

**FORT MYERS BEACH FIRE
CONTROL DISTRICT
BASIC FINANCIAL STATEMENTS
TOGETHER WITH REPORTS OF
INDEPENDENT AUDITOR
YEAR ENDED
SEPTEMBER 30, 2010**

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Florida Institute of Certified Public Accountants

American Institute of Certified Public Accountants

Private Companies Practice Section

Tax Division

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Fort Myers Beach Fire Control District
100 Voorhis Street
Fort Myers Beach, FL 33931

We have audited the accompanying basic financial statements of Fort Myers Beach Fire Control District (the "District") as of September 30, 2010 and for the year then ended, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Fort Myers Beach Fire Control District as of September 30, 2010, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 10, 2010 on our consideration of Fort Myers Beach Fire Control District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be considered in assessing the results of our audit.

INTEGRITY SERVICE EXPERIENCE

12621 World Plaza Lane, Building 55 • Fort Myers, FL 33907 • Phone: (239) 333-2090 • Fax: (239) 333-2097

Board of Commissioners
Fort Myers Beach Fire Control District
Page 2

The Management's Discussion and Analysis (MD&A) on pages i-vii is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Management's Discussion and Analysis. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the District's basic financial statements taken as a whole. The required supplementary information other than MD&A on pages 42-46 described in the accompanying table of contents is presented for the purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Tuscany & Company, P.A." The signature is written in black ink and is positioned above the printed name of the company.

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
December 10, 2010

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

Fort Myers Beach Fire Control District, Florida

Management's Discussion and Analysis

(unaudited)

This discussion and analysis of the Fort Myers Beach Fire Control District (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, 2010. The basic financial statements are comprised of the government-wide financial statements, governmental fund financial statements, and footnotes. We hope this will assist readers in identifying significant financial issues and changes in the District's financial position.

District Highlights

- At the close of fiscal year 2010, the District's assets exceeded its liabilities, resulting in net assets of \$12,539,999.
- The District's total net assets decreased \$567,654, or 4.3%.
- The District designated/reserved 92.6% or \$5,016,473 of the District's total fund balance of \$5,419,479 at yearend. Additional information relating to restricted and designated reserves can be found in Note J on page 39.
- Total governmental revenues increased \$271,272, or 3.1%, in comparison to the prior year. The increase in revenues is in part attributed to an increase in the District's transport fee schedule.
- Total governmental expenditures decreased \$2,480,107 or 21.1%, in comparison to the prior year. The decline in expenditures is attributed to a combination of items; most notably District-wide wage reductions and corresponding benefits, significant reductions in the purchase of equipment and operational tools. More specifically, prior year acquisitions of furniture, fixtures, equipment and supplies for newly constructed stations 32 and 33 in addition to the replacement of Engine 32.

Government-wide Financial Statements

Government-wide financial statements (Statement of Net Assets and Statement of Activities found on pages 3 and 4) are intended to allow a reader to assess a government's operational accountability. Operational accountability is defined as the extent to which the government has met its operating objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to meet its objectives for the foreseeable future. Government-wide financial statements concentrate on the District as a whole and do not emphasize fund types.

The *Statement of Net Assets* (Page 3) presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. The District's capital assets (property, plant and equipment) are included in this statement and reported net of their accumulated depreciation.

The *Statement of Activities* (Page 4) presents revenue and expense information showing how the District's net assets changed during the fiscal year. Both statements are measured and reported using the economic resource measurement focus (revenues and expenses) and the accrual basis of accounting (revenue recognized when earned and expense recognized when a liability is incurred).

Governmental Fund Financial Statements

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

Governmental fund financial statements (pages 5 and 7) are prepared on the modified accrual basis of accounting 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.

The Fiduciary fund (pages 9 and 10) is used to account for resources held in the Retiree Insurance Trust (VEBA) for the benefit of District employees. This fiduciary fund is not reflected in the government-wide financial statements because the resources of the VEBA fund are not available to the support District's programs.

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 11. 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 that the user could determine if the District is in a better or worse financial condition from the prior year.

The following is a condensed summary of net assets for the primary government for fiscal years 2010 and 2009:

Fort Myers Beach Fire Control District Summary of Net Assets September 30, 2010 and 2009		
	2010	2009
Assets:		
Current and other assets	\$ 5,785,469	\$ 6,119,698
Capital assets, net	9,163,744	9,573,918
Total Assets	\$ 14,949,213	\$ 15,693,616
Liabilities:		
Current liabilities	\$ 456,826	\$ 587,310
Non-current Liabilities	1,952,388	1,998,653
Total liabilities	2,409,214	2,585,963
Net assets:		
Invested in capital assets, net		
of related debt	7,673,734	7,997,068
Restricted	92,428	40,293
Unrestricted	4,773,837	5,070,292
Total net assets	12,539,999	13,107,653
Total liabilities and net assets	\$ 14,949,213	\$ 15,693,616

Current and other assets represent 38.7% of the total assets for fiscal year 2010. Current assets were comprised of unrestricted cash and cash equivalents of \$3,364,641, restricted cash and cash equivalents of \$93,493, investments of \$2,070,131, due from other governments of \$87,782, net receivables from ambulance transports of \$132,663, and prepaid expenses of \$36,759.

Investment in capital assets, net of related debt represents 61.3% of net assets for fiscal year 2010. Capital assets are comprised of land, buildings, equipment, and vehicles, net of accumulated depreciation, and related debt used to acquire the assets. The unrestricted net asset balance of \$4,773,837 represents available resources to be used at the District's discretion. Restricted net assets of \$92,428 are comprised of cash and cash equivalents as required by a debt agreement are specifically restricted for use of debt service reduction. The District has designated \$4,924,045 of the General Fund fund balance for purposes such as disaster, equipment replacement and building improvements. On a Governmental fund-basis the District had a total – General Fund – fund balance of \$5,419,479.

Current liabilities for fiscal year 2010 are comprised of accounts payable and accrued expenses of \$364,905, deferred revenues from accumulated impact fees of \$1,085 and the current portion of long-term liabilities of \$90,836. Non-current liabilities are comprised of notes payable of \$1,399,174, a Net OPEB obligation of \$89,388 and compensated absences of \$463,826. Total liabilities decreased \$176,749, or 6.8%, in comparison to the prior year due. Additional information relating to long-term liabilities can be found in note F on pages 29-30.

The following schedule reports the revenues, expenses, and changes in net assets for the District for fiscal years 2010 and 2009:

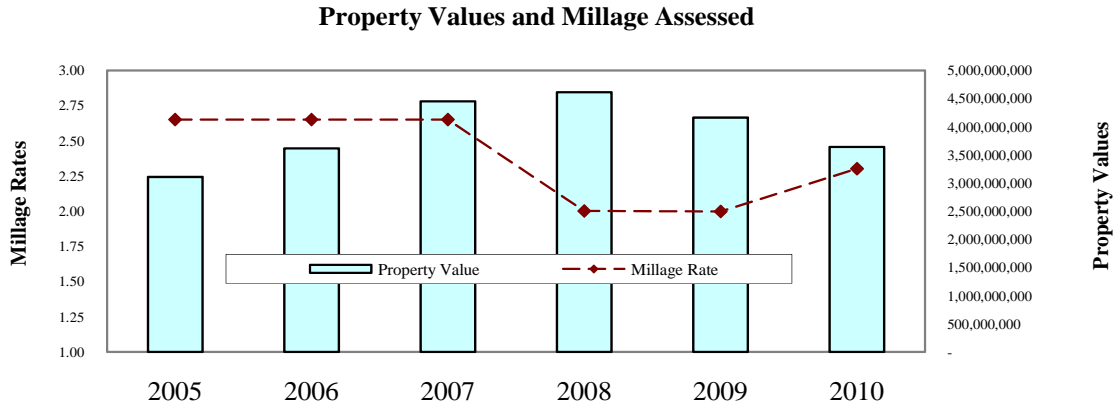
Revenues:	2010	2009
General Revenues		
Property taxes	\$ 8,161,860	\$ 8,039,900
Miscellaneous		
Impact fees	67,787	-
Interest	71,140	88,910
Gain (Loss) on disposition of capital assets	(1,623)	12,025
Other	20,893	20,437
Program Revenues		
Charges for services		
Ambulance	756,434	621,052
Inspection fees	3,490	4,650
Grants and contributions	14,830	50,213
Total Revenues	9,094,811	8,837,187
Expenses:		
Public Safety - Fire and Rescue Services	9,662,465	10,857,300
Increase (decrease) in net assets	(567,654)	(2,020,113)
Net Assets - Beginning	13,107,653	15,127,766
Net Assets - Ending	\$ 12,539,999	\$ 13,107,653

In comparison to the prior year:

- Total revenues increased \$257,624 or 2.9%.
- Total expenses decreased \$1,194,835 or 11.0%.
- Assessed property values decreased \$524,541,590 or 12.6%.
- Ad Valorem tax revenues increased \$121,960 or 1.5%

The millage rate increased 15.2% from 1.9980 mills per thousand in 2009 to 2.3017 mills per thousand in 2010. Property taxes represent 89.7% of total revenues.

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



Impact fee revenues of \$67,787 are recognized in 2010 and no impact fee revenues were recognized in 2009. Deferred revenues for impact fees and related interest decreased \$68,113 or 98.4% in comparison to the prior year.

Budgetary Highlights

The following is a brief review of the budgeting changes from the original budget to the final budget for the General Fund (see supplementary information on pages 42-46). The final budget increased \$231,686, or 1.6% from the original budget. Significant budget changes can be briefly summarized as follows:

- \$89,128 increase to fund balance and applied to designated reserves as a result of final accounting for the prior fiscal year.
- \$140,500 increase to transport fee revenue to reflect the change in standard fees charged for services.
- \$203,988 increase to health insurance expense to fund additional costs that included a termination liability with the District’s self-insured carrier. Various expense accounts running under budget were offset; most notably unemployment expense was reduced by \$113,300.
- \$241,640 of the economic stabilization reserve utilized to recall the remaining three firefighters previously laid off as a result of budgetary shortfalls.

Budget versus actual comparisons are reported in the required supplementary information other than management discussion and analysis on pages 42-46. Management did not prepare additional budget amendments for the following major variances from budgeted amounts:

- \$209,304 over budget in ad valorem taxes resulted in part from collections of prior year taxes and unused revenue refunded by the Lee County Tax Collector.

Capital Assets

Non-depreciable capital assets include land; depreciable assets include buildings, vehicles, equipment, furniture and fixtures.

The following is a schedule of the District's capital assets as of September 30, 2010 and 2009:

Fort Myers Beach Fire Control District Capital Assets September 30, 2010 and 2009		
CAPITAL ASSETS	2010	2009
Land	\$ 1,429,970	\$ 1,429,970
Total Capital Assets not depreciated	<u>1,429,970</u>	<u>1,429,970</u>
Buildings	6,368,215	6,368,215
Vehicles	2,394,806	2,418,948
Equipment	<u>1,301,070</u>	<u>1,282,353</u>
Total Capital Assets being depreciated	<u>10,064,091</u>	<u>10,069,516</u>
ACCUMULATED DEPRECIATION		
Buildings	(738,698)	(589,887)
Vehicles	(825,914)	(678,769)
Equipment	<u>(765,705)</u>	<u>(656,912)</u>
Total accumulated depreciation	<u>(2,330,317)</u>	<u>(1,925,568)</u>
CAPITAL ASSETS, NET	<u>\$ 9,163,744</u>	<u>\$ 9,573,918</u>

Major capital asset events during the current fiscal year include the following:

- Sale of 2003 Dodge Durango for \$4,010.

Additional information on the District's capital assets can be found in Note E on page 28.

Debt Administration

The District had a total of \$2,043,224 of outstanding debt and is comprised of a note payable of \$1,490,010, compensated absences of \$463,826, and a net OPEB (other post employment benefit) obligation of \$89,388 for retiree health insurance. The following is a schedule of the District's outstanding debt at September 30, 2010 and 2009:

Fort Myers Beach Fire Control District
Debt Obligations
September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Current portion of long-term liabilities	\$ 90,836	\$ 86,840
Non-current liabilities	1,863,000	1,998,653
Net OPEB obligation	<u>89,388</u>	<u>-</u>
Total outstanding debt	<u>\$ 2,043,224</u>	<u>\$ 2,085,493</u>

Compensated absences decreased by \$44,817 or 8.8% in comparison to the prior year. This liability represents the total amount the District has due at the termination of all employees' employment as of September 30, 2010. Note payable of \$1,490,010 decreased in comparison to the prior year as a result of two principal payments for a total of \$86,840.

Additional information on the District's debt obligations can be found in Note F on pages 29-30.

Economic Factors and Next Year's Budget

The following were factors considered when next year's budget (2010-2011) was prepared:

- Property values decreased by \$288,824,260 or 10.7% to \$3,248,101,620.
- Property values are expected to decline another one to two years before stabilizing, although less severe declines than the prior few years.
- Utilization of a portion of the economic stabilization reserve previously established for the purpose of alleviating dramatic fluctuations in millage rate in subsequent years due to potential further decline in property values.
- Conflicting opinions from economists regarding the current state of financial condition and recovery time-lines create an environment of uncertainty.
- State legislatures continue to create new legislation establishing limits on property tax valuation and assessments whereby restricting revenue resources.
- Minimal capital purchases are anticipated.
- District intends to maintain current levels of service.
- Contracts with both collective bargaining units expire September 30, 2010 and must be negotiated.
- District wishes to maintain current levels of employment.
- District does not intend to close stations or remove apparatus from service.
- Reliance on Lee County EMS to augment services during peak-season will aid in service delivery.
- The District adopted a millage rate of 2.5800 which is slightly less than the current year rolled-back millage rate of 2.5823, and is 14.0% less than the maximum millage rate of 3.0 allowed by Florida statute.

Request for information

This financial report is designed to provide the reader an overview of the District. Questions regarding any information provided in this report should be directed to: Fort Myers Beach Fire Control District, Mike Becker, Fire Chief, P.O. Box 2880, Fort Myers, Florida, 33932, phone (239) 590-4200.

FORT MYERS BEACH FIRE CONTROL DISTRICT
STATEMENT OF NET ASSETS
September 30, 2010

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,364,641
Cash and cash equivalents - restricted	93,493
Investments	2,070,131
Due from other governments	87,782
Receivables, net	132,663
Prepaid expenses	36,759
Total current assets	<u>5,785,469</u>
Noncurrent assets:	
Capital assets:	
Land	1,429,970
Depreciable buildings, vehicles, and equipment (net of \$2,330,317 accumulated depreciation)	<u>7,733,774</u>
Total noncurrent assets	<u>9,163,744</u>
TOTAL ASSETS	<u><u>\$ 14,949,213</u></u>
 LIABILITIES	
Current liabilities:	
Accounts payable	\$ 52,455
Accrued expenses	312,450
Deferred revenue - impact fees	1,085
Current portion of long-term obligations	<u>90,836</u>
Total current liabilities	456,826
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	<u>1,952,388</u>
TOTAL LIABILITIES	<u>2,409,214</u>
 NET ASSETS	
Invested in capital assets, net of related debt	7,673,734
Restricted for debt service	92,428
Unrestricted	<u>4,773,837</u>
TOTAL NET ASSETS	<u>12,539,999</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 14,949,213</u></u>

The accompanying notes are an integral part of this statement.

**FORT MYERS BEACH FIRE CONTROL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended September 30, 2010**

	<u>Governmental Activities</u>
EXPENSES	
Governmental activities	
Public safety - fire protection	
Personal services	\$ 7,666,562
Operating expenses	1,501,875
Interest and fiscal charges	70,770
Depreciation	423,258
TOTAL EXPENSES - GOVERNMENTAL ACTIVITIES	<u>9,662,465</u>
 PROGRAM REVENUES	
Charges for services	
Ambulance	756,434
Inspection fees	3,490
Operating grants and contributions	14,830
Capital grants and contributions	-
TOTAL PROGRAM REVENUES	<u>774,754</u>
NET PROGRAM EXPENSES	<u>8,887,711</u>
 GENERAL REVENUES	
Ad Valorem taxes	8,161,860
Impact fees	67,787
Interest	71,140
Loss on disposition of capital assets	(1,623)
Other	20,893
TOTAL GENERAL REVENUES	<u>8,320,057</u>
DECREASE IN NET ASSETS	(567,654)
 NET ASSETS - Beginning of the year	 <u>13,107,653</u>
NET ASSETS - End of the year	\$ <u>12,539,999</u>

The accompanying notes are an integral part of this statement.

**FORT MYERS BEACH FIRE CONTROL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2010**

	General Fund	Impact Fee Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 3,364,641	\$ -	\$ 3,364,641
Cash and cash equivalents - restricted	92,428	1,065	93,493
Investments	2,070,131	-	2,070,131
Due from other governments	87,782	-	87,782
Receivables, net	132,643	20	132,663
Prepays	<u>36,759</u>	<u>-</u>	<u>36,759</u>
TOTAL ASSETS	<u>\$ 5,784,384</u>	<u>\$ 1,085</u>	<u>\$ 5,785,469</u>
 LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 52,455	\$ -	\$ 52,455
Accrued expenses	312,450	-	312,450
Deferred revenue	<u>-</u>	<u>1,085</u>	<u>1,085</u>
TOTAL LIABILITIES	<u>364,905</u>	<u>1,085</u>	<u>365,990</u>
 FUND BALANCE			
Reserved for debt service	92,428	-	92,428
Unreserved:			
Designated	4,924,045	-	4,924,045
Undesignated	<u>403,006</u>	<u>-</u>	<u>403,006</u>
TOTAL FUND BALANCE	<u>5,419,479</u>	<u>-</u>	<u>5,419,479</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 5,784,384</u>	<u>\$ 1,085</u>	<u>\$ 5,785,469</u>

The accompanying notes are an integral part of this statement.

**FORT MYERS BEACH FIRE CONTROL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
September 30, 2010**

	<u>Amount</u>
Total fund balance for governmental funds	\$ 5,419,479
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>	
<p>Capital assets not being depreciated:</p>	
Land	<u>1,429,970</u>
	1,429,970
<p>Capital assets being depreciated:</p>	
Building, vehicles, and equipment	10,064,091
Less accumulated depreciation	<u>(2,330,317)</u>
	7,733,774
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>	
Note payable	(1,490,010)
Compensated absences	(463,826)
Net OPEB obligation	<u>(89,388)</u>
	<u>(2,043,224)</u>
Total net assets of governmental activities	<u><u>\$ 12,539,999</u></u>

The accompanying notes are an integral part of this statement.

FORT MYERS BEACH FIRE CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
Year Ended September 30, 2010

	General Fund	Impact Fee Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Ad Valorem taxes	\$ 8,161,860	\$ -	\$ 8,161,860
Impact fees	-	67,787	67,787
Intergovernmental revenue			
Grants	-	-	-
F/F supplemental income	14,830	-	14,830
Charges for services - ambulance	756,434	-	756,434
Inspection fees	3,490	-	3,490
Interest income	68,927	2,213	71,140
Other income			
Donations	2,358	-	2,358
Miscellaneous	18,535	-	18,535
TOTAL REVENUES	<u>9,026,434</u>	<u>70,000</u>	<u>9,096,434</u>
EXPENDITURES			
Current			
Public safety			
Personal services	7,621,991	-	7,621,991
Operating expenditures	1,501,875	-	1,501,875
Capital outlay	18,717	-	18,717
Debt service			
Principal reduction	16,840	70,000	86,840
Interest and fiscal charges	70,770	-	70,770
TOTAL EXPENDITURES	<u>9,230,193</u>	<u>70,000</u>	<u>9,300,193</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(203,759)</u>	<u>-</u>	<u>(203,759)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from disposition of capital assets	4,010	-	4,010
Transfers in (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,010</u>	<u>-</u>	<u>4,010</u>
EXCESS OF EXPENDITURES AND OTHER FINANCING USES OVER REVENUES AND OTHER FINANCING SOURCES	<u>(199,749)</u>	<u>-</u>	<u>(199,749)</u>
FUND BALANCE - Beginning of the year	<u>5,619,228</u>	<u>-</u>	<u>5,619,228</u>
FUND BALANCE - End of the year	<u>\$ 5,419,479</u>	<u>\$ -</u>	<u>\$ 5,419,479</u>

The accompanying notes are an integral part of this statement.

**FORT MYERS BEACH FIRE CONTROL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES**

Year Ended September 30, 2010

	<u>Amount</u>	
Net change (excess expenditures and other financing uses over revenues and other financing sources) in fund balance - total governmental funds	\$ (199,749)	
The decrease in net assets reported for governmental activities in the Statement of Activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, the loss on the disposition of capital assets is recorded on the Statement of Activities but not in the governmental funds.		
Expenditures for capital assets	18,717	
Less: current year depreciation	(423,258)	
Less: Loss on disposition of capital assets	(1,623)	
Less: proceeds from disposition of capital assets	<u>(4,010)</u>	
		(410,174)
The issuance of debt is reported as a financing source in governmental funds and thus contributes to the change in fund balance. In the Statement of Net Assets, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets.		
Repayments (principal retirement):		
Note payable	<u>86,840</u>	
		86,840
Certain expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Net decrease in compensated absences		44,817
Net increase in OPEB obligations		<u>(89,388)</u>
Decrease in net assets of governmental activities		<u>\$ (567,654)</u>

The accompanying notes are an integral part of this statement.

FORT MYERS BEACH FIRE CONTROL DISTRICT
STATEMENT OF FIDUCIARY NET
ASSETS - FIDUCIARY FUND
September 30, 2010

	Retiree Insurance <u>Trust Fund (VEBA)</u>
ASSETS	
Cash and cash equivalents	\$ 27,433
Investments, at fair value:	
Domestic common stock & options	279,961
International stocks	109,538
Corporate bonds	128,946
Government & GSE bonds	117,409
Accrued interest	2,452
Other assets	<u>-</u>
TOTAL ASSETS	<u>\$ 665,739</u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable and accrued expenses	<u>\$ -</u>
TOTAL LIABILITIES	<u>-</u>
NET ASSETS	
Held in trust for health insurance benefits and other purposes	<u>665,739</u>
TOTAL NET ASSETS	<u>665,739</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 665,739</u>

The accompanying notes are an integral part of this statement.

**FORT MYERS BEACH FIRE CONTROL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY
NET ASSETS - FIDUCIARY FUND
Year Ended September 30, 2010**

	Retiree Insurance Trust Fund (VEBA)
ADDITIONS	
Contributions:	
Employer	\$ 97,600
Employees	-
Total contributions	<u>97,600</u>
Investment income:	
Net depreciation in fair value of investments	(10,145)
Net realized gain	43,185
Interest and dividends	<u>15,019</u>
	48,059
Less: investment expenses	<u>(5,762)</u>
Net investment income	<u>42,297</u>
TOTAL ADDITIONS	<u>139,897</u>
DEDUCTIONS	
Administrative expenses	<u>-</u>
TOTAL DEDUCTIONS	<u>-</u>
NET INCREASE IN NET ASSETS	139,897
NET ASSETS - BEGINNING	<u>525,842</u>
NET ASSETS - ENDING	<u>\$ 665,739</u>

The accompanying notes are an integral part of this statement.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Fort Myers Beach Fire Control District (the "District") is an independent special district established by Laws of Florida, Chapter 51-27676, as amended, under the provisions of Florida Statute Chapter 633. Laws of Florida, Chapter 2000-422 codified, reenacted, amended and repealed its prior enabling acts and was effective June 5, 2000. The District's codified act was amended by House Bill #999 (Laws of Florida, Chapter 2008-275) which was approved by the Governor on June 17, 2008. This law approved a change in District boundaries by removing certain lands from within the District. The District has the general and special powers prescribed by Florida Statutes Chapter 191 and Laws of Florida Chapter 97-340. The District was created for the purpose of providing fire control and protection services for a certain designated area along coastal Lee County. The District also provides emergency medical and crash and rescue services including transport (ambulance) services. The District's service area includes the Town of Fort Myers Beach and certain adjacent areas of unincorporated Lee County. The District is governed by an elected five (5) member Board of Commissioners serving staggered four (4) year terms. The District operates three (3) stations plus its administrative offices.

During the year ended September 30, 2008, per the requirement of Government Accounting Standards Board Statement Number 45, "Accounting and Financial Reporting by Employers for Post-Retirement Benefits Other Than Pensions" (GASB 45), the District established a fiduciary fund to record the net assets available for retiree insurance benefits - VEBA.

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

The District adheres to Governmental Accounting Standards Board Statement Number 14, "Financial Reporting Entity" (GASB 14), as amended by GASB Statement Number 39, "Determining Whether Certain Organizations Are Component Units" (GASB 39). This Statement requires the basic financial statements of the District (the primary government) to include its component units, if any. A

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Reporting Entity, continued

component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. Based on the criteria established in GASB 14, as amended, there are no component units required to be included. Therefore, no component units are included in the District's basic financial statements.

Government-wide Financial Statements

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

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

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

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Government-wide Financial Statements, continued

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

Program revenues are considered to be revenues generated by services performed and/or by fees charged, such as inspection and ambulance fees, as well as operating and capital grants.

Fund Financial Statements

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

Fund financial statements for the District's governmental and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in aggregate for governmental funds. The fiduciary statements include information for the Fort Myers Beach Retiree Insurance Trust Fund (VEBA). The fiduciary fund represents assets held by the District in a custodial capacity for the benefit of other individuals. This fund is properly not reflected as part of the government-wide financial statements as the net assets of this fund are not available to support the District's operations.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Governmental Funds

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

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

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

Fiduciary Fund

The insurance trust fund (VEBA) accounts for the activities of the Retiree Insurance Trust, which accumulates resources for the payment of post employment benefits other than pension for qualified retirees. This fund is not reported in the government-wide financial statements, as the assets in this fund are held in trust for retirees and are not available for the operations of the District.

Measurement Focus and Basis of Accounting

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

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Measurement Focus and Basis of Accounting, continued

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

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

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

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

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

The Fiduciary Fund - Retiree Insurance Trust Fund (VEBA) financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus. Plan member contributions are recognized in the period in which

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Measurement Focus and Basis of Accounting, continued

the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable.

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

Non-current Government Assets/Liabilities

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

Major Funds

The District reports the following major governmental funds:

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

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

Fiduciary Fund

Fiduciary funds are excluded in the government-wide financial statements because the resources of those funds are not available to support the District's programs. The only type of fiduciary funds the District maintains is a Retiree Insurance Trust Fund (VEBA), which accounts for the assets held by the plan that are payable to qualified retirees for post employment benefits other than retirement plan benefits.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Budgetary Information

The District has elected to report budgetary comparison of major funds as required supplementary information (RSI).

Investments

The District adheres to the requirements of Governmental Accounting Standards Board Statement Number 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" (GASB 31), in which all investments are reported at fair value. Specifically, the District (not including the VEBA Fund) has adopted a policy to adhere to Chapter 218.415(17), Florida Statutes.

Investments held by the District's fiduciary fund (VEBA) may include marketable securities, bonds, time deposits, mutual funds, money market funds and depository accounts. On November 28, 2008, the (VEBA) fund adopted a separate investment policy from that of the District.

Capital Assets

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

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

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

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital Assets, continued

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

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

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

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

<u>Asset</u>	<u>Years</u>
Buildings	20-40
Vehicles	5-20
Equipment	3-20

Budgets and Budgetary Accounting

The District has adopted an annual budget for the General Fund.

The District has also adopted an annual budget for the Special Revenue Fund - Impact Fee.

No budget was legally required or adopted for the District's Fiduciary Fund - VEBA.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Budgets and Budgetary Accounting, continued

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

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

During the year ended September 30, 2010, the Board, in accordance with Florida Statutes, approved several budget amendments in the General Fund and one in the Impact Fee Fund.

Impact Fees/Deferred Revenue

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

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Due To/From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by funds affected in the period in which transactions are executed.

Due From Other Governments

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

Compensated Absences

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

Encumbrances

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

Management Estimates

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

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fund Equity

In the governmental fund financial statements, reservation of fund balance indicates amounts that are limited for a specific purpose, are not appropriable for expenditure, or are legally segregated for a specific future use. Designations of fund balance represent tentative management plans. Unreserved, undesignated fund balance indicates funds that are available for current expenditure.

Interfund Transactions

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

Subsequent Events

Subsequent events have been evaluated through December 10, 2010, which is the date the basic financial statements were available to be issued.

NOTE B - CASH AND CASH EQUIVALENTS

At September 30, 2010, cash and cash equivalents were \$3,458,134 (exclusive of the Retiree Insurance Trust Fund), which included \$300 cash on hand and restricted cash of \$93,493. Restricted cash is comprised of impact fees (Impact Fee Fund) totaling \$1,065, which are restricted for capital asset acquisition and/or improvement due to growth within the District, and the note payable sinking fund account totaling \$92,428 which is held in the General Fund.

Additionally, the Retiree Insurance Trust Fund (VEBA) as later defined, held restricted cash and cash equivalents of \$27,433 (book and bank balance), at September 30, 2010, in a money market fund. This cash account is not subject to coverage under the Federal Depository Insurance (FDIC) or by collateral pursuant to the Public Depository Security Act of the State of Florida (Florida Statute 280). The

NOTE B - CASH AND CASH EQUIVALENTS, CONTINUED

money market fund is an external 2a7-like investment pool. The Fund is publicly traded and may lose principal. The Fund's shares are stated at quoted market price which approximates cost. This type of fund is not required to be risk categorized because it is not evidenced by securities that exist in physical or book entry form. Cash and cash equivalents held by the Fiduciary fund represent less than 1% of the Money Market total investments. Investors of the Fund own shares of the Fund rather than the underlying securities. The Fiduciary fund's cash, cash equivalents, and investments are insured up to the limits of the Securities Investor Protection Corporation (SIPC) as may apply.

Deposits - District

The District's deposit policy allows deposits to be held in fully insured demand deposit or money market accounts. All District deposits were held in banks designated as qualified depositories by the State Treasurer.

At September 30, 2010, the carrying amounts of the District's deposits were \$3,456,769 and \$1,065 in the General Fund and the Impact Fee Fund respectively. Cash carried in the General Fund totaling \$92,428 and in the Impact Fee Fund totaling \$1,065 was restricted. At September 30, 2010, bank balances were \$3,520,645 and \$1,065 in the General Fund and the Impact Fee Fund respectively. These deposits were entirely insured by federal depository insurance or by collateral pursuant to the Public Depository Security Act of the State of Florida (Florida Statute 280).

NOTE C - INVESTMENTS

District investments

The District adheres to GASB Statement Number 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" (GASB 31). Under this Statement, the District has elected to show all investments at fair value, with the exception of the Local Government Surplus Funds Investment Pool Trust Fund (State Board of Administration), an external 2a7-like investment pool. The Local Government Surplus Funds Investment Pool Trust Fund's shares are stated at amortized cost, which approximates fair value.

Florida Statutes and District policy authorize investments in Local Government Surplus Funds Trust Fund (SBA) administered by the Florida State Board of Administration.

NOTE C - INVESTMENTS, CONTINUED

District investments, continued

The District's investments are noted below to give an indication of the level of risk assumed at year-end. The Local Government Surplus Funds Trust Fund is not required to be categorized because the investments are not evidenced by securities that exist in physical or book entry form.

Investments in the SBA Fund exceeded the year-end balance during the year due to fluctuations in cash flow.

	<u>Interest Rate</u>	<u>Cost</u>	<u>Market / Carrying Amount</u>
<u>General Fund</u>			
Local Government Surplus Trust Fund (SBA)			
Fund "A"	0.32%	\$ 1,949,486	\$ 1,949,486
Fund "B"	N/A	<u>170,629</u>	<u>120,645</u>
		<u>\$ 2,120,115</u>	<u>\$ 2,070,131</u>

The Local Government Surplus Funds Trust Fund (Fund) is an external 2a7-like investment pool, administered by the Florida State Board of Administration. The Local Government Surplus Funds Investment Pool Trust Fund is not categorized, as it is not evidenced by securities that exist in physical or book entry form. The Local Government Surplus Trust Funds Investment Pool's shares are stated at amortized cost, which approximates fair value. These investments are subject to the risk that the market value of an investment, collateral protecting a deposit or securities underlying a repurchase agreements, will decline. The District's investment in the Fund represented less than 1% of the Fund's total investments. Investments held in the Fund include, but are not limited to, short-term federal agency obligations, treasury bills, repurchase agreements and commercial paper. These short-term investments are stated at cost, which approximates market. Investment income is recognized as earned and is allocated to participants of the Fund based on their equity participation.

NOTE C - INVESTMENTS, CONTINUED

District investments, continued

At September 30, 2010, the District reported SBA investments of \$1,949,486 fair value/cost for accounts held in the LGIP (Fund "A"). The LGIP carried a credit rating of AAAM by Standard and Poors and had a weighted average days to maturity (WAM) of 52 days at September 30, 2010.

At September 30, 2010, the District reported investments of \$120,645 for amounts held in Fund "B" Surplus Funds Trust Fund (Fund B) administered by the State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. The District's investments in the Fund "B" investment pool are similar to money market funds in which shares are owned in the fund rather than the underlying investments. Securities and Exchange Commission Rule 2a7 permits money market funds to use amortized cost to maintain a constant net asset value (NAV) or use fluctuating NAV. Fund "B" uses fluctuating NAV for valuation of Fund "B". The SBA has taken the position that Fund "B" does not meet the criteria of a SEC 2a-7-like fund. Therefore, participants in the Fund "B" investment pool should disclose information related to interest rate risk and credit risk. Fund "B" was not rated by a national recognized statistical rating agency as of September 30, 2010. The weighted average life (WAL) of Fund "B" at September 30, 2010, was 7.49 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity is based on legal final maturity dates for Fund "B" as of June 30, 2010. WAL measures the sensitivity of Fund "B" to interest rate changes. Fund "B" did not participate in a securities-lending program during the fiscal year ended September 30, 2010.

It is the belief of the SBA that the remaining balance may, in whole or in part, be recovered. However, it may not be available for up to one year. At September 30, 2010, the SBA has determined the market value of the Fund "B" shares to be \$49,984 less than cost in the General Fund in total, which includes a current year increase of \$49,466. The gain, although technically unrealized, is recorded as a current year gain in keeping with the District's policy to reflect investments at market value.

NOTE C - INVESTMENTS, CONTINUED

Retiree Insurance Trust Fund (VEBA) Investments

Investments of the Retiree Insurance Trust Fund (VEBA) totaled \$638,306 (including \$389,499 in equity securities and \$248,807 in fixed income securities) at September 30, 2010. Such investments are controlled by Retiree Insurance Trust Fund Board policy.

Investment Authorization:

The Retiree Insurance Trust Fund (VEBA) investment policy is determined by its Board of Trustees. The policy provides for the use of investment managers to oversee the investments of the Fund in a manner so that the assets will provide benefits to the participants and preserve capital while maximizing the rate of return.

The policy establishes certain investment objectives and asset class targets. The VEBA Plan is expected to earn a return over time exceeding the target rate of 7%. In addition, the VEBA Plan should earn a return greater than inflation, as measured by the Consumer Price Index, by 4% per year. The Board of Trustees adopted the following asset class targets, based on market value:

Equity	<u>% Range</u>	<u>% Target</u>
Large Cap. Value Manager	24.5% - 19.5%	22%
Large Cap. Growth Manager	24.5% - 19.5%	22%
International Manager	18.5% - 13.5%	<u>16%</u>
Total Equity	62.5% - 57.5%	60%
Fixed Income Manager	42.5% - 37.5%	<u>40%</u>
		<u><u>100%</u></u>

Interest Rate Risk:

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

NOTE C - INVESTMENTS, CONTINUED

Retiree Insurance Trust Fund (VEBA) Investments, continued

Interest Rate Risk, continued:

Information about the sensitivity of the fair values of the VEBA Plan's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the VEBA Plan's investments by maturity at September 30, 2010, using the segmented time distribution method:

<u>Investment Type</u>	<u>N/A</u>	<u>0-5 years</u>	<u>5-10 years</u>	<u>Total</u>
Domestic common stock	\$ 279,961	\$ -	\$ -	\$279,961
International stock	109,538	-	-	109,538
Corporate bonds	-	100,055	28,891	128,946
Government & GSE bonds	-	89,905	27,504	117,409
Accrued interest	<u>2,452</u>	<u>-</u>	<u>-</u>	<u>2,452</u>
Totals	<u>\$ 391,951</u>	<u>\$ 189,960</u>	<u>\$ 56,395</u>	<u>\$638,306</u>

Credit Risk:

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

The following table discloses credit rating by fixed income investment type at September 30, 2010, if applicable:

<u>Investment Type</u>	<u>Market Value</u>	<u>Unrated/ Exempt</u>	<u>AA</u>	<u>A</u>
Domestic common stock	\$ 279,961	\$ 279,961	\$ -	\$ -
International stock	109,538	109,538	-	-
Corporate bonds	128,946	-	22,266	106,680
Government & GSE bonds	117,409	117,409	-	-
Accrued interest	<u>2,452</u>	<u>2,452</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 638,306</u>	<u>\$ 509,360</u>	<u>\$ 22,266</u>	<u>\$106,680</u>

Retiree Insurance Trust Fund (VEBA) Investments, continued

Concentration of Credit Risk:

The investment policy of the Plan contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represented 10% or more of plan net assets at September 30, 2010.

Custodial Credit Risk:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the Plan's investment policy, the investments are held by Plan's custodial bank and registered in the Plan's name.

NOTE D - RECEIVABLES, NET

Receivables, net consist of the following at September 30, 2010:

	<u>Amount</u>
Ambulance receivables and other	\$ 293,560
Less: Allowance for doubtful accounts	<u>(161,500)</u>
Net ambulance receivables	132,060
Misc. receivable	<u>603</u>
Receivables, net	<u><u>\$ 132,663</u></u>

FORT MYERS BEACH FIRE CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010

NOTE E - CAPITAL ASSETS ACTIVITY

The following is a summary of changes in capital assets activity for the year ended September 30, 2010:

	Balance October 1 2009	Increases/ Additions	Decreases/ Deletions	Adjustments/ Reclassifications	Balance September 30 2010
Capital Assets Not Being Depreciated:					
Land	\$ 1,429,970	\$ -	\$ -	\$ -	\$ 1,429,970
Construction in progress	-	-	-	-	-
Total Capital Assets Not Being Depreciated	<u>1,429,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,429,970</u>
Capital Assets Being Depreciated:					
Buildings	6,368,215	-	-		6,368,215
Vehicles	2,418,948	-	(24,142)		2,394,806
Equipment	<u>1,282,353</u>	<u>18,717</u>	<u>-</u>		<u>1,301,070</u>
Total Capital Assets Being Depreciated	<u>10,069,516</u>	<u>18,717</u>	<u>(24,142)</u>	<u>-</u>	<u>10,064,091</u>
Less Accumulated Depreciation:					
Buildings	(589,887)	(148,811)	-		(738,698)
Vehicles	(678,769)	(165,654)	18,509		(825,914)
Equipment	<u>(656,912)</u>	<u>(108,793)</u>	<u>-</u>		<u>(765,705)</u>
Total Accumulated Depreciation	<u>(1,925,568)</u>	<u>(423,258)</u>	<u>18,509</u>	<u>-</u>	<u>(2,330,317)</u>
Total Capital Assets Being Depreciated, Net	<u>8,143,948</u>	<u>(404,541)</u>	<u>(5,633)</u>	<u>-</u>	<u>7,733,774</u>
Capital Assets, Net	<u>\$ 9,573,918</u>	<u>\$ (404,541)</u>	<u>\$ (5,633)</u>	<u>\$ -</u>	9,163,744
				Related debt	<u>(1,490,010)</u>
				Net assets invested in capital assets, net of related debt	<u>\$ 7,673,734</u>

Depreciation expense was charged to the following functions during the year ended September 30, 2010:

	<u>Amount</u>
General Government	
Total Depreciation Expense	<u>\$ 423,258</u>

FORT MYERS BEACH FIRE CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010

NOTE F - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2010:

	Balance October 1 2009	Additions	Retirements / Adjustments	Balance September 30 2010	Amounts Due Within One Year
Note payable	\$1,576,850	\$ -	\$ (86,840)	\$ 1,490,010	\$ 90,836
Compensated absences	508,643	-	(44,817)	463,826	-
Net OPEB obligation	-	89,388	-	89,388	-
	<u>\$2,085,493</u>	<u>\$ 89,388</u>	<u>\$ (131,657)</u>	<u>\$ 2,043,224</u>	<u>\$ 90,836</u>

Long-term liabilities is comprised of the following at September 30, 2010:

	<u>Amount</u>
\$1,700,000 Revenue Note Series 2007 issued December 13, 2007, to fund the construction of Station #33. The note is payable to a financial institution in bi-annual installments of principal and interest in the amount of \$78,805. The principal and interest on the Note is payable solely from pledged ambulance fees received by the District. The note requires maintenance of a sinking fund of not less than one year's principal and interest payment of \$78,805. The Note is due on December 13, 2022 and has a fixed interest rate of 4.55%.	\$ 1,490,010
Non-current portion of compensated absences. Employees of the District are entitled to paid leave based on length of service and job classification.	463,826
Net OPEB obligation. Cumulative difference between annual OPEB cost and District payments toward the cost of post employment benefits other than pensions since GASB No. 45 transition date of September 1, 2009.	<u>89,388</u>
Total long-term liabilities	2,043,224
Current portion	<u>(90,836)</u>
Noncurrent portion	<u>\$ 1,952,388</u>

FORT MYERS BEACH FIRE CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010

NOTE F - LONG-TERM LIABILITIES, CONTINUED

The annual debt service requirements at September 30, 2010, were as follows:

Year Ending <u>Sept. 30</u>	Note Payable		Total
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2011	\$ 90,836	\$ 66,774	\$ 90,836
2012	95,016	62,594	95,016
2013	99,388	58,222	99,388
2014	103,962	53,648	103,962
2015	108,746	48,864	108,746
2016-2020	623,563	164,487	623,563
2021-2023	<u>368,499</u>	<u>25,527</u>	<u>368,499</u>
	<u>\$ 1,490,010</u>	<u>\$ 480,116</u>	1,490,010
Accrued compensated absences			463,826
Net OPEB obligation			<u>89,388</u>
Total long-term liabilities			<u>\$ 2,043,224</u>

NOTE G - RETIREMENT PLAN

Plan description and provisions

All full-time District employees are participants in the statewide Florida Retirement System (FRS) under the authority of Article X, Section 14 of the State Constitution and Florida Statutes, Chapters 112 and 121. The FRS is noncontributory and is totally administered by the State of Florida. The District contributed 100% of the required contributions. Pension costs for the District ranged between 9.85% and 23.25% of gross wages for the year ended September 30, 2010. The District's contributions to the plan were \$975,043, \$1,085,643, and \$954,258, for the fiscal years ended September 30, 2010, 2009, and 2008, respectively. There were no employee contributions to the plan. The District's covered payroll costs for the plan were \$4,787,725, \$5,497,735, and \$4,884,340, for the years ended September 30, 2010, 2009, and 2008, respectively.

NOTE G - RETIREMENT PLAN, CONTINUED

Plan description and provisions, continued

Employees who retire with 6 years of creditable service, at or after age 62, 6 years of senior management service and age 62, 6 years of special risk service and age 55, or 30 years of service (25 years for special risk) regardless of age, are entitled to a retirement benefit, payable monthly for life, equal to 1.6% to 3.0% per year of creditable service, depending on the class of employee (regular, special risk, etc.) based on average final compensation of the five (5) highest fiscal years' compensation.

Benefits vest after six years (six years for senior management) of credited service. Vested employees may retire anytime after vesting and incur a 5% benefit reduction for each year prior to normal retirement age.

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

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

Description of funding policy

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

Plan information

A copy of the FRS's June 30, 2010 annual report can be obtained by writing to the Florida Division of Retirement, Cedars Executive Center, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560, or by calling (850) 488-5706.

NOTE H - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The District provides insurance (medical, dental, and vision) benefits to its retired employees. All retired full-time employees are eligible for benefits. As of September 30, 2010, there were eighteen (18) retirees receiving these benefits. The benefits are provided both with and without contractual or labor agreements. The benefits may require contribution from the retirees, depending on certain specified criteria and, in particular, length of creditable employment with the District. The District pays up to 100% of retiree coverage based upon 5% per year of credited service and is capped at \$700 per month per retiree. The retiree then returns to the District his/her FRS health benefit. Coverage continues until Medicare age. The District finances these benefits, for this group of retirees, on a pay-as-you-go basis and recognizes expenditures at the time premiums are due. The retirees' and their dependents' premiums and claims for these benefits totaled \$164,592 during the year ended September 30, 2010. The District paid \$95,135 of this total. The employees contributed \$69,457 of the total premium cost.

The District established a separate trust (as noted below) to fund the cost of these future benefits for retirees, effective October 1, 2008. On July 15, 2010, the Retiree Insurance Trust Fund (VEBA) adopted a formal plan document (Plan No. 501) describing participant eligibility, contribution requirements and benefits. As such, the VEBA is designed as a multi-employer cost sharing plan. However, the District is the only employer currently participating and as such, all VEBA costs are absorbed by either the VEBA itself or the District. During the year ended September 30, 2010, the VEBA's Board of Trustees, had an actuarial valuation performed to determine the liability and ongoing funding requirements based upon the information contained in the plan document. The District will continue to finance its post-employment benefits other than pensions on the current pay-as-you-go basis for the retirees prior to October 1, 2008 and per either contract or annual budget for the VEBA until the Retiree Insurance Trust Fund (VEBA) is required to pay benefits.

Per the collective bargaining agreement between the District and the Union, the District was required to contribute \$97,600 to the Trust Fund for the year ended September 30, 2010, which represented 2% of the total budgeted wages for the year. The District timely contributed the amount to the VEBA.

Retiree Insurance Trust Fund (VEBA)

The following brief description of the Fort Myers Beach Retiree Insurance Trust Fund, a voluntary employees' beneficiary association ("VEBA") established under Internal Revenue Code Section 501(c)(9) and related benefit plan (the "Plan") is provided for general information purposes only. Participants should refer to the Plan agreement for a more complete description of the Plan. The Fort Myers Beach Retiree Insurance Trust Fund does not issue a stand-alone financial report and is not

NOTE H - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS, CONTINUED

Retiree Insurance Trust Fund (VEBA), continued

included in the report of a public employee retirement system or of another entity.

For more information please contact the Administrative offices of the District in writing at 100 Voorhis Street, Fort Myers Beach, FL 33931 or by calling (239) 590-4200. The VEBA is governed by a five (5) member Board of Trustees. Three (3) of the Trustees are selected by Union District 15 and 3 Vice Presidents (DVP's) and two (2) members of the District's managerial staff selected by the Fire Chief.

Funding Policy - Contributions to the VEBA are derived from two sources: employer and participants. Employer contributions are contractually required as provided for in the applicable collective bargaining agreement for union employees or employee handbook for non-union employees. Participants may make periodic contributions to the Trust Fund for such benefits as may not be funded by employer contributions.

Post employment benefits - Beginning January 1, 2015, benefits will be paid from the Plan to eligible participants (retirees). For eligible participants retiring on or after October 1, 2008, and having completed twenty five (25) years of credited service, the benefit amount will be equal to \$450 per month. For eligible participants retiring on or after October 1, 2008, and having completed at least fifteen (15) years of credited service but less than twenty five (25) years of credited service, the benefit will be \$450 per month reduced by four (4%) percent for each year that the participants earned years of credited service are less than twenty five (25) years of credited service with a minimum of fifteen (15) years of credited service. Benefits are payable annually with the monthly benefit being paid in one lump-sum payment in January of each year. Qualified employees retiring prior to October 1, 2008 continue on in the original pay-as-you-go plan.

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

Actuarial present value of accumulated plan benefits - Accumulated plan benefits are those future periodic payments that are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired employees or (b) beneficiaries of retired employees who have died. Benefits under the Plan are based on employees' age at entry to the Plan. Benefits payable under all circumstances are included, to the

NOTE H - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS, CONTINUED

Retiree Insurance Trust Fund (VEBA), continued

Actuarial present value of accumulated plan benefits, continued - extent they are deemed attributable to employee service rendered to the valuation date.

The actuarial present value of accumulated plan benefits is determined by an actuary and is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuations as of October 1, 2009 were (a) life expectancy of participants (the RP-2000 Combined Healthy Mortality Table was used), (b) retirement age assumptions, and (c) annual investment returns of 4.5% for the District and 7.5% for the VEBA Trust. The foregoing actuarial assumptions are based on the presumption that the Plan will continue. If the Plan terminated, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

Payment of benefits - Benefit payments to participants are recorded upon distribution. The Plan was not required to make any benefit payments for the years ended September 30, 2008, 2009, or 2010. A summary of certain Plan details and trend information is included.

A copy of the Plan can be obtained by writing the Board of Trustees of Fort Myers Beach Trust Fund at 100 Voorhis Street, Fort Myers Beach, Florida 33931 or by calling (239) 590-4200.

Memberships of the Plan consisted of the following at October 1, 2009:

	Retiree Insurance Trust Fund Census
VEBA active plan participants	53
Retirees and beneficiaries receiving benefits	<u>0</u>
Total OPEB program participants	<u>53</u>
Number of participating employers	1

NOTE H - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS, CONTINUED

Retiree Insurance Trust Fund (VEBA), continued

Annual Pension Cost, Net Pension Obligation and Reserves - Current year annual OPEB costs for the Retiree Insurance Trust Fund are shown in the trend information provided. For an OPEB plan with no net OPEB obligation, the annual OPEB cost is equal to the annual required contribution.

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

RETIREE INSURANCE TRUST REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress:

(1)	Actuarial Value of Assets (AVA)	Actuarial Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
Date	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c
District						
10/01/09	\$ -	\$ 2,039,409	\$ 2,039,409	0.0%	\$ 4,988,746	40.9%
10/01/08	N/A	N/A	N/A	N/A	N/A	N/A
10/01/07	N/A	N/A	N/A	N/A	N/A	N/A
VEBA						
10/01/09	\$ 525,842	\$ 1,136,834	\$ 610,992	46.25%	\$ 4,988,746	12.2%
10/01/08	N/A	N/A	N/A	N/A	N/A	N/A
10/01/07	N/A	N/A	N/A	N/A	N/A	N/A

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

FORT MYERS BEACH FIRE CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010

NOTE H - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS, CONTINUED

Retiree Insurance Trust Fund (VEBA), continued

Schedule of Employer Contributions:

Fiscal Year	Annual Required Contribution	Percentage of OBEB Cost Contributed	Net OPEB Obligation (NPO)
District			
2010	\$ 157,612	141.6%	\$ (65,638)
2009	N/A	N/A	N/A
2008	N/A	N/A	N/A
VEBA			
2010	\$ 124,511	85.8%	\$ 17,763
2009	N/A	N/A	N/A
2008	N/A	N/A	N/A

	<u>District</u>	<u>VEBA</u>	<u>Total</u>
Valuation Date	10/01/09	10/01/09	10/01/09
Fiscal Year Ending	<u>09/30/10</u>	<u>09/30/10</u>	<u>09/30/10</u>
Annual Required Contribution (ARC)	\$157,612	\$124,511	\$282,123
Interest on Net OPEB Obligation	-	-	-
Adjustment to ARC	<u>-</u>	<u>-</u>	<u>-</u>
Annual OPEB Cost	157,612	124,511	282,123
Actual Net Contributions Made	(95,135)	(97,600)	(192,735)
Estimated Net Contributions Made	<u>(223,250)</u>	<u>(106,775)</u>	<u>(330,085)</u>
Anticipated Increase (Decrease) In			
Net OPEB Obligation	62,477	26,911	89,388
Net OPEB Obligation - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB Obligation - End of Year	<u>\$ 62,477</u>	<u>\$ 26,911</u>	<u>\$ 89,388</u>

NOTE H - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS, CONTINUED

Retiree Insurance Trust Fund (VEBA), continued

	Retiree Insurance Trust Fund
Valuation date	10/01/09
Actuarial cost method	Entry age normal
Amortization method of UAAL (funding method)	Level dollar, closed
Amortization period	30 years
Actuarial asset valuation method	Market
Actuarial assumptions:	
Investment rate - District	4.5%
Investment rate - VEBA	7.5%
Health care inflation:	
Pre-Medicare	8% (grading down to 5% in 2012)
Post-Medicare	8% (grading down to 5% in 2012)
Dental care inflation	7% (grading down to 6% in 2010)
Vision care inflation	4% (grading down to 3% in 2010)
Retirement:	
Regular Class	100% are assumed to retire at age 62 and 6 years of service or upon completion of 30 years of service, regardless of age. Service-incurred disabled employees retire immediately, while non-duty related disabled employees retire upon completion of at least 8 years of service. Active employees who are eligible for normal retirement are assumed to work one additional year.
Special Risk Class	100% are assumed to retire at age 55 and 6 years of service or upon completion of 25 years of special risk service, regardless of age. Service-incurred disabled employees retire immediately, while non-duty related disabled employees retire upon completion of at least 8 years of service. Active employees who are eligible for normal retirement are assumed to work one additional year.
Administrative costs	\$7,000 annually added to normal costs

NOTE H - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS, CONTINUED

Retiree Insurance Trust Fund (VEBA), continued

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

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 record keeping of all property taxes is performed for the District by the Lee County Tax Collector. No accrual for the property tax levy becoming due in November 2010 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. As of September 30, 2010, \$87,782 was due from the Lee County Tax Collector to the District for ad valorem taxes and excess fees.

FORT MYERS BEACH FIRE CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010

NOTE I - PROPERTY TAXES, CONTINUED

Important dates in the property tax cycle are as follows:

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

For the year ended September 30, 2010, the Board of Commissioners of the District levied ad valorem taxes at a millage rate of \$2.3017 per \$1,000 (2.3017 mills) of the 2009 net taxable value of real property located within the District.

NOTE J - DESIGNATED AND/OR RESERVED FUND BALANCE

Fund balance was designated and/or reserved for the following purposes at September 30, 2010:

<u>Reserved fund balance</u>	<u>Amount</u>
<u>General Fund</u>	
Reserved for debt service	\$ 92,428
Total Reserved Fund Balance - General Fund	<u>\$ 92,428</u>
<u>Designated fund balance</u>	<u>Amount</u>
<u>General Fund</u>	
Operating reserve	\$ 2,044,000
Emergency disaster operating	1,385,000
Equipment reserve	340,850
Economic stabilization	1,104,195
Building improvements - Station 31	<u>50,000</u>
Total Designated Fund Balance - General Fund	<u>\$ 4,924,045</u>

FORT MYERS BEACH FIRE CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010

NOTE K - IMPACT FEE FUND ACTIVITY

During the year ended September 30, 2010, the Impact Fee Fund had the following activity:

	<u>Amount</u>
Deferred revenue, October 1, 2009	\$ 69,198
Impact fee receipts	1,830
Interest receipts	57
Debt service principal	<u>(70,000)</u>
Deferred revenue, September 30, 2010	<u>\$ 1,085</u>

NOTE L - RISK MANAGEMENT

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

Insurance programs for general/professional liability, automobile, and property are covered by commercial insurance. The District retains the risk of loss up to a deductible amount (ranging from \$250 to \$5,000) with the risk of loss in excess of this amount transferred to the insurance carrier with limits of liability of \$1,000,000 to \$2,000,000 per occurrence.

The District's health plan (which includes medical, dental and vision) was a self-insured program through March 31, 2010 and had stated annual individual and aggregate loss limits and retained third party coverage for claims in excess of the loss limits. The District incurred \$680,764 in net health insurance claims and third party administration costs during the year ended September 30, 2010 for the self-insurance program. During the year ended September 30, 2010, the District expensed \$58,200 (which is included in the expense of \$680,764) previously recorded as prepaid deposit to the self-insured plan administrator. This deposit was applied to claims paid subsequent to the termination of the plan. The District does not believe there is any remaining exposure with regard to the terminated self-insured health plan at September 30, 2010. Therefore, no accrual has been made as of September 30, 2010 for amounts to be paid for actual incurred but not reported (IBNR) claims.

FORT MYERS BEACH FIRE CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010

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NOTE L - RISK MANAGEMENT, CONTINUED

On April 1, 2010, the District elected to obtain a third party fully insured group health plan administered by the Lee County Board of County Commissioners. The District paid net premiums of \$449,948, during the year ended September 30, 2010. The District's group health insurance plan also includes life and disability insurance for the District's employees. The District incurred costs of \$37,901 for these additional coverages.

NOTE M - COMMITMENT

During the year ended September 30, 2010, the District's Board resolved to donate a surplus District vehicle to the District's CERT program. The CERT program is in the process of formally incorporating. Upon completion of incorporation process, the District intends to complete the vehicle transfer.

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

FORT MYERS BEACH FIRE CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND - SUMMARY STATEMENT
Year Ended September 30, 2010

	General Fund			
	Original	Final		Variance
	Budget	Budget	Actual	Favorable (Unfavorable)
REVENUES				
Ad Valorem taxes	\$ 7,952,556	\$ 7,952,556	\$ 8,161,860	\$ 209,304
Intergovernmental revenue				
Grants	-	-	-	-
F/F supplemental income	16,920	16,920	14,830	(2,090)
Charges for services - ambulance	615,000	755,500	756,434	934
Inspection fees	4,550	4,550	3,490	(1,060)
Interest income	22,600	22,600	68,927	46,327
Other income				
Donations	700	2,758	2,358	(400)
Miscellaneous	11,328	11,328	18,535	7,207
Subtotal - revenues	8,623,654	8,766,212	9,026,434	260,222
Cash brought forward	5,530,100	5,619,228	-	(5,619,228)
TOTAL REVENUES	14,153,754	14,385,440	9,026,434	(5,359,006)
EXPENDITURES				
Current				
Public Safety				
Personal services	7,502,672	7,746,660	7,621,991	124,669
Operating expenditures	1,692,937	1,610,275	1,501,875	108,400
Capital outlay	65,300	18,850	18,717	133
Debt service				
Principal reduction	15,050	16,840	16,840	-
Interest and fiscal charges	70,770	70,770	70,770	-
Designated reserves	4,809,025	4,924,045	-	4,924,045
TOTAL EXPENDITURES	14,155,754	14,387,440	9,230,193	5,157,247
EXCESS OF EXPENDITURES OVER REVENUES	(2,000)	(2,000)	(203,759)	(201,759)
OTHER FINANCING SOURCES				
Proceeds from disposition of capital assets	2,000	2,000	4,010	2,010
Transfer from capital projects fund	-	-	-	-
TOTAL OTHER FINANCING SOURCES	2,000	2,000	4,010	2,010
EXCESS OF EXPENDITURES OVER REVENUES AND OTHER FINANCING SOURCES	\$ -	\$ -	(199,749)	\$ (199,749)
FUND BALANCE, October 1, 2009			5,619,228	
FUND BALANCE, September 30, 2010			\$ 5,419,479	

The accompanying notes are an integral part of this statement.

FORT MYERS BEACH FIRE CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND - DETAILED STATEMENT
Year Ended September 30, 2010

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Ad Valorem taxes	\$ 7,952,556	\$ 7,952,556	\$ 8,161,860	\$ 209,304
Intergovernmental revenue				
Grants	-	-	-	-
F/F supplemental income	16,920	16,920	14,830	(2,090)
Charges for services - ambulance	615,000	755,500	756,434	934
Inspection fees	4,550	4,550	3,490	(1,060)
Interest income	22,600	22,600	68,927	46,327
Other income				
Donations	700	2,758	2,358	(400)
Miscellaneous	11,328	11,328	18,535	7,207
Subtotal - revenues	8,623,654	8,766,212	9,026,434	260,222
Cash brought forward	5,530,100	5,619,228	-	(5,619,228)
TOTAL REVENUES	14,153,754	14,385,440	9,026,434	(5,359,006)
EXPENDITURES				
Current				
Public Safety				
Personal Services				
Salaries				
Elected officials	30,000	30,210	30,210	-
Firefighters & administrative	4,644,900	4,886,540	4,777,124	109,416
Payroll taxes				
Social Security	353,100	349,850	347,695	2,155
Benefits				
PPL lump sum payments	63,100	12,600	10,601	1,999
Retirement	1,039,500	980,000	975,043	4,957
Group insurance	967,012	1,171,000	1,168,613	2,387
Unemployment	121,060	7,760	6,117	1,643
Occupational health	24,850	31,850	31,927	(77)
Workers compensation	166,250	179,250	177,061	2,189
VEBA trust contribution	92,900	97,600	97,600	-
SUBTOTAL - PERSONAL SERVICES	7,502,672	7,746,660	7,621,991	124,669
OPERATING				
Professional/Contracted Services				
Legal fees	110,000	110,000	100,855	9,145
Professional services	73,650	28,200	28,118	82
Medical director	40,000	40,000	40,000	-
Audit and accounting	45,000	45,000	43,940	1,060
Property appraiser	61,450	56,000	56,349	(349)
Tax collector	167,500	167,500	162,965	4,535
Contracted services	50,555	39,655	39,317	338
Subtotal - Prof/contracted services	548,155	486,355	471,544	14,811

The accompanying notes are an integral part of this statement.

FORT MYERS BEACH FIRE CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND - DETAILED STATEMENT, CONTINUED
Year Ended September 30, 2010

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
General Operations				
Travel	6,640	8,300	8,879	(579)
Telephone	35,160	36,810	35,530	1,280
Cellular/Pager	8,400	7,600	7,820	(220)
Communication fees & maintenance	52,850	36,600	34,118	2,482
Postage and freight	3,000	2,400	1,604	796
Cable	1,200	1,200	1,139	61
Water/sewer	6,900	10,900	9,157	1,743
Electricity & propane	45,300	45,300	39,307	5,993
Garbage	6,000	6,000	5,045	955
Liability insurance	205,000	196,000	190,209	5,791
Suppression maintenance	20,000	20,000	8,410	11,590
EMS equipment maintenance	2,200	4,700	4,592	108
Vehicle maintenance	70,800	67,300	49,650	17,650
Office equipment maintenance	5,000	6,000	6,320	(320)
Building maintenance	40,000	30,000	32,892	(2,892)
Legal advertising	5,000	5,000	4,918	82
Miscellaneous - operations	12,627	13,607	10,518	3,089
Fuel & oil	38,000	38,000	34,849	3,151
EMS supplies	110,000	95,000	90,290	4,710
Suppression equipment under \$1,000	40,240	2,240	1,249	991
Communication equipment under \$1,000	4,500	4,500	2,627	1,873
Rescue	2,175	2,175	44	2,131
Prevention	2,500	2,500	2,486	14
Training equipment	1,500	1,500	657	843
Office supplies	10,000	10,000	9,453	547
Janitorial supplies	9,000	10,090	8,357	1,733
Furniture and fixtures under \$1,000	16,500	16,500	17,107	(607)
Uniform expenses	9,950	14,950	7,693	7,257
Career development	-	-	-	-
Continuing education	22,300	23,600	15,872	7,728
Training- drills & exercise	3,550	4,100	1,140	2,960
License/certification	2,450	950	676	274
Dues and subscriptions	2,690	2,690	3,143	(453)
USAR support	15,200	15,200	12,964	2,236
CERT	5,000	7,058	5,459	1,599
Storm expenditures	10,000	10,000	1,604	8,396
Ambulance billing	25,400	33,400	35,191	(1,791)
Bad debts - ambulance	276,750	320,750	320,378	372
Community outreach programs	11,000	11,000	8,984	2,016
Special events	-	-	-	-
Subtotal - General operations	1,144,782	1,123,920	1,030,331	93,589
SUBTOTAL - OPERATING	1,692,937	1,610,275	1,501,875	108,400

The accompanying notes are an integral part of this statement.

FORT MYERS BEACH FIRE CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND - DETAILED STATEMENT, CONTINUED
Year Ended September 30, 2010

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
CAPITAL OUTLAY				
Renovations & improvements	-	-	-	-
Rolling equipment	-	-	-	-
Suppression, rescue & protective equipment	18,275	5,600	5,552	48
Medical equipment	40,350	13,250	13,165	85
Communication equipment	-	-	-	-
Prevention equipment	-	-	-	-
IT - hardware & software	6,675	-	-	-
Furniture, fixtures and office equipment	-	-	-	-
SUBTOTAL - CAPITAL OUTLAY	65,300	18,850	18,717	133
DEBT SERVICE				
Principal reduction	15,050	16,840	16,840	-
Interest and fiscal charges	70,770	70,770	70,770	-
SUBTOTAL - DEBT SERVICE	85,820	87,610	87,610	-
DESIGNATED RESERVES				
Emergency disaster operating	1,385,000	1,385,000	-	1,385,000
Operating	2,044,000	2,044,000	-	2,044,000
Economic stabilization	1,014,625	1,104,195	-	1,104,195
Building improvements - Station 31	50,000	50,000	-	50,000
Rolling Equipment	-	-	-	-
Equipment	263,400	340,850	-	340,850
Self-insured health insurance	52,000	-	-	-
SUBTOTAL - DESIGNATED RESERVES	4,809,025	4,924,045	-	4,924,045
TOTAL EXPENDITURES	14,155,754	14,387,440	9,230,193	5,157,247
EXCESS OF EXPENDITURES OVER REVENUES	(2,000)	(2,000)	(203,759)	(201,759)
OTHER FINANCING SOURCES				
Proceeds from disposition of capital assets	2,000	2,000	4,010	2,010
Transfer from capital projects fund	-	-	-	-
SUBTOTAL - OTHER FINANCING SOURCES	2,000	2,000	4,010	2,010
EXCESS OF EXPENDITURES OVER REVENUES AND OTHER FINANCING SOURCES	\$ -	\$ -	(199,749)	\$ (199,749)
FUND BALANCE, October 1, 2009			5,619,228	
FUND BALANCE, September 30, 2010			<u>\$ 5,419,479</u>	

The accompanying notes are an integral part of this statement.

FORT MYERS BEACH FIRE CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - IMPACT FEE FUND
Year Ended September 30, 2010

	Impact Fee Fund			
	Original	Final	Actual	Variance
	Budget	Budget		Favorable (Unfavorable)
REVENUES				
Fees				
Impact fees	\$ 2,500	\$ 67,787	\$ 67,787	\$ -
Miscellaneous				
Interest	<u>90</u>	<u>2,213</u>	<u>2,213</u>	<u>-</u>
Subtotal - revenues	2,590	70,000	70,000	-
Cash brought forward	<u>69,200</u>	-	-	-
TOTAL REVENUES	<u>71,790</u>	<u>70,000</u>	<u>70,000</u>	<u>-</u>
EXPENDITURES				
Current				
Public safety				
Capital outlay				
Debt service	<u>71,790</u>	<u>70,000</u>	<u>70,000</u>	<u>-</u>
TOTAL EXPENDITURES	<u>71,790</u>	<u>70,000</u>	<u>70,000</u>	<u>-</u>
EXCESS OF REVENUES OVER				
EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE - Beginning			-	
FUND BALANCE - Ending			<u>\$ -</u>	

The accompanying notes are an integral part of this statement.

**ADDITIONAL REPORTS OF
INDEPENDENT AUDITOR**



TUSCAN
 & Company, PA

Certified Public Accountants & Consultants

Affiliations

Florida Institute of Certified Public Accountants
 American Institute of Certified Public Accountants
 Private Companies Practice Section
 Tax Division

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

Board of Commissioners
 Fort Myers Beach Fire Control District
 100 Voorhis Street
 Fort Myers Beach, Florida 33931

We have audited the basic financial statements of Fort Myers Beach Fire Control District as of and for the year ended September 30, 2010, and have issued our report thereon dated December 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United

INTEGRITY SERVICE EXPERIENCE

States of America, such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected and corrected on a timely basis.

A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the basic financial statements will not be prevented or detected and corrected on a timely basis.

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

However, we noted certain other matters that we reported to management of Fort Myers Beach Fire Control District in our Report to Management dated December 10, 2010.

Compliance and Other Matters

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

We, however, noted certain other matters involving compliance that we reported to management of Fort Myers Beach Fire Control District in our Report to Management dated December 10, 2010.

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



TUSCAN & COMPANY, P.A.

Fort Myers, Florida

December 10, 2010



INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT

Board of Commissioners
Fort Myers Beach Fire Control District
100 Voorhis Street
Fort Myers Beach, Florida 33931

We have audited the basic financial statements of the Fort Myers Beach Fire Control District (the "District") as of and for the fiscal year ended September 30, 2010 and have issued our report thereon dated December 10, 2010. In connection with our audit, we are submitting the following comments and recommendations in accordance with Chapter 10.550 "Rules of the Auditor General - Local Governmental Entity Audits" (Revised September 30, 2010) Rule 10.557(3) and Section 218.39(4) of the Florida Statutes.

PRIOR YEAR COMMENTS THAT CONTINUE TO APPLY:

Prior Year Comments Appear to be Resolved

CURRENT YEAR COMMENTS:

1. **Credit Card Purchases Should Have the Account Charge Detail Report Authorization Attached**

During our audit we noted as part of the credit card testing, four out of the ten items tested did not have the Account Charge Detail Report Authorization attached. The use of this form is required by District policy adopted June 9, 2010.

We recommend that the Account Charge Detail Report Authorization is attached to all credit card purchases.

2. **Capital Asset Deletions Should Be Pre-Approved by Board**

During our audit we noted that certain capital asset deletions were not approved for disposition prior to their removal from the District's listing. Chapter 274.07, F.S. requires the authority for the disposal of capital assets be recorded in the minutes of the District.

We recommend the District Board ratify the prior fixed asset deletions that were not properly approved for disposal. We also recommend the District develop and adhere to procedures for the acquisition, tracking, and disposal of all capital assets of the District in the future.

We further noted the asset was retro-actively approved by the Board for deletion.

We have included in this letter all comments which came to our attention during the course of our audit regarding Items 1 through 7, as applicable, of the "Rules of the Auditor General-Local Governmental Entity Audits," Rule 10.554, Section (1)(i). In regard to Item 2, we represent that the Fort Myers Beach Fire Control District has complied with Florida Statute 218.415 regarding investment of public funds. In regard to Item 7(a), nothing came to our attention to cause us to believe that at any time during the year the Fort Myers Beach Fire Control District met any of the criteria for being in a state of financial emergency as defined in Florida Statute 218.503(1). In regard to item 7(c)(1), we applied financial condition assessment procedures pursuant to Rule 10.556(7) and noted certain unfavorable indicators based upon the results of the financial condition assessment tools provided by the Auditor General. The unfavorable indicators appear to be the result of a declining fund balance during the two (2) preceding years. The declining fund balance and related cash balances is the result of the budgeted use of accumulated reserves for construction of Stations #32 and #33. As such, we do not believe the District to be in a state of financial emergency as a consequence of conditions described in Section 218.503(1) of the Florida Statutes. Additionally, in regard to Item 7(b), we represent that the financial report filed with the Department of Financial Services, pursuant to Florida Statute 218.32(1)(a), is in agreement with the annual financial audit report for the same period.

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

A handwritten signature in cursive script that reads "Tuscany & Company, P.A." The signature is written in black ink and is positioned above the typed name of the firm.

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
December 10, 2010

EXHIBIT



Established 1949

BOARD OF COMMISSIONERS

Carol Morris
Chairwoman

Theodore R. Schindler II
Vice-Chairman

David S. Brower
Sec./Treas.

John Scanlon
Fire Commissioner

Betty Goodacre
Fire Commissioner

FIRE CHIEF

Mike Becker

Fort Myers Beach Fire Control District

100 Voorhis Street • Fort Myers Beach, Florida 33931
Mailing Address: PO Box 2880 • Fort Myers Beach, Florida 33932

January 10, 2011

David W. Martin, CPA
Florida Auditor General
Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

MANAGEMENTS RESPONSE TO THE INDEPENDENT AUDITOR'S REPORT

We have reviewed the comments and recommendations presented by the independent auditors as part of the District's annual audit for fiscal year ended September 30, 2010 and submit the following responses:

1. Credit Card Purchases Should Have the Account Charge Detail Report Authorization Attached

The District implemented an SOG (standard operating guideline) mid-year for the purpose of gathering greater detail for District credit card charges and establishing guidelines for usage. Certain charges did not have the required form but did contain most of the required information within the receipt documentation. Management will take extra measures to ensure the form is properly completed for each credit card charge.

2. Capital Asset Deletions Should Be Pre-Approved by Board

The Board previously discussed the disposition of the vehicle that resulted in this management comment but no official action was placed into record. The intent was to sell the vehicle prior to the end of the fiscal year to capitalize on insurance savings. The absence of official Board action was discovered subsequent to the sale of the vehicle. This was an administrative oversight and was rectified at the next regularly scheduled public meeting.

The District would like to thank Tuscan & Company, PA for the professional and proficient manner in which the audit was conducted.

Sincerely,

Michael Becker
Fire Chief

"Providing Tomorrows Quality Service Today"
Phone (239) 590-4200 • FAX (239) 463-6761