

**BAYSHORE FIRE PROTECTION
AND RESCUE SERVICE DISTRICT**

SEPTEMBER 30, 2011

FINANCIAL STATEMENTS

TOGETHER WITH REPORTS OF INDEPENDENT AUDITORS

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Independent Auditor's Report

Honorable Board of Commissioners
Bayshore Fire Protection and Rescue Service District
North Fort Myers, Florida

We have audited the accompanying financial statements of the Bayshore Fire Protection and Rescue Service District (the "District"), Florida, as of and for the year ended September 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of September 30, 2011, 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 13, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the District taken as a whole. The Management's Discussion and Analysis and the required supplementary information are not required parts of the financial statements but are 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 supplementary information. The Management's Discussion and Analysis has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Ashley Brown & Co.

December 13, 2011

Bayshore Fire Protection and Rescue Service District
Management's Discussion and Analysis
September 30, 2011

As management of the Bayshore Fire & Rescue District (the "District"), we offer readers of the District's financial statement this narrative overview and analysis of the District's financial activities for the fiscal year ended September 30, 2011. Please note that comparative information is provided for fiscal years 2010-2011.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the 2011 fiscal year by \$1,344,957 (net assets). Of this amount \$448,061 (unrestricted net assets) may be used to meet the District's ongoing obligations to property owners and creditors.
- The District's net assets increased by \$34,824. This increase is attributable to the District's revenues exceeding its expenditures due to receiving significant amounts of grant funding.
- As of the close of the 2011 fiscal year the District reported an ending fund balance of \$459,997, an increase of \$3,852 in comparison with the prior year. \$459,997 of this amount is available for spending at the District's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government wide financial statements are designed to provide readers with a broad overview of the District's finances, using accounting methods similar to a private sector business. These statements include all assets and liabilities on the accrual basis of accounting. All current year revenues and expense are taken into account regardless of when the cash is received or paid.

Fund Financial Statements

The fund financial statements are used to ensure and demonstrate compliance with finance-related legal requirements.

Bayshore Fire Protection and Rescue Service District
Management's Discussion and Analysis
September 30, 2011

Notes to the Financial Statements

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

GOVERNMENT WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the District's case, assets exceeded liabilities by \$1,344,957, as of September 30, 2011.

The District's capital assets represent investments in land, buildings and improvements and equipment. The District uses these capital assets to provide services to its citizens and property owners, consequently, these assets are not available for future spending. The District's investment in its capital assets is reported net of related debt.

The unrestricted category of net assets, with a balance of \$448,061 at year end, may be used to meet the District's ongoing obligations to citizens and creditors and is shown in the following schedule:

	Government Activities	
	<u>2011</u>	<u>2010</u>
ASSETS		
Cash	\$ 454,764	\$ 461,441
Other Current Assets	35,681	42,258
Capital assets	1,004,214	1,078,676
Total Assets	<u>1,494,659</u>	<u>1,582,375</u>
LIABILITIES		
Current liabilities	55,379	71,317
Long-term liabilities	94,323	200,925
Total Liabilities	<u>149,702</u>	<u>272,242</u>
NET ASSETS		
Capital Assets net of related debt	896,896	947,595
Restricted for Impact Fee	-	1,077
Unrestricted	448,061	361,461
Total Net Assets	<u>\$ 1,344,957</u>	<u>\$ 1,310,133</u>

Bayshore Fire Protection and Rescue Service District
Management's Discussion and Analysis
September 30, 2011

At the end of the fiscal year, the District is able to report positive balances in all of its categories of net assets. The District's net assets increased by \$34,824 during the current fiscal year. This is largely due receiving grant funding to maintain the same level of services.

Governmental activities As the District has no business-type activities, governmental activities were responsible for increasing the District's net assets. The increase is primarily attributed to a receiving nearly \$250,000 in grant funding.

Bayshore Fire & Rescue District's Change in Net Assets

	<u>2011</u>	<u>2010</u>
REVENUES		
Property Assessments	\$ 1,126,213	\$ 1,264,075
Grant Revenue	247,088	-
Impact Fees	760	2,245
Interest	5,540	9,694
Other	<u>51,285</u>	<u>64,317</u>
 Total Revenue	 1,430,886	 1,340,331
EXPENSES		
Personnel Services	1,093,943	1,242,036
Materials & Supplies	197,969	186,550
Interest & Depreciation	<u>104,150</u>	<u>129,677</u>
 Total Expenses	 1,396,062	 1,558,263
 Change in Net Assets	 34,824	 (217,932)
 Net Assets – beginning	 <u>1,310,133</u>	 <u>1,528,065</u>
 Net Assets – ending	 <u><u>\$ 1,344,957</u></u>	 <u><u>\$ 1,310,133</u></u>

Bayshore Fire Protection and Rescue Service District
Management's Discussion and Analysis
September 30, 2011

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$486,838. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total expenditures. Unreserved fund balance represents 34% of total expenditures.

Fund balance increased \$3,852 during the current fiscal year. Key factors in this increase are as follows:

- The District Board of Commissioners elected to maintain the same mileage rate from fiscal year 2010 which was \$0.035. Despite continual decrease in property values, the District received nearly \$250,000 in grant funding to offset the reduction in order to maintain the same level of service.

General Fund Budgetary Highlights

An annual budget is legally adopted and was amended once in 2011 in order to adjust for differences between initially projected beginning fund balances as compared to prior year ending actual amounts and the grant funding that was received.

Bayshore Fire Protection and Rescue Service District
Management's Discussion and Analysis
September 30, 2011

Fiscal Year 2010 Budget – Governmental Fund

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Total Revenue	\$ 1,263,737	\$ 1,329,331	\$ 65,594
Total Expenditures	<u>1,512,147</u>	<u>1,447,609</u>	<u>64,538</u>
Net Change In Fund Balance	<u>\$ (248,410)</u>	<u>\$ (118,278)</u>	<u>\$ 130,132</u>

Fiscal Year 2011 Budget – Governmental Funds

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Total Revenue	\$ 1,420,787	\$ 1,430,886	\$ 10,099
Total Expenditures	<u>1,485,511</u>	<u>1,427,034</u>	<u>58,477</u>
Net Change In Fund Balance	<u>\$ (64,724)</u>	<u>\$ 3,852</u>	<u>\$ 68,576</u>

Capital Assets

At the end of 2011, the District's investment in capital assets for its governmental activities was \$1,004,214 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements and equipment.

	<u>2011</u>	<u>2010</u>
Land	\$ 35,918	\$ 35,918
Building & Vehicles	1,491,522	1,483,802
Equipment	<u>264,987</u>	<u>250,912</u>
Total Capital Assets	1,792,427	1,770,632
Less Accumulated Depreciation	<u>(788,213)</u>	<u>(691,956)</u>
Total Capital Assets, Net	<u>\$ 1,004,214</u>	<u>\$ 1,078,676</u>

The changes are due to the purchase of additional capital assets during the current year as well as dispositions of obsolete office equipment. Depreciation expense for the years ended September 30, 2011 and 2010 was \$97,708 and \$96,143, respectively.

Additional information on the District's capital assets can be found in Note 3 on page 19 of this report.

Bayshore Fire Protection and Rescue Service District
Management's Discussion and Analysis
September 30, 2011

NON-CURRENT LIABILITIES

At the end of fiscal year 2011, the District had total noncurrent liabilities consisting of other post-employment benefits of \$11,936 and a capital lease with a balance of \$107,318, totaling \$119,254.

More detailed information about the District's noncurrent liabilities can be found in Note 4 on page 19 of this report.

ECONOMIC FACTORS

The District's Board of Commissioners approved a budget maintaining the current mil rate of \$.035 which is estimated to result in a reduction of ad-valorem revenues of approximately \$100,000.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for the District's residents and creditors. Questions concerning this report or requests for additional financial information should be directed to:

Chief Lawrence Nisbet III
17350 Nalle Road
North Fort Myers, FL 33917

Bayshore Fire Protection and Rescue Service District
Statement of Net Assets
September 30, 2011

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 454,764
Due from other governments	10,403
Prepaid expenses	25,278
Total current assets	<u>490,445</u>
Noncurrent assets:	
Capital assets:	
Land	35,918
Buildings and improvements	652,571
Vehicles	838,951
Fire Equipment	125,378
Radio Equipment	62,599
Station Equipment	50,416
Medical Equipment	8,759
Office equipment	17,835
Less accumulated depreciation	<u>(788,213)</u>
Total noncurrent assets (net)	<u>1,004,214</u>
Total assets	<u>1,494,659</u>
LIABILITIES	
Current liabilities:	
Accounts payable	2,966
Accrued payroll and related liabilities	27,482
Current portion of note payable	24,931
Total current liabilities	<u>55,379</u>
Noncurrent liabilities:	
Other post-employment benefits liability	11,936
Note payable, net of current portion	82,387
Total noncurrent liabilities	<u>94,323</u>
Total liabilities	<u>149,702</u>
NET ASSETS	
Invested in capital assets, net of related debt	896,896
Unrestricted	448,061
Total net assets	<u>\$ 1,344,957</u>

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

Bayshore Fire Protection and Rescue Service District
Statement of Activities
For the fiscal year ended September 30, 2011

Function	Expenses	Program Revenues		Net Expenses and Changes in Net Assets
		Charges for Services	Operating Grants	
Public safety	\$ 1,396,062	\$ 37,238	\$ 247,088	\$ (1,111,736)

General Revenues:

Ad valorem taxes	1,125,452
Intergovernmental	1,920
Interest	5,540
Miscellaneous	13,648
Total general revenues	1,146,560
Change in net assets	34,824
Net assets - beginning	1,310,133
Net assets - ending	\$ 1,344,957

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

**Bayshore Fire Protection and Rescue Service District
Balance Sheet
September 30, 2011**

	<u>General Fund</u>	<u>Impact Fee Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 454,665	\$ 99	\$ 454,764
Due from other funds	27,700	-	27,700
Due from other governments	9,643	760	10,403
Prepaid expenses	25,278	-	25,278
Total assets	<u>\$ 517,286</u>	<u>\$ 859</u>	<u>\$ 518,145</u>

LIABILITIES & FUND BALANCE

Liabilities

Accounts payable	\$ 2,966	\$ -	\$ 2,966
Due to other funds	-	27,700	27,700
Accrued payroll and related liabilities	27,482	-	27,482
Total liabilities	<u>30,448</u>	<u>27,700</u>	<u>58,148</u>

Fund Balances

Nonspendable - Prepaid expenses	25,278		25,278
Spendable:			
Unassigned	461,560	-	461,560
Restricted	-	(26,841)	(26,841)
Total fund balances	<u>486,838</u>	<u>(26,841)</u>	<u>459,997</u>
Total liabilities and fund balances	<u>\$ 517,286</u>	<u>\$ 859</u>	<u>\$ 518,145</u>

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

**Bayshore Fire Protection and Rescue Service District
 Reconciliation of the Balance Sheet
 To the Statement of Net Assets
 September 30, 2011**

Fund Balance		\$	459,997
Capital assets used in governmental activities are not financial resources and are therefore not reported on the balance sheet			1,004,214
Long-term liabilities are not due and payable in the current period and, therefore, are not reported on the balance sheet			
Post employment benefits	\$	(11,936)	
Capital lease		(107,318)	(119,254)
		<u> </u>	<u> </u>
Net Assets		\$	<u><u>1,344,957</u></u>

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

**Bayshore Fire Protection and Rescue Service District
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the fiscal year ended September 30, 2011**

	General Fund	Impact Fee Fund	Total
Revenues:			
Ad Valorem taxes	\$ 1,125,452	\$ -	\$ 1,125,452
Charges for Services	37,238	-	37,238
Impact fees	-	1,521	1,521
Intergovernmental revenues	249,008	-	249,008
Miscellaneous	17,667	-	17,667
Total revenues	1,429,365	1,521	1,430,886
Expenditures:			
Current			
Public safety			
Personal services	1,175,614	-	1,175,614
Operating expenditures	198,550	-	198,550
Debt Service			
Principal	-	23,763	23,763
Interest	-	6,442	6,442
Capital outlay	22,665	-	22,665
Total expenditures	1,396,829	30,205	1,427,034
Excess of expenditures over (under) revenues	32,536	(28,684)	3,852
Other financing sources (uses)			
Transfers from other funds	-	1,843	1,843
Transfers to other funds	(1,843)	-	(1,843)
Total other financing uses (sources)	(1,843)	1,843	-
Net change in fund balances	30,693	(26,841)	3,852
Fund balance, October 1, 2010	456,145	-	456,145
Fund balance, September 30, 2011	\$ 486,838	\$ (26,841)	\$ 459,997

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

**Bayshore Fire Protection and Rescue Service District
 Reconciliation of the Statement of Revenues,
 Expenditures and Changes in Fund Balance to the
 Statement of Activities
 For the fiscal year ended September 30, 2011**

Net change in fund balance \$ 3,852

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. In addition, gains and losses on the disposition of fixed assets are recorded on the statement of activities, however, they are not reported on the statement of revenues expenditures and changes in net assets. Finally, donated fixed assets are recognized as revenue on the statement of activities, however, they are excluded from the statement of revenues, expenditures and changes in fund balance as no funds were received or expended. These amounts are as follows:

Depreciation expense	(97,127)	
Capital outlay expenditure	<u>22,665</u>	
		(74,462)

Increase in long-term liabilities are reported as expenditures in the Statement of Activities and excluded on the Statement of Revenues, Expenditures and Changes in Fund Balance. These amounts are as follows:

Decrease in compensated absences	81,671	
		81,671

The repayment of the principal of long-term debt is an expenditure in the Statement of Revenues, Expenditures and Changes in Fund Balance, but reduces long-term liabilities in the Statement of Net Assets.

23,763

Change in net assets \$ 34,824

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

Bayshore Fire Protection and Rescue Service District

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

The following is a summary of the more significant accounting policies of the District:

Defining the Governmental Reporting Entity: The Bayshore Fire Protection and Rescue Service District (the "District") is a local governmental unit created by the State of Florida Legislature under Chapter 76-414, Laws of Florida, as amended in 2003 HB 1257, to provide fire protection and rescue services to a certain prescribed area in North Fort Myers, Florida. The District is funded primarily by property taxes and is operated by a five-person Board of Commissioners (the "Commissioners")

The District has adopted Governmental Accounting Standards Board (GASB) *Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*. Statement 34 establishes standards for external financial reporting for all state and local governmental entities. This statement requires the financial statements of the District (the primary government) to include its component units, if any. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. Based on the criteria established in GASB 14, there are no component units included in the District's financial statements.

Fund Accounting: 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, revenues and expenditures, as appropriate. Government resources are allocated to, and accounted for in individual funds, based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following governmental funds are utilized by the District:

General Fund - The General Fund is the general operating fund of the District. All financial resources which are not specifically restricted or designated as to use are recorded in the General Fund. At present, the District utilizes only one fund.

Impact Fee Fund - The Impact Fee Fund is used to account for the collection of impact fees which are collected on the District's behalf by Lee County, Florida and the expenditure of funds for qualified purposes. The most recent uses of impact fee funds has been for the repayment of a capital lease for the acquisition of a water tanker truck in 2008.

Basic Financial Statements: The basic financial statements include a Statement of Net Assets, Statement of Activities, Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance. The Statement of Net Assets is presented in a net assets format (assets less liabilities equal net assets) and shown with three components: amounts invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Statement of Activities reports functional categories of programs by the District and demonstrates how and to what degree those programs are supported by specific revenue.

**Bayshore Fire Protection and Rescue Service District
Notes to Financial Statements**

1. Summary of Significant Accounting Policies, continued

Measurement Focus:

Governmental Fund Type - The General Fund is accounted for on a "spending" or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. Accordingly, the reported undesignated fund balance (net current assets) is considered a measure of available, spendable or appropriable resources. Governmental Fund Type operating statements present increases (revenue) and decreases (expenditures) in net current assets.

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

The District complies with accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Capital Assets: Capital assets include property, plant, equipment, and infrastructure assets. Infrastructure assets are defined as public domain fixed assets such as roads, bridges, curbs and gutters, streets and sidewalks, and similar assets that are immovable and of value only to the governmental unit. Capital assets are reported in the basic financial statements in the applicable governmental column. The threshold for capitalizing property, plant, and equipment is \$1,000. Capital assets are recorded at cost, or estimated historical cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. The ranges of the useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements	40
Equipment	5 - 20

Depreciation on fixed assets acquired through contributions is recorded as an expense and transferred from retained earnings as a reduction of contributed capital. The cost of assets retired or sold, together with the related accumulated depreciation, is removed from the accounts and any gain or loss on disposition is credited or charged to earnings.

Bayshore Fire Protection and Rescue Service District

Notes to Financial Statements

1. Summary of Significant Accounting Policies, continued

Budgets and Budgetary Accounting: The following procedures are used by the District in establishing the budgetary data reflected in the basic financial statements:

1. During the summer, the Chief submits to the Board of Commissioners for their consideration a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is adopted through a resolution by the Board of Commissioners.
4. Budget transfers and amendments can be made throughout the year by approval of the Board of Commissioners.
5. Budget amounts, as shown in the Required Supplementary Information are as originally adopted, or as amended by the Board of Commissioners.
6. The budget for the Governmental Fund Type is adopted on a cash basis, which is inconsistent with accounting principles generally accepted in the United States.
7. The level of control for appropriations is exercised at the activity level.

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 it is, at present, not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

The District has adopted GASB Statement Number 16, "*Accounting for Compensated Absences.*" This statement requires the compensated absences liability generally to be measured using the pay or salary rates in effect at the balance sheet date. It also requires additional amounts to be accrued for certain salary-related payments associated with the payment of compensated absences.

Bayshore Fire Protection and Rescue Service District Notes to Financial Statements

2. Cash and Investments:

At September 30, 2011, the carrying amount of the District's deposits was \$ 454,764 and the bank balance was \$457,474. These deposits were entirely covered by Federal Depository Insurance or by collateral pursuant to the Florida Security For Public Deposits Act (Florida Statutes Chapter 280). Florida Statutes authorize investments in certificates of deposit, savings accounts, repurchase agreements, the Local Government Surplus Funds Trust Fund administered by the Florida State Board of Administration, obligations of the U.S. Government and government agencies unconditionally guaranteed by the U.S. Government.

The District is a participant in the State of Florida, State Board of Administration (SBA) Fund B Surplus Funds Trust Fund whereby the District owns a share of the respective pool, not the underlying securities. In March 1997, GASB issued Statement 31, titled "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." GASB 31 applies to the Fund B. GASB 31 outlines the two options for accounting and reporting for money market investment pools as either "2a-7 like" or fluctuating net asset value ("NAV"). Fund B does not meet the requirements of a SEC 2a-7 like fund; therefore, SBA has provided a Fair Value factor as of June 30, 2011 of 0.78965331. The calculation as well as other information is available at the SBA's website at www.sbafla.com.

Due to the nature of the securities in Fund B, the interest rate risk information required by GASB 40 is not available.

The Fund B is not rated by any nationally recognized statistical rating agency, therefore, credit quality is unknown. However, an estimate of weighted average life (WAL) is available. In the calculation of WAL, the time at which an expected principal amount is to be received (measured in years) is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL of Fund B at June 30, 2011, is estimated to at 7.16 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

**Bayshore Fire Protection and Rescue Service District
Notes to Financial Statements**

3. Changes in General Fixed Assets:

A summary of changes in general fixed assets follows:

	Balance Oct. 1, 2010	Additions	Deletions	Balance Sept. 30, 2011
Land	\$ 35,918	\$ -	\$ -	\$ 35,918
Buildings and improvements	644,852	7,719	-	652,571
Vehicles	838,951	-	-	838,951
Fire equipment	120,260	5,118	-	125,378
Radio equipment	61,854	745	-	62,599
Station equipment	43,809	6,607	-	50,416
Medical equipment	8,759	-	-	8,759
Office equipment	16,230	3,205	1,600	17,835
	<u>1,770,633</u>	<u>23,394</u>	<u>1,600</u>	<u>1,792,427</u>
Less: Accumulated depreciation	<u>(691,956)</u>	<u>(97,708)</u>	<u>(1,451)</u>	<u>(788,213)</u>
Capital Assets, Net	<u>\$ 1,078,677</u>	<u>\$ (74,314)</u>	<u>\$ (149)</u>	<u>\$ 1,004,214</u>

4. Long-Term Debt:

The District leases a vehicle under a capital lease. The lease payments include a monthly interest payment based on 2.75% per annum and are collateralized by the vehicle. The lease matures on March 30, 2015. The remaining payments as of September 30, 2011 are as follows:

Year ending September 30,	
2012	\$ 30,205
2013	30,205
2014	30,205
2015	<u>30,205</u>
Total payments	120,820
Less: amount representing interest	<u>(13,502)</u>
Principal balance	<u>\$ 107,318</u>

The following is a summary of changes in the District's long-term debt for the year ended September 30, 2011:

	Balance Oct 1, 2010	Additions	Reductions	Balance Sept 30, 2011
Capital lease	\$ 131,081	\$ -	\$ 23,763	\$ 107,318
Post employment benefits	11,936	-	-	11,936
Compensated absences	81,671	-	81,671	-
Total	<u>\$ 224,688</u>	<u>\$ -</u>	<u>\$ 105,434</u>	<u>\$ 119,254</u>

Bayshore Fire Protection and Rescue Service District

Notes to Financial Statements

5. Property Taxes:

Property taxes are levied on November 1 of each year, and are due and payable upon receipt of the notice of levy. The Lee County, Florida, Tax Collector's office bills and collects property taxes on behalf of the District. The tax rate levied upon the taxable property in the district for the fiscal year ended September 30, 2011 was \$0.035 per \$1,000 of assessed taxable property value. Property tax revenue is recognized currently in the fiscal year for which the taxes are levied. On April 1 of each year, unpaid taxes become a lien on the property. The past due tax certificates are sold at public auction prior to June 1, and the proceeds thus collected are remitted to the District.

6. Retirement Plan:

Plan Description

The District contributes to the Florida Retirement System (System), a cost-sharing multiple-employer PERS defined benefit plan controlled by the State Legislature and administered by the Florida Department of Administration, Division of Retirement. The System provides retirement and disability benefits, annual cost-of-living adjustments, a health insurance subsidy, and survivor benefits to plan members and beneficiaries, respectively. The System was established in 1970 by Chapter 121, Florida Statutes. Changes to the law can be made only by an act of the Florida Legislature. Rules governing the operations and administration of the System may be found in Chapter 60S of the Florida Administrative Code. The Florida Retirement System Annual Report is a document printed for members of the Legislature and the public, reflecting the financial operation and condition of the state-administered retirement systems. The publication contains financial statements, actuarial comments, investment information, and statistical data on the System. A copy can be obtained by writing to Division of Retirement, Research, Education, & Policy Section, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560.

Funding Policy

Effective July 1, 2011, the System began to require 3% of covered payroll contributions from members. The District is required to contribute at an actuarially determined rate. The current rates, based on employees' gross earnings, are: regular employees, 4.91%, special risk, 14.10%, and senior management, 6.27%. The contribution requirements of the District are established and may be amended by the State Legislature. The District's contributions to the System for the fiscal year ended September 30, 2011 were \$164,246, equal to the required contributions.

7. Commitments and Contingencies:

The Board purchases liability and casualty insurance coverage from commercial carriers with coverage's and deductibles in amounts that the Board feels is adequate.

Bayshore Fire Protection and Rescue Service District
Notes to Financial Statements

8. Other Post Employment Benefits:

Plan Description

In addition to providing the retirement benefits described in Note 7, the District is required to allow retirees to purchase health, life, vision and dental benefits, in accordance with state statutes. To be eligible for this benefit, the employee must retire from the District, have no break between his/her active employment and retirement, and be collecting retirement benefits from the Florida Retirement System. The retirees pay all premiums for the coverage elected.

In order to comply with the requirements of *GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, the District contracted with a third party to provide a valuation using the Alternative Measurement Method, as prescribed under GASB No. 45. The date of the actuarial valuation was October 1, 2010.

The postemployment insurance benefits will continue to be offered on a pay-as-you-go basis with no premium subsidy for retirees. As required by Florida Statute 112.08011, the claims experience of the retirees is co-mingled with that of the active employees in determining the insurance plan costs. In accordance with GASB 45, the co-mingling of claims requirement equates to an implicit subsidy to retirees that creates an OPEB liability on the part of the District. Therefore, the District will incur a liability beginning this fiscal year for the implicit rate subsidy as the District implements GASB 45. The District does not intend to fund the actuarial accrued liability.

The District's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB 45. In the year of implementation, the net OPEB Obligation and the ARC are the same amount. The calculation produced an unfunded obligation of \$11,936 and an ARC as 1.6% of average projected payroll. The following table shows the components of the District's OPEB cost for the year, the amount contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution (ARC)	\$	-
Interest on net OPEB obligation		-
Adjustment to ARC		-
Annual OPEB cost		<hr/> -
Estimated net contributions made		<hr/> -
Increase in net OPEB obligation		-
Net OPEB obligation - beginning of year		11,936
Net OPEB obligation - end of year	\$	<hr/> <hr/> 11,936

**Bayshore Fire Protection and Rescue Service District
Notes to Financial Statements**

8. Other Post Employment Benefits, continued:

Plan Description, continued:

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year are as follows:

<u>Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Cost Obligation</u>
9/30/10	\$ 14,186	15.9%	\$ 11,936
9/30/11	14,186	15.9%	11,936

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

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 the 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.

Membership

At September 30, 2011, membership consisted of:

Active Employees	14
Current Retirees with Medical Coverage	-
Covered Spouses	-
	<hr/>
TOTAL	<hr/> <hr/> 14

SUPPLEMENTARY INFORMATION

Bayshore Fire Protection and Rescue Service District
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Governmental Funds
For the fiscal year ended September 30, 2011

	Original Budget	Final Budget	Actual	Variance from Final Budget positive (negative)
Revenues:				
Ad Valorem taxes	\$ 1,113,711	\$ 1,113,711	\$ 1,125,452	\$ 11,741
Charges for services	35,100	35,100	37,238	2,138
Impact Fees	-	760	1,521	761
Intergovernmental revenues	177,091	249,008	249,008	-
Interest	5,000	5,279	5,540	261
Miscellaneous	-	16,929	12,127	(4,802)
Total revenues	<u>1,330,902</u>	<u>1,420,787</u>	<u>1,430,886</u>	<u>10,099</u>
Expenditures:				
Current				
Public safety				
Personal services	1,189,713	1,180,000	1,175,614	4,386
Operating	166,781	252,641	198,550	54,091
Capital outlay	8,927	22,665	22,665	-
Debt Service	30,205	30,205	30,205	-
Total expenditures	<u>1,395,626</u>	<u>1,485,511</u>	<u>1,427,034</u>	<u>58,477</u>
Excess of expenditures over revenues	(64,724)	(64,724)	3,852	68,576
Fund balance, October 1, 2010	336,214	336,214	456,145	119,931
Fund balance, September 30, 2011	<u>\$ 271,490</u>	<u>\$ 271,490</u>	<u>\$ 459,997</u>	<u>\$ 188,507</u>

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Board of Commissioners
Bayshore Fire Protection and Rescue Service District
North Fort Myers, Florida

We have audited the financial statements of Bayshore Fire Protection and Rescue Service District (the "District") as of and for the year ended September 30, 2011, and have issued our report thereon dated December 13, 2011. We conducted our audit in accordance 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 the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Commissioners of Bayshore Fire Protection and Rescue Service District, Florida, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a public record and its distribution is not limited.

Orlley Brown & Co.

December 13, 2011

Management Letter

Honorable Board of Commissioners
Bayshore Fire Protection and Rescue Service District
North Fort Myers, Florida

We have audited the financial statements of Bayshore Fire Protection and Rescue Service District, Florida, (the "District"), as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated December 13, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters which is dated December 13, 2011, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. Such information is disclosed in the notes to the financial statements.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the District for the fiscal year ended September 30, 2011, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial report for the fiscal year ended September 30, 2011. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Ashley Brown & Co.

December 13, 2011



**BAYSHORE FIRE PROTECTION AND RESCUE
SERVICE DISTRICT**

17350 Nalle Road, North Fort Myers, Florida 33917

Business: 239-543-3443 Fax: 239-543-7075

"Serving With Pride"

December 14, 2011

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

Dear Sir or Madam;

The completed annual audit report for the fiscal year ending September 30, 2011 for the Bayshore Fire Protection and Rescue Service District was accepted by the Board of Commissioners at the general meeting on December 13, 2011. The management letter contained no comments.

Sincerely,

Lawrence W. Nisbet, III, E.F.O.
Fire Chief