

**BAYSHORE FIRE PROTECTION  
AND RESCUE SERVICE DISTRICT**

**SEPTEMBER 30, 2013**

**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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities of the Bayshore Fire Protection and Rescue Service District, (the "District") as of and for the fiscal year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the District as of September 30, 2013, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters - Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

### *Other Reporting Required by Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated March 11, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Punta Gorda, Florida  
March 11, 2014

*Ashley, Brewer & Co.*

MANAGEMENT'S  
DISCUSSION & ANALYSIS

Bayshore Fire Protection and Rescue Service District  
Management's Discussion and Analysis  
September 30, 2013

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, 2013. Please note that comparative information is provided for fiscal years 2012-2013.

**FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded its liabilities at the close of the 2013 fiscal year by \$1,280,897 (net assets). Of this amount \$500,386 (unrestricted net assets) may be used to meet the District's ongoing obligations to property owners and creditors.
- The District's net assets decreased by \$73,705. This decrease is attributable to the District's decision to keep ad-valorem taxes as low as possible and still maintain adequate levels of service.
- As of the close of the 2013 fiscal year the District reported an ending fund balance of \$525,055, a decrease of \$32,320 in comparison with the prior year. \$631,822 of this amount is available for spending at the District's discretion, however, it should be noted that of this amount \$3,548 is presently inaccessible in the form of assets in the State Board of Administration frozen Fund B. In addition, \$111,064 is inaccessible in the form of a receivable from the Impact Fund.

**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, 2013

**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 \$1,280,897, as of September 30, 2013.

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 \$500,386 at year end, may be used to meet the District's ongoing obligations to citizens and creditors and is shown in the following schedule:

	<b>Government Activities</b>	
	2013	2012
<b>ASSETS</b>		
Cash	\$ 546,919	\$ 514,571
Other current assets	21,183	85,980
Capital assets	1,027,628	1,102,250
Total assets	\$ 1,595,730	\$ 1,702,801
 <b>LIABILITIES</b>		
Current liabilities	\$ 89,869	\$ 89,146
Noncurrent liabilities	224,964	259,053
Total liabilities	314,833	348,199
 <b>NET ASSETS</b>		
Capital assets, net of related debt	780,511	809,163
Unrestricted	500,386	545,439
Total net assets	\$ 1,280,897	\$ 1,354,602

Bayshore Fire Protection and Rescue Service District  
Management's Discussion and Analysis  
September 30, 2013

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 decreased by \$73,705 during the current fiscal year. This is largely due to the District keeping ad-valorem taxes as low as possible while maintaining adequate levels of service.

**Governmental activities**

As the District has no business-type activities, governmental activities were responsible for increasing the District's net assets.

Bayshore Fire & Rescue District's Change in Net Assets

	2013	2012
<b>REVENUES</b>		
Property assessments	\$ 1,056,962	\$ 1,040,990
Intergovernmental / grant revenue	335,595	445,057
Impact fees	948	760
Interest	453	731
Other	74,850	79,073
Total revenues	1,468,808	1,566,611
<b>EXPENSES</b>		
Personal services	1,242,673	1,237,028
Materials & supplies	169,453	179,273
Interest & depreciation	130,387	140,665
Total expenses	1,542,513	1,556,966
Change in net assets	(73,705)	9,645
Net assets - beginning	1,354,602	1,344,957
Total net assets	\$ 1,280,897	\$ 1,354,602

**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.

Bayshore Fire Protection and Rescue Service District  
 Management's Discussion and Analysis  
 September 30, 2013

**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 \$631,822. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total expenditures. Unassigned fund balance represents 42% of total expenditures.

Fund balance decreased \$32,320 during the current fiscal year. Key factors in this decrease is as follows:

- The District Board of Commissioners elected to maintain the same mileage rate from fiscal year 2012 which was \$0.035. In addition to a slight increase in property values, the District received nearly \$450,000 in grant funding enabling the District to maintain the same level of service as in prior years.

**General Fund Budgetary Highlights**

An annual budget is legally adopted and was amended once in 2013 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.

**Fiscal Year 2013 Budget - Governmental Fund**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Total revenue	\$ 1,446,245	\$ 1,464,225	\$ 17,980
Total expenditures	1,496,516	1,496,545	(29)
Net change in fund balance	<u>\$ (50,271)</u>	<u>\$ (32,320)</u>	<u>\$ 17,951</u>

Bayshore Fire Protection and Rescue Service District  
 Management's Discussion and Analysis  
 September 30, 2013

**Fiscal Year 2012 Budget - Governmental Fund**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Total revenue	\$ 1,512,831	\$ 1,561,981	\$ 49,150
Total expenditures	<u>1,464,356</u>	<u>1,464,603</u>	<u>(247)</u>
Net change in fund balance	<u>\$ 48,475</u>	<u>\$ 97,378</u>	<u>\$ 48,903</u>

**Capital Assets**

At the end of 2013, the District's investment in capital assets for its governmental activities was \$1,027,628 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements and equipment.

	<u>2013</u>	<u>2012</u>
Land	\$ 35,918	\$ 35,918
Building & vehicles	1,537,012	1,723,183
Equipment	<u>250,142</u>	<u>253,183</u>
Total capital assets	1,823,072	2,012,284
Less: accumulated depreciation	<u>(795,444)</u>	<u>(910,034)</u>
Total capital assets, net	<u>\$ 1,027,628</u>	<u>\$ 1,102,250</u>

The changes are due to the purchase of additional capital assets during the current year as well as dispositions of obsolete fire and station equipment. Depreciation expense for the years ended September 30, 2012 and 2013 was \$130,757 and \$121,039, respectively.

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

**NON-CURRENT LIABILITIES**

At the end of fiscal year 2013, the District had total noncurrent liabilities consisting of other post-employment benefits of \$24,669 and two capital leases with balances of \$56,232 and \$190,885, totaling \$247,117. The total noncurrent liabilities total \$224,964.

Bayshore Fire Protection and Rescue Service District  
Management's Discussion and Analysis  
September 30, 2013

**NON-CURRENT LIABILITIES, CONTINUED**

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 millage rate of 3.5000 mills which is estimated to result in an increase of ad-valorem revenues of approximately \$21,613.

**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 3391

**BASIC  
FINANCIAL STATEMENTS**

**Bayshore Fire Protection and Rescue Service District**  
**Statement of Net Assets**  
**September 30, 2013**

ASSETS

Current assets:	
Cash and cash equivalents	\$ 546,919
Accounts Receivable	1,278
Due from other governments	18,177
Prepaid expenses	1,728
Total current assets	<u>568,102</u>
Noncurrent assets:	
Capital assets:	
Land	35,918
Buildings and improvements	662,532
Vehicles	874,480
Fire Equipment	119,855
Radio Equipment	61,449
Station Equipment	43,351
Medical Equipment	8,759
Office equipment	16,728
Less accumulated depreciation	(795,444)
Total noncurrent assets (net)	<u>1,027,628</u>
Total assets	<u>1,595,730</u>

LIABILITIES

Current liabilities:	
Accounts payable	3,971
Accrued payroll and related liabilities	39,076
Current portion of note payable	46,822
Total current liabilities	<u>89,869</u>
Noncurrent liabilities:	
Other post-employment benefits liability	24,669
Note payable, net of current portion	200,295
Total noncurrent liabilities	<u>224,964</u>
Total liabilities	<u>314,833</u>

NET ASSETS

Invested in capital assets, net of related debt	780,511
Unrestricted	500,386
Total net assets	<u>\$ 1,280,897</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, 2013**

Function	Expenses	Program Revenues		Net Expenses and Changes in Net Assets
		Charges for Services	Operating Grants	
Public safety	\$ 1,542,513	\$ 43,981	\$ 333,614	\$ (1,164,918)
General Revenues:				
				1,056,962
				1,981
				453
				31,817
			Total general revenues	1,091,213
			Change in net assets	(73,705)
			Net assets - beginning	1,354,602
			Net assets - ending	\$ 1,280,897

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

**Bayshore Fire Protection and Rescue Service District**  
**Balance Sheet**  
**September 30, 2013**

	<b>General Fund</b>	<b>Impact Fee Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 544,350	\$ 2,569	\$ 546,919
Accounts Receivable	1,278	-	1,278
Due from other funds	111,064	-	111,064
Due from other governments	18,177	-	18,177
Prepaid expenses	1,728	-	1,728
<b>Total assets</b>	<b>\$ 676,597</b>	<b>\$ 2,569</b>	<b>\$ 679,166</b>
<b>LIABILITIES &amp; FUND BALANCE</b>			
Liabilities			
Accounts payable	\$ 3,971	\$ -	\$ 3,971
Due to other funds	-	111,064	111,064
Accrued payroll and related liabilities	39,076	-	39,076
<b>Total liabilities</b>	<b>43,047</b>	<b>111,064</b>	<b>154,111</b>
Fund Balances			
Nonspendable - Prepaid expenses	1,728	-	1,728
Spendable:			
Unassigned	631,822	-	631,822
Restricted	-	(108,495)	(108,495)
<b>Total fund balances</b>	<b>633,550</b>	<b>(108,495)</b>	<b>525,055</b>
<b>Total liabilities and fund balances</b>	<b>\$ 676,597</b>	<b>\$ 2,569</b>	<b>\$ 679,166</b>

*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, 2013**

Fund Balance		\$ 525,055
Capital assets used in governmental activities are not financial resources and are therefore not reported on the balance sheet:		1,027,628
Long-term liabilities are not due and payable in the current period and are therefore not reported on the balance sheet:		
Post employment benefits	\$ (24,669)	
Capital leases	<u>(247,117)</u>	
		<u>(271,786)</u>
Net Assets		<u><u>\$ 1,280,897</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, 2013**

	<b>General Fund</b>	<b>Impact Fee Fund</b>	<b>Total</b>
<b>Revenues:</b>			
Ad Valorem taxes	\$ 1,056,962	\$ -	\$ 1,056,962
Charges for services	43,033	-	43,033
Impact fees	-	948	948
Intergovernmental revenues	335,595	-	335,595
Miscellaneous	27,686	1	27,687
	<u>1,463,276</u>	<u>949</u>	<u>1,464,225</u>
<b>Total revenues</b>			
	<u>1,463,276</u>	<u>949</u>	<u>1,464,225</u>
<b>Expenditures:</b>			
<b>Current</b>			
<b>Public safety</b>			
Personal services	1,229,940	-	1,229,940
Operating expenditures	169,453	-	169,453
<b>Debt Service</b>			
Principal	-	45,970	45,970
Interest	1,110	7,189	8,299
Capital outlay	42,883	-	42,883
	<u>1,443,386</u>	<u>53,159</u>	<u>1,496,545</u>
<b>Total expenditures</b>			
	<u>1,443,386</u>	<u>53,159</u>	<u>1,496,545</u>
<b>Net change in fund balances</b>			
	19,890	(52,210)	(32,320)
<b>Fund balance, October 1, 2012</b>			
	<u>613,660</u>	<u>(56,285)</u>	<u>557,375</u>
<b>Fund balance, September 30, 2013</b>			
	<u>\$ 633,550</u>	<u>\$ (108,495)</u>	<u>\$ 525,055</u>

*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, 2013**

Net change in fund balance \$ (32,320)

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	\$ (121,039)	
Capital asset additions received as donations	10,500	
Gain on disposition of capital assets	8,087	
Sales proceeds from disposition of capital assets	(14,000)	
Capital outlay expenditure	41,830	
		(74,622)

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. 45,970

The increase in other post-employment benefits long-term liability is an expense in the statement of activities that do not require the use of current financial resources and therefore are not reported as expenditures on the statement of revenues, expenditures and changes in fund balance. (12,733)

Change in net assets \$ (73,705)

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

# Bayshore Fire Protection and Rescue Service District

## Notes to Financial Statements

### Note 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

### Note 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:

Assets	Years
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.

**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.

# Bayshore Fire Protection and Rescue Service District

## Notes to Financial Statements

### Note 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.

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.

### Note 2. Cash and Investments:

At September 30, 2013, the carrying amount of the District's deposits was \$ 546,919 and the bank balance was \$561,848. 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.

# **Bayshore Fire Protection and Rescue Service District**

## **Notes to Financial Statements**

### **Note 2. Cash and Investments, continued:**

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 September 30, 2013 of 1.13262284. The calculation as well as other information is available at the SBA's website at [www.sbafla.com/prime](http://www.sbafla.com/prime).

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 September 30, 2013, is estimated to at 4.04 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life. The estimate of Fund B's WAL decreased to 4.04 years as of September 30, 2013, from an estimate of 4.08 years as of June 30, 2013. The decrease occurred because of a change in the calculation methodology for some of the mortgages underlying the Fund B notes. The affected mortgages, based on the latest cash flow estimates, will receive interest payments only in the future; therefore, the estimate of WAL for those securities is now zero.

### **Note 3. 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, 2013 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.

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

**Note 4. Changes in General Fixed Assets:**

A summary of changes in general fixed assets follows:

	Balance Oct. 1, 2012	Additions	Deletions	Balance Sept. 30, 2013
Land	\$ 35,918	\$ -	\$ -	\$ 35,918
Buildings and improvements	662,532	-	-	662,532
Vehicles	1,060,651	41,830	(228,001)	874,480
Fire equipment	120,939	-	(1,084)	119,855
Radio equipment	62,599	10,500	(11,650)	61,449
Station equipment	43,351	-	-	43,351
Medical equipment	8,759	-	-	8,759
Office equipment	17,535	-	(807)	16,728
	<u>2,012,284</u>	<u>52,330</u>	<u>(241,542)</u>	<u>1,823,072</u>
Less: Accumulated depreciation	<u>(910,034)</u>	<u>(121,039)</u>	<u>(235,629)</u>	<u>(795,444)</u>
Capital Assets, Net	<u>\$ 1,102,250</u>	<u>\$ (68,709)</u>	<u>\$ 477,171</u>	<u>\$ 1,027,628</u>

**Note 5. Long-Term Debt:**

\$179,000 - In March of 2008, the District entered into a capital lease with a financial institution to purchase a vehicle. The terms of the lease call for annual principal and interest payments of \$30,205, including interest at a fixed rate of 2.75%. The first payment was due on March 30, 2009 and the remaining 6 payments due on March 30 of each year with the final payment due in 2015. As of September 30, 2013 the outstanding balance was:

\$ 56,232

\$210,700 - In March of 2012, the District entered into a capital lease with a financial institution to purchase a vehicle. The terms of the lease call for annual principal and interest payments of \$23,654, including interest at a fixed rate of 2.24%. The first payment was due on January 15, 2013 and the remaining 9 payments due on January 15 of each year with the final payment due in 2022. As of September 30, 2013 the outstanding balance was:

190,885

\$ 247,117

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

**Note 5. Long-Term Debt, continued:**

The combined annual payments to retire both capital leases are as follows:

Year ending September 30,		
	2014	\$ 53,859
	2015	53,859
	2016	23,654
	2017	23,654
	2018	23,654
	2019-2022	94,618
	Total payments	<u>273,298</u>
Less: amount representing interest		<u>(26,181)</u>
	Principal balance	<u><u>\$ 247,117</u></u>

The following is a summary of changes in the District's long-term debt for the year ended September 30, 2013:

	Balance Oct 1, 2012	Additions	Reductions	Balance Sept 30, 2013
Capital leases	\$ 293,087	\$ -	\$ 45,970	\$ 247,117
Post employment benefits	11,936	12,733	-	24,669
Total	<u>\$ 305,023</u>	<u>\$ 12,733</u>	<u>\$ 45,970</u>	<u>\$ 271,786</u>

**Note 6. Line of Credit:**

The District entered into a \$250,000 revolving line of credit agreement with a financial institution for which it makes monthly interest only payments on the outstanding balance at the fixed rate of 5.5% per annum. The note is unsecured and the outstanding balance plus accrued interest is due on March 1, 2014. The District may prepay without penalty all or a portion of the amount owed prior to the due date. The District utilized \$149,500 in draws and repaid the full amount withdrawn by December 31, 2012. There is no outstanding balance as of September 30, 2013.

**Note 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**

### **Note 8. 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, 6.95%, special risk, 19.06%, and senior management, 18.31%. 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, 2013 were \$132,353, equal to the required contributions.

### **Note 9. Other Post Employment Benefits:**

#### Plan Description

In addition to providing the retirement benefits described in Note 8, 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, 2009.*

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

**Note 9. Other Post Employment Benefits, continued:**

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 \$64,530 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)	\$ 12,936
Interest on net OPEB obligation	597
Adjustment to ARC	<u>(800)</u>
Annual OPEB cost	12,733
Estimated net contributions made	<u>-</u>
Increase in net OPEB obligation	12,733
Net OPEB obligation - beginning of year	11,936
Net OPEB obligation - end of year	<u><u>\$ 24,669</u></u>

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>
9/30/2011	\$ -	-	\$ 11,936
9/30/2012	-	-	11,936
9/30/2013	12,733	-	24,669

# Bayshore Fire Protection and Rescue Service District

## Notes to Financial Statements

### Note 9. Other Post Employment Benefits, continued:

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 efforts 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, 2013, membership consisted of:

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

**REQUIRED  
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, 2013**

	Original Budget	Final Budget	Actual	Variance from Final Budget positive (negative)
<b>Revenues:</b>				
Ad Valorem taxes	\$ 1,039,373	\$ 1,049,083	\$ 1,056,962	\$ 7,879
Charges for services - Housing	25,500	33,033	43,033	10,000
Impact Fees	-	948	948	-
Intergovernmental rev. - other	1,920	1,981	1,981	-
Intergovernmental rev. - grant	322,696	333,614	333,614	-
Interest	-	353	453	100
Miscellaneous	-	27,233	27,234	1
Total revenues	<u>1,389,489</u>	<u>1,446,245</u>	<u>1,464,225</u>	<u>17,980</u>
<b>Expenditures:</b>				
<b>Current</b>				
<b>Public safety</b>				
Personal services	1,230,190	1,229,940	1,229,940	-
Operating	176,521	169,453	169,453	-
Capital outlay	9,286	42,883	42,883	-
Debt Service	53,129	54,240	54,269	(29)
Total expenditures	<u>1,469,126</u>	<u>1,496,516</u>	<u>1,496,545</u>	<u>(29)</u>
Excess of expenditures over revenues	(79,637)	(50,271)	(32,320)	17,951
Fund balance, October 1, 2012	<u>299,981</u>	<u>319,965</u>	<u>557,375</u>	<u>237,410</u>
Fund balance, September 30, 2013	<u>\$ 220,344</u>	<u>\$ 269,694</u>	<u>\$ 525,055</u>	<u>\$ 255,361</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 District Commissioners  
Bayshore Fire Protection and Rescue Service District  
North Fort Myers, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities of Bayshore Fire Protection and Rescue Service District, (the "District") as of and for the fiscal year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 11, 2014.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

Punta Gorda, Florida  
March 11, 2014

*Ashley, Browne & Co.*

## MANAGEMENT LETTER

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

We have audited the financial statements of the Bayshore Fire Protection and Rescue Service District (the "District"), as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated March 11, 2014.

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 also issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report which is dated March 11, 2014, 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 governs 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 report.
- 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 Bayshore Fire Protection and Rescue Service 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 noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The District discloses this information in the notes to the financial statements.
- Section 10.554(1)(i)6.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)6.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, 2013, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2013. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)6.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 require 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.

March 11, 2014

*Ashley, Brown & Co.*



**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"*

March 12, 2014

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, 2013 for the Bayshore Fire Protection and Rescue Service District was accepted by the Board of Commissioners at the general meeting on March 11, 2014. The management letter contained no comments.

Sincerely,

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