvT Diversified Large Cap Equity Portfolio	8,208,566	Not Rated
FMIvT Diversified Small to Mid Cap Equity Portfolio	5,176,573	Not Rated
FMIvT International Equity Portfolio	6,248,863	Not Rated
FMIvT Core Real Estate Portfolio	6,100,961	Not Rated
Total Investments at Fair Value	<u>\$ 36,605,775</u>	

Concentration Risk

GASB Statement 40, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*, requires disclosure if 5% or more of the total fiduciary net position is invested with one issuer. However, investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other investments are excluded from the concentration of credit risk disclosure requirements. Since 100% of plan assets are in an investment pool, disclosure is not required.

**ESTERO FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022**

NOTE C DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Pursuant to GASB 40, Deposit and Investment Risk Disclosures, disclosure is only required if investments are uninsured, unregistered, and held by either the counterparty or the counterparty's trust department or agent but not in the government's name.

Participating Employers' investments through the FMPTF in the FMIvT are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

Foreign Currency Risk

This category applies only if a government's deposits or investments are exposed to foreign currency risk. If subject to such exposure, the government should disclose the dollar balances subject to such risks, organized by currency denomination and investment type. Participating Employers' investments in the FMIvT are not subject to foreign currency risk.

Rate of Return

For the year ended September 30, 2022, the annual money weighted rate of return on the Firefighters' Retirement Pension Plan investments, net of investment expense was -15.47%. The money weighted rate of return expresses investment performance, net of investment expense, and is adjusted for the changing amounts actually invested.

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ESTERO FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE D CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2022:

	Balance September 30, 2021	Additions	Deletions	Balance September 30, 2022
Capital Assets Not Being Depreciated:				
Land	\$ 2,433,668	\$ -	\$ -	\$ 2,433,668
Construction in Progress	914,983	5,838,312	-	6,753,295
Total Capital Assets Not Being Depreciated	<u>3,348,651</u>	<u>5,838,312</u>	<u>-</u>	<u>9,186,963</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	9,101,192	15,600	(258,962)	8,857,830
Vehicles	6,486,056	-	(148,008)	6,338,048
Equipment	1,950,735	495,931	(239,223)	2,207,443
Total Capital Assets Being Depreciated	<u>17,537,983</u>	<u>511,531</u>	<u>(646,193)</u>	<u>17,403,321</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(4,409,590)	(261,536)	258,962	(4,412,164)
Vehicles	(4,782,602)	(418,449)	148,008	(5,053,043)
Equipment	(1,082,534)	(253,674)	226,150	(1,110,058)
Total Accumulated Depreciation	<u>(10,274,726)</u>	<u>(933,659)</u>	<u>633,120</u>	<u>(10,575,265)</u>
Total Capital Assets Being Depreciated, Net	<u>7,263,257</u>	<u>(422,128)</u>	<u>(13,073)</u>	<u>6,828,056</u>
Capital Assets, Net	<u>\$ 10,611,908</u>	<u>\$ 5,416,184</u>	<u>\$ (13,073)</u>	<u>\$ 16,015,019</u>

**ESTERO FIRE RESCUE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2022**

NOTE E LONG-TERM LIABILITIES

Summary of Long-Term Obligations

The following is a summary of the long-term obligations at September 30, 2022:

	<u>Amount</u>
<p>\$4,000,000 Promissory Note, Series 2007A dated September 11, 2007, payable to a financial institution. The District only borrowed \$2,820,000. The note is payable over 20 years in monthly principal payments of \$12,368 plus interest. The variable interest rate of 63.7% of LIBOR plus 0.80% has changed to a fixed rate of 4.16% commencing on October 24, 2008 via the amendment to the original ISDA Master Agreement (Swap) dated September 11, 2007. The fixed rate applies to \$2,820,000. The District is obligated to pay principal and interest on the \$2,820,000 fixed Swap arrangement beginning in October 2008. The note proceeds have been used for financing the construction of fire department facilities. The note is collateralized by a pledge of impact fees and other non-ad valorem revenue with the final installment due September 24, 2027.</p>	\$ 742,105
<p>Outside of the bargaining unit, the Fire Chief is the only contracted employee of the District. The employment contract includes a deferred compensation benefit equal to one week of salary for every year of service, from November 2, 1998, provided that the severance pay shall not exceed an amount greater than 20 weeks of compensation.</p>	75,849
<p>Fair market value of the District's hedging derivative instruments (Swaps).</p>	14,164
<p>Implicit subsidy - actuarial annualized funding estimates in the event the District chooses to fund its future obligation to provide optional post-employment healthcare, dental, vision, and life insurance coverage to eligible individuals.</p>	3,419,862
<p>A single-employer defined Post-employment health care plan that covers eligible retired employees of the District. The plan allow employees who retire and meet the retirement eligibility requirement to receive a monthly benefit to be used towards health care premiums.</p>	113,631
<p>Non-current portion of compensated absences. Employees of the District are entitled to annual personal leave time, based on length of service and job classification.</p>	1,239,727
	\$ 5,605,338

**ESTERO FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022**

NOTE E LONG-TERM LIABILITIES (CONTINUED)

Summary of Long-Term Obligations (Continued)

The following is a summary of changes in long-term liabilities for the fiscal year ended September 30, 2022:

	Balance October 1, 2021	Additions	Retirements	Balance September 30, 2022	Amounts Due Within One Year
Series 2007A	\$ 890,526	\$ -	\$ (148,421)	\$ 742,105	\$ 148,421
Deferred Compensation	74,362	1,487	-	75,849	-
Derivative Instruments	78,493	-	(64,329)	14,164	-
Implicit Subsidy (OPEB)	3,457,866	500,485	(538,489)	3,419,862	-
OPEB-Retiree Insurance Tr	28,843	132,704	(47,916)	113,631	-
Compensated Absences	1,250,496	1,187,121	(1,197,891)	1,239,727	-
	<u>\$ 5,780,586</u>	<u>\$ 1,821,797</u>	<u>\$ (1,997,046)</u>	<u>\$ 5,605,338</u>	<u>\$ 148,421</u>

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

	<u>Series 2007A</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 148,421	\$ 28,423
2024	148,421	22,225
2025	148,421	15,903
2026	148,421	9,643
2027	148,421	3,383
	<u>742,105</u>	<u>79,577</u>
Deferred Compensation Benefit	75,849	-
Derivative Instruments	14,164	-
Implicit Subsidy (OPEB)	3,419,862	-
OPEB-Retiree Insurance Trust	113,631	-
Accrued Compensated Absences	1,239,727	-
Total Long-Term Debt	<u>\$ 5,605,338</u>	<u>\$ 79,577</u>

The District was required by the lender to establish a reserve account of \$435,000 which, as of September 30, 2022, was funded by the loan proceeds.

**ESTERO FIRE RESCUE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2022**

NOTE F INTEREST RATE SWAP

In order to protect against the potential of rising interest rates, the District entered into interest rate swap agreements in fiscal 2003. On September 11, 2007, the District amended its swap agreements by reducing the two existing fixed rates and including a fixed rate for the new debt acquired in 2007. The existing fixed rates were decreased from 3.72% to 3.62%. The new debt swapped to a fixed rate of 4.16% on October 24, 2008. The intention of the swaps was to effectively change the District's variable interest rate on the associated loans to fixed rates.

The terms, including the fair value and credit rating of the outstanding swap as of September 30, 2022, are listed in the following table. The notional value of the swap declines as the associated loan balance declines.

<u>Notional Amounts</u>	<u>Effective Date</u>	<u>Fixed Rate Paid</u>	<u>Variable Rate Received</u>	<u>Fair Values at September 30, 2022</u>	<u>Swap Termination</u>	<u>Counterparty Credit Rating</u>
\$ 742,105	09/24/2008	4.16%	63.7% of LIBOR + 0.80%	\$ (14,164)	09/24/2027	Aaa/AA+/AA

The swap is associated with the promissory note reported in Note E. The fair value of the swap at September 30, 2022 is included in long-term liabilities due in more than one year on the Statement of Net Position. The fair value of the remaining swap agreement decreased by \$64,329 during the year ending September 20, 2022.

Because the variable interest rates have decreased below the fixed rates, the swap has a negative fair value as of September 30, 2022. The negative fair value may be countered by increases in total interest payments required under the variable rate loans, creating higher synthetic interest rates. Because the coupons on the District's variable-rate bond adjusts to changing interest rates, the loan does not have corresponding fair value increases. The fair value is estimated using a proprietary pricing service and is provided to the District by the counterparty financial institution known to be high volume participants in this market.

As of September 30, 2022, the District was exposed to credit risk because the swap had a negative fair value. The District or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If at the time of termination the swaps have a negative fair value, the District would be liable to the counterparty for a payment equal to the swaps' fair value.

**ESTERO FIRE RESCUE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2022**

NOTE F INTEREST RATE SWAP (CONTINUED)

As of September 30, 2022, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate debt interest payments and net swap payments will vary.

Fiscal Year Ending September 30	Variable Rate Debt		Interest Rate	Total
	Principal	Interest	Sw ap, Net	
2023	\$ 148,421	18,888	9,535	\$ 176,844
2024	148,421	14,770	7,455	170,646
2025	148,421	10,568	5,335	164,324
2026	148,421	6,408	3,235	158,064
2027	148,421	2,248	1,135	151,804
	<u>\$ 742,105</u>	<u>\$ 52,883</u>	<u>\$ 26,694</u>	<u>\$ 821,682</u>

NOTE G RETIREMENT PLANS

The District has funded retirement costs in two ways:

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

Except for those provisions that are mandated in Note H, the District does not currently provide benefits to its retired employees other than the benefits indicated below:

Plan 1 – Plan Description and Provisions – Firefighters' Retirement Plan

Plan Description - On December 1, 2000, the District resolved to establish a single-employer defined benefit pension plan for its full-time firefighters. The plan is legally administered by the Board of Trustees of the Chapter 175 Municipal Firefighters Pension Trust Fund of Estero Fire Rescue (the "Plan"). All full-time certified firefighters of the District hired after December 1, 2000 are eligible to participate in the Plan and become participants in the Plan immediately upon hire. Those firefighters hired on or before December 1, 2000 could elect to participate as of that date or were given an additional opportunity to participate effective January 1, 2007, but did not receive credit for service prior to 2007 unless they made a contribution equal to the full actuarial cost of their prior service. In addition, the participant may purchase up to five additional years of Credited Service for certain military service or other firefighter service by paying into the Plan the full actuarial cost, thereof, subject to the restrictions on such service purchases as set forth in the legal plan document. The Fire Chief may elect not to participate in the Plan.

**ESTERO FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022**

NOTE G RETIREMENT PLANS (CONTINUED)

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

Contributions - For the year ended September 30, 2022, the District was required to contribute an actuarially determined amount of 13.56% of covered payroll (excluding regular overtime, bonuses, and lump sum payments for accrued annual leave, and sick time) of the qualified and participating employees. Participating employees are required to make regular contributions to the Plan in the amount of 3% of their covered payroll. Employees vest immediately in their own contributions. The employee contribution requirement may be amended by District resolution, but employer contribution requirement is subject to State minimums.

Contributions to the Plan are derived from three sources: employees, 3% of compensation paid by the employee; state funds, (insurance premium tax per Florida Statute Chapter 175); and the employer, remaining amount necessary to meet the actuarial funding requirement. The state contribution is based on property fire insurance premiums collected within the District and may be applied up to an approved "frozen" limit. The District (employer) is required to fund the difference each year between the total contributions from all other sources for the year and the total funding cost for the year pursuant to the most recent actuarial valuation of the Plan.

The District contributed 100% of its required contributions. As such, the District made employer contributions of \$796,319, \$1,565,009, and \$1,705,464 for the years ended September 30, 2022, 2021, and 2020, respectively. Covered payroll for the years ended September 30, 2022, 2021, and 2020, was \$5,135,978, \$5,116,997, and \$4,648,570, respectively.

The employees contributed 100% of their respective required contributions to the Plan during the year ended September 30, 2022. Employee contributions for the years ended September 30, 2022, 2021, and 2020, were \$178,846, \$178,501, and \$172,685, respectively.

Pension Benefits – Employees with 10 or more years of service are entitled to annual pension benefits, beginning at the earlier of age 55 with 10 years of credited service or 25 years credited service and attainment of age 52. The benefit is equal to 2.00% of Average Final Compensation (AFC) multiplied by Credited Service earned prior to December 1, 2000, plus 3.70% of AFC multiplied by Credited Service earned during the period December 1, 2000 through September 30, 2010, plus 3.00% of AFC multiplied by Credited Service earned after September 30, 2010. The average final monthly compensation (AFC) is the average of the five highest years within the last 10 years of service or career average, whichever is higher. Maximum benefit is 100% of AFC, paid during the retiree's lifetime with a minimum of 120 monthly benefit payments. Several other actuarially equivalent payment options are available. A lump sum payment is required if the single sum value of the participant's benefit is less than or equal to \$1,000.

In fiscal year ending September 30, 2011, the District adopted what is known as a Stop Start Plan. This essentially simultaneously stopped the Plan and restarted the Plan at its original benefit rates. The benefit multiplier was then increased for a 10 year period of credited service. A supplemental benefit now provided to participants is a Share Account that is to be funded solely and entirely by Chapter 175 premium tax revenues in excess of the frozen amount. Each participant's "share" of this supplemental benefit will be based on credited years of service. The assets in the Share Account at September 30, 2022 totaled \$1,218,512.

**ESTERO FIRE RESCUE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2022**

NOTE G RETIREMENT PLANS (CONTINUED)

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

Employees Covered by Benefit Terms – At September 30, 2022, the following employees were covered by the benefit terms:

	September 30, 2022 Current Membership	October 1, 2021 Actuary Valuation Date
Inactive plan members or beneficiaries currently receiving benefits	11	10
Inactive plan members entitled to, but not yet receiving benefits	7	6
Active plan members participating in the Deferred Retirement Option Plan (DROP)	0	2
Active plan members	69	60
Total Plan Members	87	78

Early Retirement - The Plan permits early retirement with 10 years of credited service. Applicable benefits are reduced by 3% for each year before normal retirement. If employees terminate before rendering 10 years of credited service, they forfeit the right to receive their portion of the accumulated Plan benefits, except for the employee contributed portion.

Death and disability benefits – Upon the death of any vested member, whether or not still in active employment, a survivor benefit is payable to a beneficiary or joint pensioner starting when the member would have reached early or normal retirement age. The benefit is equal to the vested pension benefit and is payable for 10 years. The beneficiary may also elect to receive an immediate benefit payable for 10 years which is actuarially reduced to reflect the commencement of benefits prior to retirement date.

Active employees who become totally and permanently disabled directly from the performance of their duty as a firefighter shall receive a Normal Retirement Benefit with the minimum benefit equal to 42% of AFC for service-connected disabilities and a minimum benefit equal to 25% of AFC for non-service connected disabilities if the participant has earned at least 10 years of service. Disability benefits are offset as necessary to preclude the total of the disability benefit, worker's compensation, and other District-provided disability compensation from exceeding average earnings

Deferred Retirement Option Plan (DROP) – DROP is available to those participants who have attained their normal retirement age and individuals may participate in the DROP for up to 60 months; at the elections of the participant (which election can be changed one time). DROP accounts are credited with interest based on the actual investment return on plan assets or at a flat rate of 6.50% per annum.

Payments of benefits – Benefit payments to participants are recorded upon distribution.

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

A copy of the Plan's annual report for September 30, 2022 and a complete detail of the Plan can be obtained by writing the Florida League of Cities, Inc., P.O. Box 1757, Tallahassee, Florida, 32302-1757 or by calling (850) 222-9684.

**ESTERO FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022**

NOTE G RETIREMENT PLANS (CONTINUED)

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

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

Plan 1 - Information Used to Determine the Net Pension Liability/(Asset)

The District's net pension asset was measured as of September 30, 2022, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of October 1, 2021.

Actuarial assumptions. The total pension liability in the October 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**ESTERO FIRE RESCUE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2022**

NOTE G RETIREMENT PLANS (CONTINUED)

Plan 1 - Information Used to Determine the Net Pension Liability/(Asset) (Continued)

Actuarial Cost Method	Aggregate Cost Method
Asset Method	Actuarial value of assets is equal to the market value of assets, adjusted to reflect a five-year phase-in of the net investment gains and losses that occur after September 30, 2013
Interest (or discount) rate	7.00 % per annum, net of investment expenses and commissions
Salary Increases	4.50% per annum
Pre- and Post-retirement Mortality Decrements	Sex-distinct rates set forth in the PUB-2010 Headcount-Weighted Employee Mortality Table, with full generational improvements in mortality using Scale MP-2018 and with ages set forward one year.
Disability and Termination Decrements	Age and gender based rates
Retirement Decrement	For those participants whose normal retirement age is age 53 or earlier, retirement is assumed to occur at the rate of 15% at age 50, 10% at each of ages 51 and 52, and 100% at the earlier of age 53 or normal retirement age; for those participants whose normal retirement age is age 54 or later, retirement is assumed to occur at the rate of 15% at each of ages 50 through 54 and 100% at age 55, except that 40% retirement is assumed to occur at a normal retirement age of 54
Form of Payment	Future retirees have been assumed to select the 10-year certain and life annuity, except that participants who terminate their service with less than 10 years of service are assumed to receive a refund of their accumulated employee contributions
Expenses	The total projected benefit liability has been loaded by 1.75% to account for anticipated administrative expenses.

**ESTERO FIRE RESCUE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2022**

NOTE G RETIREMENT PLANS (CONTINUED)

Plan 1 - Information Used to Determine the Net Pension Liability/(Asset) (Continued)

Future Contributions	Contributions from the employer and employees are assumed to be made as legally required
Changes	No changes have been made since the prior measurement date.

Plan 1 - Determination of the Long-Term Expected Rate of Return on Plan Assets

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*	*per annum
Core Bonds	15.00%	1.60%	
Core Plus	15.00%	2.10%	
U.S. Large Cap Equity	25.00%	4.60%	
U.S. Small Cap Equity	14.00%	5.50%	
Non-U.S. Equity	21.00%	6.70%	
Core real estate	10.00%	5.00%	
Total/Weighted Arithmetic Average	100.00%	4.38%	

Plan 1 - Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**ESTERO FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022**

NOTE G RETIREMENT PLANS (CONTINUED)

Plan 1 - Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance - September 30, 2021	\$32,858,830	\$(40,742,327)	\$(7,883,497)
Changes for the Year Due To:			
Service Cost	493,041	-	493,041
Expected Interest Growth	2,300,691	(2,867,679)	(566,988)
Unexpected Investment Income	-	8,306,321	8,306,321
Demographic Experience	1,106,794	-	1,106,794
Contributions - Employer	-	(796,319)	(796,319)
Contributions – Employee	-	(178,846)	(178,846)
Benefit Payments & Refunds	(446,324)	446,324	-
Administrative Expenses	-	72,087	72,087
Change in Benefit Terms	-	-	-
Assumption Changes	-	-	-
Balance - September 30, 2022	<u>\$ 36,313,032</u>	<u>\$(35,760,439)</u>	<u>\$ 552,593</u>

Plan 1 - Sensitivity of the net pension asset to changes in the discount rate

The following table presents the net pension asset of the District, calculated using the discount rate of 7.00%, as well as what the District's net pension asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease	Current	1% Increase
	6.00%	Discount Rate 7.00%	8.00%
Total Pension Liability	\$ 41,478,603	\$ 36,313,032	\$ 32,079,041
Less Fiduciary Net Position	(35,760,439)	(35,760,439)	(35,760,439)
	<u>\$ 5,718,164</u>	<u>\$ 552,593</u>	<u>\$ (3,681,398)</u>

**ESTERO FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022**

NOTE G RETIREMENT PLANS (CONTINUED)

Plan 1 - Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2022, the District recognized a pension expense of \$1,946,122. At September 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Balance as of September 30, 2021	\$ 5,087,829	\$ 4,470,072
Change due to:		
Amortization Payments	(3,295,902)	(1,169,074)
Investment Gain/Loss	8,306,321	-
Demographic Gain/Loss	1,106,794	-
Assumption Changes	-	-
TOTAL CHANGE	<u>6,117,213</u>	<u>(1,169,074)</u>
Balance as of September 30, 2022	<u>\$ 11,205,042</u>	<u>\$ 3,300,998</u>

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

<u>Year Ended September 30,</u>	
2023	\$ 2,146,563
2024	\$ 2,082,716
2025	\$ 1,383,971
2026	\$ 1,968,975
2027	\$ 260,813
Thereafter	\$ 61,006

Plan 1 - Income recognition

Allocated investment income is recorded on the accrual basis. Investments are reported at market value. Short-term investments are reported at cost, which approximates market value. Since the Plan is collectively managed with other government's plans, investment income is allocated to each plan as a net amount, as it is not feasible to specifically allocate income (loss) by individual component of income (loss).

Plan 1 - Funding

The State of Florida makes contributions from taxes on casualty insurance premiums to the Firefighters' Retirement Plan – Plan 1. The state contributions of \$344,806 for the year ended September 30, 2022, are recognized by the District as on behalf payments and are reported as revenues and expenditures in the general fund statements.

**ESTERO FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022**

NOTE G RETIREMENT PLANS (CONTINUED)

Plan 1 – Funding (Continued)

The District funds the Plan based on a funding method recommended by the Florida Department of Revenue. A contribution surplus reserve in the amount of \$460,858 is available at September 30, 2022. The contribution surplus reserve is restricted to funding the Plan and it will be utilized in future years.

The Plan assets are legally reserved for the payment of the respective Plan member benefits within the Plan. There are no assets legally restricted for Plan benefits other than those assets within the Plan. The Firefighters' Pension Trust Fund held certain investments at year-end. There are no long-term contracts for contributions.

The share account is the defined contribution component of the pension plan. The assets are not included in the actuarial value of assets available to fund accumulated Plan benefits and are not included in the fiduciary statement of net position of the Plan.

Plan 1 - Defined Contribution Component, "Share Plan"

Description of Share Plan – During the year ended September 30, 2011, the District adopted what is known as the Share Plan. The Share Plan is not included in the actuarial value of assets available to fund accumulated Plan benefits. For plans participating in Chapter 175 or 185, Florida Statutes, in accordance with sections 175.351(6) and 185.36(6), Florida Statutes, there is an established defined contributions plan component ("Share Plan") to provide special benefits to Firefighters who are Members of the defined benefit plan. The Share Plan is funded solely and entirely by Chapter 175 and 185 premium tax monies that are allocated to the Share Plan, by mutual consent of the District and the plan members' collective bargaining representative.

Eligible Share Plan Participants – Eligible Share Plan participants shall be determined through collective bargaining between the Employer and the plan members' collective bargaining representative.

Individual Share Accounts – An individual share account is created for each eligible Share Plan participant as of the date that premium tax monies are first allocated to the Share Plan. Thereafter, the plan administrator maintains appropriate records showing the share account balance of each participant.

Share Account Funding – Individual share accounts were established as of December 31, 2015 for all eligible Share Plan participants, or at a later date when premium tax monies were first allocated to the Share Plan. Individual share accounts were credited with a portion of any premium tax monies allocated to the Share Plan for the plan year beginning October 1, 2015, and each plan year thereafter in which premium tax monies are allocated to the Share Plan.

Allocation of Investment Gains and Losses – As of October 1 each year in which premium tax monies have been or are credited to participant share accounts, each individual share account is adjusted to reflect the net investment earnings or losses for the Trust for the immediately preceding plan year. The net investment earnings or losses for the Trust is the percentage earned or lost by the total Trust investments, including realized and unrealized gains or losses, net of brokerage commissions, transaction costs and management fees, as determined by the Plan's investment advisor.

**ESTERO FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022**

NOTE G RETIREMENT PLANS (CONTINUED)

Forfeitures – A Share Plan participant who terminates employment with less than the minimum number of years of credited service specified in the Adoption Agreement for vesting shall forfeit his/her share account. Forfeited amounts shall be reallocated to the other participant share accounts at the end of the plan year in which a forfeiture occurs, unless a different allocation is required by law. A participant whose share account is forfeited shall not thereafter be entitled to any portion of the amount forfeited, and if subsequently reemployed in an eligible position shall participate in the Share Plan as a new participant.

Distribution of Share Account – A participant's share account balance shall be distributed to the participant or his/her designated beneficiary within 180 days following the participant's retirement, death, or termination of employment after obtaining the minimum number of years of credited service specified in the Adoption Agreement for vesting and reaching the normal retirement date. The share account distribution shall reflect one hundred percent of the participant's share account balance as of October 1 preceding the participant's retirement, death, or termination of employment and meeting the conditions specified herein, and shall be paid in one lump sum payment. No optional forms of payments shall be permitted.

Contributions to the Share Plan – For the fiscal year ended September 30, 2022, the State premium tax monies contributed to the plan were \$76,995. There were no District or employee contributions.

Plan 2 – Defined Contributions Retirement Plan – Employees Not Within the Bargaining Unit

The District established a Governmental Money Purchase Plan (401(a)), a defined contribution plan, on October 5, 2001, for the District's full time general employees who are not participants in the firefighters' pension trust. Participants are eligible to participate upon their hire date. The Plan is completely administered by the Plan custodian, the Florida Municipal Pension Trust Fund. Employees are immediately vested 100% in their own contributions. Participants vest in the employer's Plan contributions 100% after completion of five years of credited service. Vesting begins at 40% after completion of two years of credited service and increases at 20% per year. Normal retirement age is 52 years of age.

The Plan requires the District to make contributions equal to 12% of the qualified employee's compensation, excluding bonuses and lump sum payments. The Plan also allows the employee participants to make contributions. Employee contributions are deposited into the respective employee's deferred compensation plan (Section 457 Plan) account. Therefore, the employee's contributions are maintained separately from those of the employer (District) contributions. The Plan also requires the employer to match the employee's voluntary contributions dollar for dollar up to 5% of the employee's eligible compensation. Total District contributions to the Plan, including the employer 12% contributions, and the employer match amount, for the years ended September 30, 2022, 2021, and 2020 were \$113,687, \$112,037, and \$110,245, respectively.

The District contributed 100% of its required contributions for the year ended September 30, 2022. Employee contributions to the Plan were \$526,536, \$511,399, and \$477,074, for the years ended September 30, 2022, 2021 and 2020, respectively. The employee contributions are deposited to a Section 457 account which is a deferred compensation plan that is available to all employees of the District, as such, employee contribution amounts provided are made by participants of both District provided retirement plans.

**ESTERO FIRE RESCUE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2022**

NOTE H OTHER POST-EMPLOYMENT BENEFITS

Other Post-Employment Benefits

Plan Description:

The District's Retiree Health Care Plan (Plan) is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the District. The Plan, which is administered by the District, allows employees who retire and meet retirement eligibility requirements under one of the District's retirement plans to continue medical, dental and/or vision insurance coverage as a participant in the District's plan. For purposes of applying Paragraph 4 under Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the Plan does not meet the requirements for an OPEB plan administered through a trust, as no assets are accumulated. The contributions made to the program are assumed to be the benefits paid to retirees and administrative expenses.

Employees Covered by Benefit Terms. At September 30, 2021, the following employees were covered by the benefit terms:

Inactive Plan Members, or Beneficiaries Currently Receiving Benefits	1
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	<u>69</u>
	<u>70</u>

Benefits Provided:

A retired employee and his or her spouse and eligible dependents are eligible to continue health insurance identical to active employees if they meet the eligibility for retirement under the applicable retirement plan. The retiree is responsible for paying the entire monthly premium for health coverage and that of any covered spouse or eligible dependents. Medicare is assumed to become primary upon attainment of age 65.

Effective October 1, 2019, for eligible managers, the full cost of medical coverage is paid for by the District for the first two years following retirement.

TOTAL OPEB LIABILITY

The measurement date is September 30, 2021.
 The measurement period for the OPEB expense was October 1, 2020 to September 30, 2021.
 The actuarial valuation date is September 30, 2021.
 The reporting period is October 1, 2021 through September 30, 2022.

**ESTERO FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022**

NOTE H OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Other Post-Employment Benefits (Continued)

Actuarial Assumptions:

The Total OPEB Liability was determined by an actuarial valuation as of September 30, 2021, using the following actuarial assumptions:

Inflation Rate	2.50%
Salary Increase Rate(s)	3.00%
Discount Rate	2.43%
Initial Trend Rate	7.50%
Ultimate Trend Rate	4.00%
Years to Ultimate	53

Discount Rate: Given the District's decision not to fund the program, all future benefit payments were discounted using a high quality municipal bond rate of 2.43%. The high quality municipal bond rate was based on the S&P Municipal Bond 20-year High Grade Index as published by S&P Dow Jones Indices nearest the measurement date. The S&P Municipal 20 Year High Grade Rate Index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years. Eligible bonds must be rated at least AA by Standard and Poor's Ratings Services, Aa2 by Moody's or AA by Fitch. If there are multiple rates, the lowest rating is used.

Mortality: All mortality rates were based on the Pub-2010 mortality tables with fully generational improvement using Scale MP-2021. Rates are based on those outlined in the July 1, 2021 Florida Retirement System FRS actuarial valuation report. For female active lives, the headcount-weighted PubG-2010 female employee table was used. For male active lives, the headcount-weighted PubG-2010 male below-median income employee table, set back one year was used. For special risk female lives, the headcount-weighted PubS-2010 female employee table, set forward one year, was used. For special risk male lives, the headcount-weighted PubS-2010 male below-median income employee table, set forward one year, was used. For female inactive healthy lives, the headcount-weighted PubG-2010 female below-median income healthy retiree table was used. For male inactive healthy lives, the headcount-weighted PubG-2010 below-median income healthy retiree table, set back one year, was used.

Retirement Rates: Retirement is assumed to occur at a rate of 15% per year from ages 50 through 53, 40% per year at age 54, and 100% at age 55.

Funding Method- Entry Age Cost Method (Level Percentage of Pay).

**ESTERO FIRE RESCUE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2022**

NOTE H OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Other Post-Employment Benefits (Continued)

Actuarial Assumptions, Continued:

Termination Rates were updated to align with those used in the July 1, 2021 actuarial valuation of the Florida Retirement System (FRS).

Inflation: 2.50% per year.

Salary Inflation: 3.00% per year.

Marital Status: 100% of employees are assumed to be married, with male spouses 3 years older than female spouses.

Health Coverage Participation: 50% of employees are assumed to elect medical coverage until age 65 upon retirement or disability. Of those electing coverage for themselves, 40% of males and 30% of females are also assumed to elect coverage for their spouse. For managers eligible for the full retiree health care subsidy, they are assumed to participate at a rate of 100% for the first two years following retirement, and 50% thereafter.

Health Care Inflation: Increases in healthcare costs are assumed to be an initial rate of 7.50% in fiscal 2022, then 7.25% in fiscal 2023, grading down to the ultimate trend rate of 4.00% in fiscal 2075.

Fiscal Year	Rate
2022	7.50%
2023	7.25%
2024	7.00%
2025	6.75%
2026	6.50%
2027	6.25%
2028	6.00%
2029	5.75%
2030	5.50%
2031-2052	5.25%
2053-2060	5.00%
2061-2067	4.75%
2068-2071	4.50%
2072-2074	4.25%
2075+	4.00%

The above rates reflect recent healthcare trend rate surveys, blended with the long-term rates from the Getzen model published by the Society of Actuaries.

**ESTERO FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022**

NOTE H OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Other Post-Employment Benefits (Continued)

Change in Total OPEB Liability

	Increases and (Decreases) in Total OPEB Liability
Reporting Period Ending September 30,	\$ 3,457,866
Changes for the Year:	
Service Cost	210,636
Interest	77,234
Differences Between Expected and Actual Experience	212,615
Changes of Assumptions	(418,954)
Changes of Benefit Terms	-
Contributions - Employer	-
Benefit Payments & Refunds	(119,535)
Other Changes	-
Net Changes	<u>(38,004)</u>
Reporting Period Ending September 30,	<u>\$ 3,419,862</u>

Difference Between Expected and Actual Experience reflects the impact of changes to the census data from the prior valuation to the valuation as of September 30, 2021.

Changes of Assumptions reflect a change in the discount rate from 2.14% for the reporting period ended September 30, 2021, to 2.43% for the reporting period ended September 30, 2022. Also reflected as assumption changes are updated health care costs and premiums and updated health care cost trend rates, and updated termination and mortality rates.

Sensitivity of the Total OPEB Liability to changes in the Discount Rate:

The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	1.43%	2.43%	3.43%
Total OPEB Liability (Asset)	<u>\$ 3,792,381</u>	<u>\$ 3,419,862</u>	<u>\$ 3,090,227</u>

**ESTERO FIRE RESCUE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2022**

NOTE H OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Other Post-Employment Benefits (Continued)

Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates:

The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	Healthcare Cost		
	1% Decrease	Trend Rates	1% Increase
	3.00%-6.50%	4.00%-7.50%	5.00%-8.50%
Total OPEB Liability (Asset)	<u>\$ 2,993,861</u>	<u>\$ 3,419,862</u>	<u>\$ 3,927,830</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

For the year ended September 30, 2022, the District will recognize OPEB Expense of \$319,498. On September 30, 2022, the District reported Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 329,090	\$ 16,429
Changes of Assumptions	424,118	463,789
Employer Contributions Subsequent to the Measurement Date	<u>148,761</u>	<u>-</u>
Total	<u>\$ 901,969</u>	<u>\$ 480,218</u>

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in OPEB Expense as follows:

<u>Year Ended September 30,</u>	
2023	\$ 29,828
2024	\$ 29,828
2025	\$ 29,828
2026	\$ 29,828
2027	\$ 27,094
Thereafter	\$ 126,584

**ESTERO FIRE RESCUE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2022**

NOTE H OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Other Post-Employment Benefits- Retiree Insurance Trust Fund

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB Liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Retiree Health Care Plan (Plan) and additions to/ deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by The Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Plan Description:

The Estero Fire Rescue District's Retiree Insurance Trust Fund (Plan) is a single employer defined benefit postemployment health care plan that covers eligible retired employees of the District. The Plan, which is administered by the District, allows employees who retire and meet retirement eligibility requirements under one of the District's retirement plans to receive a monthly benefit to be used towards health care premiums. For purposes of applying Paragraph 4 under Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the Plan does not meet the requirements for an OPEB plan administered through a trust.

Employees Covered by Benefit Terms:

At September 30, 2021, the following employees were covered by the benefit terms:

Inactive Plan Members, or Beneficiaries Currently Receiving Benefits	5
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	<u>69</u>
	<u>74</u>

Benefits Provided:

An eligible retired employee is entitled to a benefit of \$158.00/month, up to 100% of the premium cost for health insurance provided by the District, beginning after retirement but not sooner than January 1, 2024. The benefit continues for the life of the member. Upon the death of the member, there is one additional year of benefits payable to an eligible beneficiary.

Contributions:

There is no formal funding policy in place. Currently the District will contribute 3% of the current annual Regular Salaries and Wages to the Retirees Insurance Trust on an annual basis. This amount will be adjusted at the District's discretion based on budgetary restraints.

**ESTERO FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022**

NOTE H OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Other Post-Employment Benefits- Retiree Insurance Trust Fund (Continued)

NET OPEB LIABILITY

The measurement date is September 30, 2022.

The measurement period for the OPEB expense was October 1, 2021 to September 30, 2022.

The reporting period is October 1, 2021 through September 30, 2022.

The District's Total and Net OPEB Liability was measured as of September 30, 2022.

Actuarial Assumptions:

The Total OPEB Liability was determined by an actuarial valuation as of September 30, 2021, using the following actuarial assumptions:

Inflation Rate	2.50%
Salary Increase Rate(s)	3.00%
Discount Rate	5.45%
Investment Rate of Return	5.45%

Discount Rate: The projection of cash flows used to determine the Discount Rate assumed that current District contributions will be made at a rate of 3.00% of covered payroll as of the valuation date. The expected rate of return on investments is 5.45%. Based on this assumption, the OPEB Plan's Fiduciary Net Position was projected to provide all future benefit payments. Therefore, the single equivalent discount rate was set equal to the investment rate of return assumption, 5.45%.

Mortality: All mortality rates were based on the Pub-2010 mortality tables with fully generational improvement using Scale MP-2021. Rates are based on those outlined in the July 1, 2021 Florida Retirement System (FRS) actuarial valuation report. For female active lives, the headcount-weighted PubG-2010 female employee table was used. For male active lives, the headcount-weighted PubG-2010 male below-median income employee table, set back one year, was used. For female inactive lives, the headcount-weighted PubG-2010 female disabled retiree table, set forward three years, was used. For inactive male lives, the headcount-weighted PubG-2010 male disabled retiree table, set forward three years, was used.

Retirement Rates: Retirement is assumed to occur at a rate of 15% per year from ages 50 through 53, 40% per year at age 54, and 100% at age 55.

Termination Rates were updated to align with those used in the July 1, 2021 actuarial valuation of the Florida Retirement System (FRS).

Funding Method: Entry Age Cost Method (Level Percentage of Pay).

**ESTERO FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022**

NOTE H OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Other Post-Employment Benefits- Retiree Insurance Trust Fund (Continued)

Long-Term Expected Rate of Return:

The Long-Term Expected Rate of Return on OPEB Plan investments was determined using the Expected Returns of correlated funds published as part of BlackRock’s Long-Term Capital Market Assumption report dated February 2023. These returns are combined to produce the Long-Term Expected Rate of Return by weighting the expected future rates of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic rates of return for each asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Rate of Return
U.S. Large Cap Equities	30%	7.80%
U.S. Credit	25%	3.00%
U.S. Aggregate Bonds	25%	3.70%
Emerging Large-Cap Equities	10%	8.40%
U.S. High Yield Bonds	10%	5.90%
Total	100%	

Asset Class allocations above were provided as of September 30, 2022 by Wealth Planning Group on behalf of the District

Change in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Reporting Period Ending September 30, 2021	\$ 826,444	797,601	\$ 28,843
Changes for the Year:			
Service Cost	31,385	-	31,385
Interest	48,809	-	48,809
Differences Between Expected and Actual			
Experience	46,033	-	46,033
Changes of Assumptions	6,477	-	6,477
Changes of Benefit Terms	-	-	-
Explicit Contributions - Employer	-	195,785	(195,785)
Implicit Contributions - Employer	-	-	-
Net Investment Income	-	(145,169)	145,169
Explicit Benefit Payments	-	-	-
Implicit Benefit Payments	-	-	-
Administrative Expense	-	(2,700)	2,700
Other Changes	-	-	-
Net Changes	132,704	47,916	84,788
Reporting Period Ending September 30, 2022	\$ 959,148	\$ 845,517	\$ 113,631

**ESTERO FIRE RESCUE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2022**

NOTE H OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Other Post-Employment Benefits- Retiree Insurance Trust Fund (Continued)

Differences Between Expected and Actual Experience reflects changes due to updated census data since the prior valuation.

Changes of Assumptions reflect a change in the discount rate from 5.40% for the reporting period ended September 30, 2021, to 5.45% for the reporting period ended September 30, 2022. Also reflected as assumption changes are updated termination rates and mortality rates.

Sensitivity of the Net OPEB Liability to changes in the Discount Rate:

The following presents the Net OPEB Liability of the District, as well as what the District's Net OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	4.45%	5.45%	6.45%
Net OPEB Liability (asset)	\$261,129	\$ 113,631	(\$ 7,240)

Sensitivity of the Net OPEB Liability to changes in the Healthcare Cost Trend Rates:

There is no Healthcare Cost Trend Rate assumed for this benefit since the benefit is a flat dollar amount and is not assumed to increase with trend.

OPEB Plan Fiduciary Net Position:

Detailed information about the OPEB Plan's Fiduciary Net Position is available in a separately issued Plan financial report.

**ESTERO FIRE RESCUE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2022**

NOTE H OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Other Post-Employment Benefits- Retiree Insurance Trust Fund (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2022, the District will recognize OPEB Expense of \$47,500.

On September 30, 2022, the District reported Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 40,918	\$ -
Changes of Assumptions	195,066	437,287
Net difference between Projected and Actual Earnings on OPEB Plan investments	154,041	-
Total	<u>\$ 390,025</u>	<u>\$ 437,287</u>

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in OPEB Expense as follows:

Year ended September 30:	
2023	\$ 13,337
2024	\$ 13,337
2025	\$ 13,338
2026	\$ 13,697
2027	\$ (25,083)
Thereafter	\$ (75,888)

**ESTERO FIRE RESCUE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2022**

NOTE I PROPERTY TAXES

Property taxes are levied after formal adoption of the District's budget and become due and payable on November 1 of each year and are delinquent on April 1 of the following year. Discounts on property taxes are allowed for payments made prior to the April 1 delinquent date. Tax certificates are sold to the public for the full amount of any unpaid taxes and must be sold not later than June 1 of each year. The billing, collection, and related recordkeeping of all property taxes are performed for the District by the Lee County Tax Collector. No accrual for the property tax levy becoming due in November 2022 is included in the accompanying 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.

Important dates in the property tax cycle are as follows:

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

The Board of Commissioners of the District levied ad valorem taxes at a millage rate of \$2.13 per \$1,000 (2.13 mils) of the 2022 net taxable value of real property located within the District.

ESTERO FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE J COMMITMENTS AND CONTINGENCIES

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

On April 8, 2003, the District entered into an agreement with Lee County in which the County paid the District \$118,836 for the right to use space at the Three Oaks Fire Station for Lee County owned emergency vehicles and assigned Lee County personnel. This agreement is for a term of 25 years and can be terminated by either party upon giving the other party a written 365 day notice. Should the right to use be terminated by the District, the sums paid to the District by the County shall be repaid to the County on a pro-rata basis for the years that the space was made available over the term of this agreement. At September 30, 2022, the amortized balance of the liability owed by the District if the agreement was terminated is approximately \$21,496. Currently, there has been no interest by either party to terminate the agreement.

The District entered into a Traffic Signal Agreement in 2007 with a local developer or its assigns to share the cost of the construction of an emergency flashing traffic signal. Under this agreement, the financial obligation to the District for this improvement is 50% of the total design/permit/construction costs up to \$150,000. At September 30, 2022, the District had contributed \$106,581. Upon the emergency flashing traffic signal converting to a fully operational traffic signal, the District is entitled to a reimbursement of their contributed cost share less their pro rata share of the total cost of the fully operating traffic signal based on the District's traffic impact to the signal. Currently there is no anticipated date as to when or if the emergency flashing signal will convert to a fully operational traffic signal.

The District's Fire Chief is the only employee with an employment contract, outside of the bargaining unit. The contract contains various commitments associated with the potential termination of the Fire Chief, including, but not limited to, deferred compensation benefit. The estimated liability for the deferred compensation benefit at September 30, 2022 was \$75,849. This liability is considered a long-term liability and is recorded in the Statement of Net Position as deferred compensation benefits expected to be paid after one year. There is currently no expected termination of the Fire Chief.

NOTE K RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Insurance for workers' compensation, general/management liability, automobile, and property is provided by a commercial insurance carrier. Workers' compensation risk of loss is transferred to the insurance carrier with limits of liability of \$1,000,000 per accident or disease.

**ESTERO FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022**

NOTE K RISK MANAGEMENT (CONTINUED)

The District retains the risk of loss up to a deductible amount (ranging from \$500 to \$2,500) with the risk of loss in excess of this amount transferred to the insurance carrier with limits of liability amounts (ranging from \$2,000 to \$1,000,000 per occurrence) for general/management liability, automobile and property; except for those essential assets that have a guaranteed replacement value. An umbrella policy minimizes the District's exposure with an additional amount of coverage (up to \$8,000,000 per occurrence) for general/management claims. The District pays annual premiums for this insurance coverage. There were no significant reductions in insurance coverage as compared to the prior year. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

The District's dental insurance program is self-funded and is administered by a third party administrator. At September 30, 2022, the District's dental plan had liabilities equal to the amounts reflected as reserved and unasserted claims. These amounts were calculated by the third-party self-insurance program's underwriters and actuaries, based on industry standards. These liabilities are subject to adjustments in future years, which would be recorded as claim expenses when they are estimated. However, the amounts are insignificant to the financial statements as a whole and do not exceed more than the average monthly dental claims, and therefore are not reported.

NOTE L FUTURE FIRE IMPACT FEES

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

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

ESTERO FIRE RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE L FUTURE FIRE IMPACT FEES (CONTINUED)

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

Financial Statement Fiscal Year	Principal retirement-unrestricted	Interest/fiscal charges-unrestricted	Impact Fee Reimbursement*	Accumulated Outstanding Balance
2022	\$ 148,421	\$ 34,860	\$ 534,538	\$ 5,581,121
2021	148,421	40,953	378,503	5,932,378
2020	148,421	47,338	522,446	6,121,507
2019	148,421	53,474	351,741	6,448,194
2018	148,421	59,556	508,119	6,598,040
2017	462,753	69,543	654,417	6,898,182
2016	671,934	94,568	73,769	7,020,303
2015	653,423	118,759	-	6,327,570
2014	635,487	142,957	-	5,555,388
2013	463,644	118,062	-	4,776,944
2012	749,645	190,890	-	4,195,238
2011	918,212	225,945	-	3,254,703
2010	892,102	257,451	-	2,110,546
2009	721,967	239,026	-	960,993

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

**REQUIRED
SUPPLEMENTARY INFORMATION**

**ESTERO FIRE RESCUE DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FIREFIGHTERS' RETIREMENT PLAN
September 30, 2022**

Last Nine Fiscal Years

September 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:									
Service cost	\$ 493,041	\$ 493,246	\$ 435,707	\$ 444,623	\$ 485,455	\$ 455,634	\$ 462,980	\$ 236,813	\$ 296,869
Expected interest growth	2,300,691	2,104,209	1,950,281	1,792,095	1,614,497	1,374,646	911,490	1,116,502	915,736
Demographic experience	1,106,794	1,293,941	65,142	828,505	715,572	681,912	727,005	1,222,925	-
Changes of assumptions	(446,324)	(476,278)	-	(443,827)	-	1,087,356	4,790,497	(1,870,609)	-
Benefit payments, including refunds	-	(495,759)	(266,240)	(307,120)	(165,996)	(187,513)	(163,056)	(225,627)	(183,085)
Net change in Total Pension Liability	3,454,202	2,919,359	2,184,890	2,314,276	2,649,528	3,412,035	6,728,916	480,004	1,029,520
Total Pension Liability - Beginning of Year	32,858,830	29,939,471	27,754,581	25,440,305	22,790,777	19,378,742	12,649,826	12,169,822	11,140,302
Total Pension Liability - End of Year (a)	<u>\$ 36,313,032</u>	<u>\$32,858,830</u>	<u>\$29,939,471</u>	<u>\$27,754,581</u>	<u>\$25,440,305</u>	<u>\$ 22,790,777</u>	<u>\$ 19,378,742</u>	<u>\$ 12,649,826</u>	<u>\$ 12,169,822</u>
Plan Fiduciary Net Position									
Contributions - employer	\$ 528,508	\$ 1,297,198	\$ 1,437,653	\$ 1,313,297	\$ 1,380,648	\$ 1,032,000	\$ 754,447	\$ 1,139,300	\$ 981,425
Contributions - state	267,811	267,811	267,811	267,811	267,811	267,811	267,811	-	393,429
Contributions - employee	178,846	178,501	172,685	157,741	158,408	156,888	148,229	146,502	134,012
Expected interest growth	2,867,679	2,357,630	2,119,360	1,512,964	1,782,592	2,679,023	1,428,448	(40,658)	1,125,520
Unexpected investment income	(8,306,321)	4,103,646	(82,723)						
Benefit payments & refunds	(446,324)	(495,759)	(266,240)	(307,120)	(165,996)	(187,513)	(163,056)	(93,875)	(102,421)
Administrative expenses	(72,087)	(66,481)	(64,931)	(62,631)	(76,484)	(52,390)	(64,972)	(62,772)	(52,454)
Net change in Plan Fiduciary Net Position	(4,981,888)	7,642,546	3,583,615	2,882,062	3,346,979	3,895,819	2,370,907	1,088,497	2,479,511
Plan Fiduciary Net Position - Beginning of Year	40,742,327	33,099,781	29,516,166	26,634,104	23,287,125	19,391,306	17,020,399	15,931,902	13,452,391
Plan Fiduciary Net Position - End of Year (b)	<u>\$ 35,760,439</u>	<u>\$40,742,327</u>	<u>\$33,099,781</u>	<u>\$29,516,166</u>	<u>\$26,634,104</u>	<u>\$ 23,287,125</u>	<u>\$ 19,391,306</u>	<u>\$ 17,020,399</u>	<u>\$ 15,931,902</u>
Net Pension Asset - End of Year (a) - (b)	\$ 552,593	\$ (7,883,497)	\$ (3,160,310)	\$ (1,761,585)	\$ (1,193,799)	\$ (496,348)	\$ (12,564)	\$ (4,370,573)	\$ (3,762,080)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.48%	123.99%	110.56%	106.35%	104.69%	102.18%	100.06%	134.55%	130.91%
Covered Employee Payroll	\$ 5,135,978	\$ 5,116,997	\$ 4,648,570	\$ 4,680,262	\$ 4,782,434	\$ 4,674,731	\$ 4,718,212	\$ 4,288,910	\$ 4,234,095

**ESTERO FIRE RESCUE DISTRICT
SCHEDULE OF CONTRIBUTIONS
FIREFIGHTERS' RETIREMENT PLAN
September 30, 2022**

Last Nine Fiscal Years

September 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contributions □	\$ 808,391	\$ 1,601,781	\$ 1,700,404	\$ 1,663,637	\$ 1,648,462	\$ 1,300,081	\$ 1,092,921	\$ 1,012,328	\$ 1,113,639
Contributions in relation to the actuarially determined contributions	796,319	1,565,009	1,705,464	1,581,108	1,648,459	1,299,811	1,022,258	1,139,300	1,374,854
Contribution deficiency (excess)	<u>\$ 12,072</u>	<u>\$ 36,772</u>	<u>\$ (5,060)</u>	<u>\$ 82,529</u>	<u>\$ 3</u>	<u>\$ 270</u>	<u>\$ 70,663</u>	<u>\$ (126,972)</u>	<u>\$ (261,215)</u>
Covered Employee Payroll	\$ 5,135,978	\$ 5,116,997	\$ 4,648,570	\$ 4,680,262	\$ 4,782,434	\$ 4,674,731	\$ 4,718,212	\$ 4,288,910	\$ 4,234,095
Contributions as a Percentage of Covered Employee Payroll	15.50%	30.58%	36.69%	33.78%	34.47%	27.81%	21.67%	26.56%	32.47%
<u>Notes to Schedule</u>									
Valuation date	10/01/2021	10/01/2020	10/01/2019	10/01/2018	10/01/2017	10/01/2016	10/01/2015	10/01/2014	10/01/2013

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

**ESTERO FIRE RESCUE DISTRICT
SCHEDULE OF INVESTMENT RETURNS (EXCLUDES SHARE PLAN)
FIREFIGHTERS' RETIREMENT PLAN
September 30, 2022**

The Table below summarizes the annual money-weighted rate of return, net of investment expenses.

Last Nine Fiscal Years

<u>September 30,</u>	<u>Rate of Return</u>
2022	-15.47%
2021	15.99%
2020	6.08%
2019	5.56%
2018	7.45%
2017	13.45%
2016	8.06%
2015	-0.28%
2014	9.12%

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**ESTERO FIRE RESCUE DISTRICT
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POST EMPLOYMENT BENEFITS
September 30, 2022**

Reporting Period Ending	9/30/2022	9/30/2021	9/30/2020	9/30/2019
Measurement Date	9/30/2021	9/30/2020	9/30/2019	9/30/2018
TOTAL OPEB LIABILITY				
Service Cost	\$ 210,636	\$ 153,642	\$ 143,030	\$ 138,864
Interest	77,234	104,921	82,737	81,824
Changes of Benefit Terms	-	-	221,179	-
Differences Between Expected and Actual Experience	212,615	-	200,141	(29,237)
Changes of Assumptions	(418,954)	478,267	59,292	(162,641)
Benefit Payments	<u>(119,535)</u>	<u>(111,195)</u>	<u>(8,178)</u>	<u>(7,572)</u>
Net Change in Total OPEB Liability	(38,004)	625,635	698,201	21,238
Total OPEB Liability - Beginning	<u>3,457,866</u>	<u>2,832,231</u>	<u>2,134,030</u>	<u>2,112,792</u>
Total OPEB Liability - Ending	<u>3,419,862</u>	<u>3,457,866</u>	<u>2,832,231</u>	<u>2,134,030</u>
Covered Employee Payroll	\$ 6,550,045	\$ 6,084,234	\$ 5,907,023	\$ 5,641,789
Total Liability as a percentage of				
Covered Employee Payroll	52.21%	56.83%	47.95%	37.83%

Notes to Schedule:

Differences Between Expected and Actual Experience. Differences Between Expected and Actual Experience reflects the impact of changes to the census data from the prior valuation to the valuation as of September 30, 2021.

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

Fiscal Year Ending September 30, 2022:	2.43%
Fiscal Year Ending September 30, 2021:	2.14%
Fiscal Year Ending September 30, 2020:	3.58%
Fiscal Year Ending September 30, 2019:	3.64%
Fiscal Year Ending September 30, 2018:	3.35%

Changes of Benefit Terms in 2020 reflects the full cost of medical coverage paid for by the District for the first two years following retirement for certain eligible managers, effective October 1, 2019.

Benefit Payments: The District did not provide actual net benefits paid by the Plan for the fiscal year ending on September 30, 2022. Expected net benefit payments produced by the valuation model for the same period are shown in the table above.

**ESTERO FIRE RESCUE DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
RETIREE HEALTH CARE PLAN
September 30, 2022**

Reporting Period Ending Measurement Date	9/30/2022 9/30/2021	9/30/2021 9/30/2020	9/30/2020 9/30/2019
TOTAL OPEB LIABILITY			
Service Cost	\$ 31,385	\$ 75,779	\$ 51,197
Interest	48,809	29,095	34,557
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	46,033	-	-
Changes of Assumptions	6,477	(562,225)	283,962
Explicit Benefit Payments	-	-	-
Implicit Benefit Payments	-	-	-
Net Change in Total OPEB Liability	132,704	(457,351)	369,716
Total OPEB Liability - Beginning	826,444	1,283,795	914,079
Total OPEB Liability - Ending (a)	<u>\$ 959,148</u>	<u>\$ 826,444</u>	<u>\$ 1,283,795</u>
Plan Fiduciary Net Position			
Explicit Contributions - Employer	\$ 195,785	\$ 776,251	\$ -
Implicit Contributions - Employer	-	-	-
Net Investment Income	(145,169)	22,721	-
Explicit Benefit Payments	-	-	-
Implicit Benefit Payments	-	-	-
Administrative Expense	(2,700)	(1,371)	-
Other	-	-	-
Net Change in Plan Fiduciary Net Position	47,916	797,601	-
Plan Fiduciary Net Position - Beginning	797,601	-	-
Plan Fiduciary Net Position - Ending (b)	<u>\$ 845,517</u>	<u>\$ 797,601</u>	<u>\$ -</u>
District's Net OPEB Liability - Ending (a) - (b)	\$ 113,631	\$ 28,843	\$ 1,283,795
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	88.15%	96.51%	N/A
Covered Employee Payroll (Projected)	\$6,746,546	\$6,266,761	\$6,084,234
District's Net OPEB Liability as a percentage of Covered Employee Payroll	1.68%	0.46%	21.10%

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

Board of Commissioners
Estero Fire Rescue District
Estero, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Estero Fire Rescue District, Estero, Florida (the "District"), as of and for the year ended September 30, 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 9, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ashley, Brown & Smith, CPAs

Punta Gorda, Florida
May 9, 2023



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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Board of Commissioners
Estero Fire Rescue District
Estero, Florida

Report on the Financial Statements

We have audited the financial statements of the Estero Fire Rescue District (the "District"), as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated May 9, 2023.

Auditor's Responsibility

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; and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated May 9, 2023, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The District discloses this information in the notes to the financial statements.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us apply appropriate procedures and communicate the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Special District Component Units

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 219.39(3)(b), Florida Statutes. In connection with our audit, we determined that there are no special district component units required to report to the District.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the District reported:

- A. The total number of District employees compensated in the last pay period of the fiscal year is 78.
- B. The total number of independent contractors to whom nonemployee compensation was paid in September 2022 is 9.
- C. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as of September 30, 2022 is \$8,341,916.
- D. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as of September 30, 2022 is \$195,183.
- E. The District did not have any construction projects with a total of at least \$65,000 approved by the District that is scheduled to begin on or after October 1 of the fiscal year being reported.
- F. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes, as can be found on pages 17-18 of the financial statements.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, Rules of the Auditor General, the District reported:

- A. The fiscal year 2022 millage rate is 2.13.

- B. The total amount of ad valorem taxes collected by or on behalf of the District as of September 30, 2022 is \$ 16,936,092.
- C. The total amount of outstanding bonds issued by the District is zero.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the District Board of Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Ashley, Brown & Smith, CPAs

Punta Gorda, Florida
May 9, 2023



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REPORT OF INDEPENDENT ACCOUNTANTS' ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

Board of Commissioners
Estero Fire Rescue District
Estero, Florida

We have examined the Estero Fire Rescue District's (the "District") compliance with the local government investment policy requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2022. Management is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the District's compliance with the specified requirements.

The purpose of this report is to comply with the audit requirements of Sections 218.415, Florida Statutes and Rules of the Auditor General.

In our opinion, the District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2022.

Ashley, Brown & Smith, CPAs

Punta Gorda, Florida
May 9, 2023