

**SOUTHERN MANATEE
FIRE AND RESCUE DISTRICT
FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

**SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Southern Manatee Fire and Rescue District
Manatee County, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Southern Manatee Fire and Rescue District, as of and for the year ended September 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of September 30, 2007, and the respective changes in financial position thereof 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 a report dated February 6, 2008 on our consideration of the Southern Manatee Fire and Rescue 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information and schedules of funding progress and employer contributions, on pages 3 through 9 and 31 through 34 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of operating expenditures - budget and actual - general fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of operating expenditures - budget and actual - general fund has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Christopher, Smith, Leonard,
Bristow & Stanell, P.A.*

CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANELL, P. A.

February 6, 2008
Bradenton, Florida

Management's Discussion and Analysis

As management of Southern Manatee Fire and Rescue District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2007.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$3,412,185 (*net assets*).
- The District's total net assets increased by \$1,105,355. The increase is attributable to an increase in tax assessments in the current year.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,644,878, an increase of \$784,109 in comparison with the prior year. Tax assessments increased by \$1,713,501 from the prior year. This was offset by an increase in personal service and operating expense. Of this total amount, \$1,560,466, is *available for spending* at the District's discretion (*unreserved fund balance*).
- The District's total debt was \$7,486,051, which decreased by \$605,389 during the current fiscal year. Decreases were due to principal payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Southern Manatee Fire and Rescue District's basic financial statements. The District's basic financial statements comprise 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, in a manner similar to a private-sector business. Government-wide financial statements present all non-fiduciary activities of the District.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenues and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by fire assessments (advalorem and non-advalorem taxes), impact fees and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The District is engaged in only governmental activities.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District utilizes the following fund types: Governmental and Fiduciary.

Governmental funds. Governmental funds focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. These funds are reported using the modified accrual method of accounting and the current financial resources focus. As a result long-term assets and liabilities are not included. The District uses a General fund and a Capital Projects Fund. The General Fund is the general operating fund. All general tax revenues are accounted for in this fund. From this fund all general operating expenditures and budgeted capital expenditures are paid. The Capital Projects Fund is used to account for impact fees collected on new construction as well as loan proceeds. These revenues can only be used for the acquisition, construction or purchase of assets required to provide fire protection and emergency services.

A reconciliation to facilitate the comparison between the governmental fund financial statements and the government-wide financial statements is presented.

The District adopts an annual budget for its general fund and capital projects fund. A budgetary comparison statement has been provided for both to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11 to 14 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 15 and 16 of this report.

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. The notes to the financial statements can be found on pages 17 to 29 of this report.

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 case of the Southern Manatee Fire and Rescue District, assets exceeded liabilities by \$3,412,185 at the close of the most recent fiscal year.

A large portion of the District’s net assets, \$2,341,307, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide fire protection and emergency services to citizens within the boundaries of the District; consequently, these assets are *not* available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A condensed statement of net assets as of September 30, 2007 with comparative totals as of September 30, 2006 follows:

Net Assets	<u>Governmental Activities</u>	<u>Governmental Activities</u>
	<u>2007</u>	<u>2006</u>
-		
Current and other assets	\$ 2,445,719	\$ 1,493,278
Capital assets	<u>9,974,238</u>	<u>10,203,196</u>
Total assets	12,419,957	11,696,474
Long-term liabilities outstanding	8,206,931	8,757,135
Other liabilities	<u>800,841</u>	<u>632,509</u>
Total liabilities	<u>9,007,772</u>	<u>9,389,644</u>
Net assets:		
Invested in capital assets, net of related debt	2,341,307	1,965,061
Restricted	84,412	97,047
Unrestricted	<u>986,466</u>	<u>244,722</u>
Total net assets	<u>\$ 3,412,185</u>	<u>\$ 2,306,830</u>

An additional portion of the District’s net assets, \$84,412 represents resources, from impact fees and other amounts that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* of \$986,466 may be used to meet the district’s ongoing obligations to citizens and creditors.

The District’s net assets increased by \$1,105,355 during the current fiscal year.

The following is a condensed statement of activities for the year ended September 30, 2007 with comparative totals for the year ended September 30, 2006:

Changes in Net Assets		
	<u>Governmental Activities</u>	<u>Governmental Activities</u>
	<u>2007</u>	<u>2006</u>
Revenues:		
Program revenues:		
Charges for services	\$ 62,955	\$ 69,170
General revenues:		
Fire assessments	10,518,148	8,804,647
Impact Fees	208,891	750,243
Other	<u>869,841</u>	<u>567,891</u>
Total revenues	11,659,835	10,191,951
Expenses:		
Fire Protection Services	9,601,633	8,870,368
Depreciation	560,573	613,642
Interest on long-term debt	<u>392,274</u>	<u>255,661</u>
Total expenses	<u>10,554,480</u>	<u>9,739,671</u>
Increase in net assets	1,105,355	452,280
Net assets – Beginning	<u>2,306,830</u>	<u>1,854,550</u>
Net assets – Ending	<u>\$ 3,412,185</u>	<u>\$ 2,306,830</u>

- Fire assessment taxes increased by \$1,713,501 during the year. The increase is due to growth within the District.
- Impact fees and related payments from developers decreased by \$541,352 as a result of decreased construction within the District.
- Other revenues increased due to increased interest revenue and excess fees refunded in the current fiscal year.
- Total expenses increased \$814,809 primarily due to an increase in personal services expenditures due to increased staffing and rising insurance and retirement costs.

Financial Analysis of the District's Funds

The District's Governmental Funds include a General Fund and a Capital Projects Fund.

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.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,644,878, an increase of \$784,109 in comparison with the prior year. Of this total \$1,560,466 is *unrestricted fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *reserved* from impact fee revenues to be spent only on the acquisition, construction or purchase of assets required to provide fire protection and emergency services. In addition, \$48,101 is restricted for the fallen firefighter's fund.

The general fund is the operating fund of the District. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$1,560,466, while general fund total fund balance increased to \$1,608,567. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 14 percent of total general fund expenditures, while total fund balance represents 15 percent of that same amount.

The fund balance of the District's general fund increased by \$784,109 during the current fiscal year due to increased investment income.

The capital projects fund has a total fund balance of \$36,311, all of which is reserved for the acquisition, construction or purchase of assets required to provide fire protection and emergency services. The net decrease in fund balance during the current year in the capital projects fund was \$19,911. Revenues decreased in this fund by \$560,176, due to a \$541,352 decrease in impact fees and developer related payments and a decrease in interest income of \$18,824. In addition, the capital projects fund transferred \$234,068 to the general fund to offset the cost of debt service payments.

General Fund Budgetary Highlights

During the year, the General Fund budget was amended. Original budgeted revenues of \$10,821,770 decreased to \$10,823,690. The final budgeted expenditures were \$11,010,586 compared to the original budget of \$11,465,578. For the current fiscal year, actual revenues exceeded budgeted revenues by \$642,287. Actual expenditures were less than the budgeted amount by \$114,540.

The General Fund budget is presented as required supplementary information on page 30.

Capital Assets

The District's investment in capital assets for the year ended September 30, 2007 amounts to \$9,974,238 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment and construction in progress. The District's investment in capital assets for the current fiscal year decreased by \$228,958; this was comprised of \$331,615 of capital additions, and depreciation expense of \$560,573.

Capital Assets

	<u>Governmental Activities</u> <u>2007</u>	<u>Governmental Activities</u> <u>2006</u>
Land	\$ 861,156	\$ 861,156
Building and Improvements	7,016,549	7,194,817
Machinery and equipment	2,059,298	2,140,549
Construction in progress	37,235	6,674
Total (net of depreciation)	<u>\$ 9,974,238</u>	<u>\$ 10,203,196</u>

See note B on page 21 of this report for additional information on the District's capital assets.

Long-Term Debt

At the end of the current fiscal year, the District had total debt outstanding of \$7,486,051. The District's debt represents notes payable secured solely by specified revenue sources (i.e., fire assessments and impact fee revenues), as well as equipment. The District has also entered into interest rate swap agreements in order to fix a portion of its variable rate debt. The fair value of the swap agreements at September 30, 2007 was \$146,880 and has been included in the statement of net assets as a long-term liability.

The District's total debt decreased by \$605,389 during the current fiscal year. The decrease was due to principal payments. In addition to the foregoing, the fair value of the District's interest rate swap liability increased by \$185 this year.

Additional information on the District's long-term debt can be found in note C on pages 22 to 24 of this report.

Economic Factors and Next Year's Budgets and Rates

- Due to growth and property value increase, Ad Valorem taxes and tax assessments are anticipated to increase approximately 8%.
- The District's personal services budget increased 9% due to increasing personnel and related fringe benefit costs.
- Capital outlay and construction expense is budgeted to increase to \$2,207,157 with Station 3 construction.

All of these factors were considered in preparing the District's budget for the 2008 fiscal year, and will affect the fiscal year 2008 financial results.

On January 29, 2008, the Florida electorate approved an amendment to the Florida Constitution relative to property taxation. This amendment (referred to as Amendment 1) was placed on the ballot by the Florida Legislature at a special session held in October 2007. With respect to homestead property, Amendment 1 increases the current \$25,000 homestead exemption by another \$25,000 (for property values between \$50,000 - \$75,000), except for school district taxes. Amendment 1 also allows property owners to transfer (make portable) up to \$500,000 of their Save Our Homes benefits to their next homestead when they move. Save Our Homes became effective in 1995 and limits (caps) the annual increase in assessed value for homestead property to three percent (3%) or the percentage change in the Consumer Price Index, whichever is less.

With respect to non-homestead property, Amendment 1 limits (caps) the annual increase in assessed value for non-homestead property (businesses, industrial property, rental property, second homes, etc.) to ten percent (10%), except for school district taxes. The Amendment also provides a \$25,000 exemption for tangible personal property.

Amendment 1 becomes effective on October 1, 2008, with the exception of the ten percent (10%) assessment cap on non-homestead property, which becomes effective on January 1, 2009.

Based on estimated information received from the Manatee County Property Appraiser's Office, the estimated annual loss of property tax revenues for our special district from the additional homestead exemption and the \$25,000 exemption for tangible personal property is approximately \$260,000. At present, there is no accurate way to determine the impact of the portability and assessment cap on non-homestead property provisions in terms of potential loss of property tax revenues. Estimates for our special district range from 3% to 4% annually which would translate into an additional loss of property tax revenues of \$150,000 to \$240,000.

Requests for Information

This financial report is designed to provide a general overview of the Southern Manatee Fire and Rescue District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District at, Southern Manatee Fire and Rescue District, 2451 Trailmate Drive, Sarasota Florida 34243.

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and cash equivalents	\$ 554,723
Investments	1,494,410
Due from other governments	311,288
Deposits	886
Restricted assets:	
Temporarily restricted:	
Cash and cash equivalents	48,101
Investments	36,311
Capital assets	
Land and construction in progress	898,391
Other capital assets, net of depreciation	9,075,847
Total Assets	12,419,957
LIABILITIES	
Accounts payable and other current liabilities	800,841
Noncurrent liabilities:	
Due within one year	774,256
Due in more than one year	7,432,675
Total Liabilities	9,007,772
NET ASSETS	
Invested in capital assets, net of related debt	2,341,307
Restricted for:	
Impact fees and fallen firefighters fund	84,412
Unrestricted	986,466
TOTAL NET ASSETS	\$ 3,412,185

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

**SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Public Safety–Fire Protection	
Personal services	\$ 8,525,533
Operating expenses	1,076,100
Depreciation	560,573
Interest on long-term debt	392,274
Total Program Expenses	<u>10,554,480</u>
Program Revenues:	
Charges for services	62,955
Net Program Expense	<u>10,491,525</u>
General Revenues:	
Fire assessments	10,518,148
Impact fees	208,891
Intergovernmental revenue	413,071
Investment earnings	236,352
Miscellaneous	220,418
Total General Revenues	<u>11,596,880</u>
Increase in net assets	1,105,355
Net Assets - Beginning	<u>2,306,830</u>
Net Assets - Ending	<u><u>\$ 3,412,185</u></u>

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

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

	GENERAL	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	\$ 554,723	\$ -	\$ 554,723
Investments	1,494,410	-	1,494,410
Due from other governments	311,288	-	311,288
Deposits	886		886
Restricted assets:			
Cash and cash equivalents	48,101	-	48,101
Investments	-	36,311	36,311
TOTAL ASSETS	\$ 2,409,408	\$ 36,311	\$ 2,445,719
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 293,999	\$ -	\$ 293,999
Accrued wages payable	356,842	-	356,842
Compensated absence accrual	150,000	-	150,000
Total Liabilities	800,841	-	800,841
Fund Balances:			
Reserved	48,101	36,311	84,412
Unreserved, reported in:			
General Fund	1,560,466	-	1,560,466
Total fund balances	1,608,567	36,311	1,644,878
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,409,408	\$ 36,311	\$ 2,445,719

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

**SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007**

Amounts reported for governmental activities in the statement of net assets are different because:

Fund Balance – Governmental Fund	\$ 1,644,878
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	9,974,238
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.	<u>(8,206,931)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 3,412,185</u></u>

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

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	GENERAL	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Tax assessments	\$ 10,518,148	\$ -	\$ 10,518,148
Impact fees	-	208,891	208,891
Interest	231,085	5,267	236,352
Intergovernmental Revenue	413,071	-	413,071
Miscellaneous	240,718	-	240,718
Charges for services	62,955	-	62,955
Total Revenues	11,465,977	214,158	11,680,135
EXPENDITURES			
Current:			
Personal service	8,470,533	-	8,470,533
Operating	1,109,521	-	1,109,521
Debt Service:			
Principal retirement	605,389	-	605,389
Interest	392,089	-	392,089
Capital outlay	318,494	-	318,494
Total Expenditures	10,896,026	-	10,896,026
Excess of Revenues Over (Under) Expenditures	569,951	214,158	784,109
OTHER FINANCING SOURCES (USES)			
Transfers In	234,069	-	234,069
Transfers Out	-	(234,069)	(234,069)
Total Other Financing Sources (Uses)	234,069	(234,069)	-
Net Change in Fund Balances	804,020	(19,911)	784,109
FUND BALANCES – Beginning	804,547	56,222	860,769
FUND BALANCES – Ending	\$ 1,608,567	\$ 36,311	\$ 1,644,878

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

**SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance – total governmental fund	\$ 784,109
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. This is the amount by which capital outlay exceeds depreciation expense in the current period.	(228,958)
The repayment of the principal on long-term debt consumes the current financial resources of governmental funds. However, the transaction has no effect on net assets.	605,389
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(55,185)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,105,355</u></u>

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

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2007

	<u>Pension Trust Funds</u>
ASSETS	
Investments	\$ 12,030,702
Due from other governmental units	135,382
Total Assets	<u>12,166,084</u>
LIABILITIES	
Due to Employer	<u>47,835</u>
NET ASSETS	
Held in Trust for Pension Benefits	<u>\$ 12,118,249</u>

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

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 1,144,779
Employee	229,672
Intergovernmental Revenue	408,807
Total contributions	<u>1,783,258</u>
Investment Income:	
Net appreciation in fair value of investments	1,185,045
Less investment expense:	
Administrative expenses	32,440
Net investment income	<u>1,152,605</u>
Total additions	<u>2,935,863</u>
DEDUCTIONS	
Benefits and distributions to participants	79,016
Total deductions	<u>79,016</u>
CHANGE IN NET ASSETS	2,856,847
Net Assets – Beginning of year	<u>9,261,402</u>
Net Assets – End of year	<u><u>\$ 12,118,249</u></u>

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

**SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed by the Southern Manatee Fire and Rescue District (the District), Manatee County, Florida:

- (a) Reporting Entity – The District is a public municipal corporation in the State of Florida created by Special Law 84-477, 84-481 and 92-249, as amended, of the Legislature of the State of Florida. During the year 2000, these bills were codified in Chapter 2000-402. It is an independent special district. No other component units exist.

Revenue is provided for in the Bill by special assessments against taxable real estate lying within the territorial bounds of the District as defined by the State of Florida. The District also collects ad-valorem taxes on real estate within its territorial boards. Disbursements are made for maintenance and upkeep of the fire stations, purchase of firefighting and rescue equipment, payment of wages, employee benefits, and administrative expenses.

The State of Florida passed Legislation, which took effect June, 1985, and provides for the District to collect impact fees to defray the cost of improvements required to provide fire and emergency service to the new users of the District. The impact fees collected are to be used exclusively for the acquisition, purchase or construction of new facilities and equipment required to provide these services to the new users in the District.

- (b) Basis of Presentation –The District’s basic financial statements includes Government-wide (which reports the District as a whole excluding fiduciary activities) and Fund financial statements (which report on the General and Capital Projects Funds, as well as Fiduciary Funds). The Basic Financial Statements present only governmental activities, as the District conducts no business type activities.

Basis of Accounting: Basic Financial Statements – Government Wide Statements– The Government-Wide Financial Statements (Statement of Net Assets and Statement of Activities) are prepared using the economic resources measurement focus and the accrual basis of accounting. For the most part, interfund activity has been removed from these statements. The District’s net assets are reported in three parts (as applicable): invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets. The statement of activities reports direct program expenses offset by program revenues. The amounts reported as program revenues include charges for services. General revenues include taxes and other items not properly included as program revenue.

Basic Financial Statements – Fund Financial Statements – The District’s accounts are organized on the basis of funds, which are self-balancing set of accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures. The District utilizes Governmental funds, which follow the modified accrual basis of accounting. Under this method, revenues are recorded

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a fund liability is incurred. The District also utilizes Fiduciary Funds, which are accounted for on the economic resources focus and accrual basis of accounting. The District reports the following fund types, which are all considered major funds:

Governmental Funds

- (1) General Fund – The General Fund is the general operating fund of the District. All general tax revenues are accounted for in this Fund. From the Fund are paid the general operating expenditures and budgeted capital expenditures.
- (2) Capital Projects Fund – The Capital Projects Fund is used to account for Impact Fees collected on new construction and the construction of new fire stations. These revenues can only be used for the acquisition, construction or purchase of assets required to provide fire protection and emergency services. In addition, loan proceeds for the construction or purchase of assets used for fire protection services are accounted for in this fund. Consequently, fund balance in the Capital Projects Fund is restricted.

Fiduciary Funds

- (3) Pension Trust Funds – are used to account for assets held by the District in a trustee capacity. Consequently, net assets in the fiduciary fund types, is reserved. Pension trust funds are accounted for on the accrual basis since capital maintenance is critical. Contributions are recognized in the period in which contributions are due. Retirement benefits and refunds are recognized when due and payable in accordance with the Plan.
- (c) Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
 - (d) Budgets and Budgetary Accounting – The District prepares an annual operating budget for the fiscal year commencing October 1. Prior to September 1 of each year, the Secretary/Treasurer of the District's Board of Commissioners prepares a proposed budget for the upcoming fiscal year. The budget is based on an analysis of prior year actual revenues and expenditures along with anticipated spending and revenue sources. Once the proposed budget is compiled, it is brought before the Board of Commissioners for approval.

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Expenditures should not exceed the total appropriations. Appropriations lapse at the end of the year.

- (e) Interfund Receivables/Payables – Interfund receivables/payables arise from temporary interfund transfers. When a fund has an interfund receivable and an interfund payable to the same fund, the amounts are recorded in separate accounts. Internal activity and balances between governmental funds has been eliminated in the government-wide statement of net assets.
- (f) Property Taxes – Property taxes become due and payable on November 1 of each year. The county tax collector remits the District's portion as such revenues are received. The District collects nearly all of its tax revenues during the period November 1 through April 1, at which time the taxes become delinquent. The maximum rates of tax are set by the Legislature of the State of Florida. Actual assessment amounts vary based on a sliding scale of property values and type of property involved and is determined by the Board of Commissioners of the District.

The key dates in the property tax cycle are as follows:

Assessment roll validated	July 1
Beginning of fiscal year for which taxes have been levied	October 1
Tax bills rendered and due	November 1
Property taxes payable:	
Maximum discount	November 30
Delinquent	April 1
Tax certificates sold	May 31
Fiscal year begins	October 1
Fiscal year ends	September 30

Property taxes are recognized as revenue in the fiscal year for which the taxes have been levied to the extent they result in current receivables. Under the system outlined above, no material amount of taxes is receivable after the end of the fiscal year.

- (g) Fund Balance – Reserved – At September 30, 2007, Capital Project Fund Balance is reserved from impact fees. General Fund Balance is restricted for the fallen firefighter's fund.
- (h) Cash and Investments – Florida Statute 218.415 authorizes the District to invest in the following:
 - (a) Local Government Surplus Funds Trust Fund or an intergovernmental investment pool authorized through the Florida Interlocal Cooperation Act. (including the Manatee County investment pool)

**SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- (b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating company.
- (c) Interest bearing time deposits or savings accounts in state-certified Qualified Public Depositories as defined in Section 280.02 Florida Statutes.
- (d) Direct obligations of the U.S. Treasury.

At September 30, 2007, the District had demand deposits held in a qualified public depository. Deposits whose values exceeded federal depository insurance limits were entirely insured or collateralized pursuant to Chapter 280 of the Florida Statutes. At September 30, 2007, the carrying amount of the District's deposits were \$602,824 and the bank balance was \$624,571.

The District has investments in the Manatee County Investment Pool (the Pool). The investments in the Pool are subject to overnight withdrawal, and are recorded at fair value. The Pool is not registered with the Securities and Exchange Commission and has not been rated by a nationally recognized statistical rating agency. Total investments at fair value of the pool as of September 30, 2007 were \$623,059,213. The District's investments included in the Pool were \$1,530,721. The District's position in the pool is the same as the value of the pool shares.

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the Pool is limited to having investments with a maturity of three years or less from the date of purchase with a weighted average to maturity of less than two years. At September 30, 2007, the Pool had no investments with a maturity exceeding two years. For further information regarding the Manatee County Investment Pool, readers should refer to the financial statements and disclosures of Manatee County, Florida.

At September 30, 2007, the District had the following investments:

General Fund:

Manatee County Investment Pool:	
Unrestricted	\$ 1,494,410

Capital Projects Fund:

Manatee County Investment Pool:	
Restricted	36,311
Total	<u>\$ 1,530,721</u>

- (i) Compensated Absences – It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All benefits are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured or are payable from current financial resources. These liabilities are typically liquidated out of the general fund.

**SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(j) Capital Assets – Capital assets, which include property, plant and equipment are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$500 and an estimated useful life of longer than one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal repair and maintenance that do not add to the value of the asset or extend the useful life of the asset are expensed as incurred. The District does not have infrastructure assets.

Property, plant and equipment of the District are depreciated on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Building and Improvements	20 – 40
Vehicles and Fire Engines	3 – 20
Furniture, fixtures and equipment	5 – 10

(k) Long-Term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. In the fund financial statements, no long-term obligations are reported as they are not due to be paid from current financial resources.

(l) Resources – When both restricted and unrestricted resources are available, restricted resources are used first, and then unrestricted resources, as they are needed.

NOTE B – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2007 was:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 861,156	\$ -0-	\$ -0-	\$ -0-	\$ 861,156
Construction in progress	6,674	23,887	-0-	6,674	37,235
Total capital assets, not being depreciated	<u>867,830</u>	<u>23,887</u>	<u>-0-</u>	<u>6,674</u>	<u>898,391</u>
Capital assets being depreciated:					
Buildings and improvements	7,609,912	22,008	-0-	(6,674)	7,625,246
Machinery and equipment	4,324,644	285,720	(60,315)	-0-	4,550,049
Total capital assets being depreciated	11,934,556	307,728	(60,315)	(6,674)	12,175,295
Less accumulated depreciation for:					
Buildings and improvements	(415,095)	(193,602)	-0-	-0-	(608,697)
Machinery and equipment	(2,184,095)	(366,971)	60,315	-0-	(2,490,751)
Total accumulated depreciation	<u>(2,599,190)</u>	<u>(560,573)</u>	<u>60,315</u>	<u>-0-</u>	<u>(3,099,448)</u>
Total capital assets, being depreciated, net	9,335,366	(252,845)	-0-	(6,674)	9,075,847
Governmental activities capital assets, net	<u>\$ 10,203,196</u>	<u>\$ (228,958)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 9,974,238</u>

Depreciation in the amount of \$560,573 was reported as a separate line item in the statement of activities.

**SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

NOTE C - LONG-TERM DEBT

General long-term debt consisted of the following at September 30, 2007:

Series 2000 note payable to Bank of America due in monthly payments of principal beginning at \$2,664 per month plus interest collateralized by special assessments, impact fees and lawfully available non-ad valorem revenues. The note has a variable interest rate effectively fixed at 5.695% through an interest rate swap. Monthly principal reductions increase approximately 6% each year with a final maturity date of November 17, 2020.	\$ 903,583
Note payable to Fifth Third Bank, due in monthly installments of \$836 including interest at 78.5% of prime rate due June 1, 2011. The interest rate changed June 1, 2003 and every 2 years thereafter. The note is unsecured.	31,998
Series 2003A note payable to Bank of America due in quarterly installments of \$115,134 including interest. The note has a variable interest rate effectively fixed at 4.75% through an interest rate swap. The maturity date is March 31, 2023. The note is collateralized by impact fees, available non-ad valorem revenues, and special assessments. Principal reductions began December 31, 2004.	4,994,470
Series 2003B note payable to Bank of America due in quarterly installments of \$51,740 including interest. The note has a variable interest rate effectively fixed at 4.49% through an interest rate swap. The maturity date is September 30, 2014. The note is collateralized by impact fees, available non-ad valorem revenues, and special assessments. Principal reductions began December 31, 2004.	1,180,000
Series 2003C note payable to Bank of America due in quarterly installments of \$51,933 including interest. The note has a variable interest rate effectively fixed at 3.88% through an interest rate swap. The maturity date is September 30, 2009. The note is collateralized by impact fees, available non-ad valorem revenues, and special assessments. Principal reductions began December 31, 2004.	<u>376,000</u>
	<u>\$ 7,486,051</u>

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE C - GENERAL LONG-TERM DEBT - CONTINUED

Interest rate swap agreements consisted of the following at September 30, 2007:

The District entered into an interest rate swap agreement in November of 2000, in order to fix a portion of its variable rate debt with Bank of America. The notional amount of the swap, which was \$1,156,736 at inception, is equal to the balance outstanding on the original principal drawn on the note of \$1,156,736 less principal reductions, which is \$903,583 at September 30, 2007. The principal portion of the note is not variable; it is only the basis on which the interest payments are calculated. Based on the swap agreement, the District pays a fixed rate of 5.695% on the principal balance outstanding. The swap payment is the difference between the fixed rate of 5.695% and the monthly LIBOR rate. If the District were to terminate the swap agreement prior to maturity, the District would be obligated to pay a termination fee of the fair value of the swap on that date. At September 30, 2007, the fair market value of the swap was estimated at \$103,032. The swap matures November of 2020.

The District entered into an interest rate swap agreement in April of 2003, in order to fix a portion of its variable rate debt with Bank of America. The notional amount of the swap is \$5,206,111. The principal portion on the note is not variable; it is only the basis on which the interest payments are calculated. Based on the swap agreement, the District pays a fixed rate of 4.75% on the principal balance outstanding. The swap payment is the difference between the fixed rate of 4.75% and the monthly LIBOR rate. If the District were to terminate the swap agreement prior to maturity, the District would be obligated to pay a termination fee of the fair value of the swap on that date. At September 30, 2007, the fair market value of the swap was estimated at \$48,687. The swap agreement matures March of 2023.

The District entered into an interest rate swap agreement in April of 2003, in order to fix a portion of its variable rate debt with Bank of America. The notional amount of the swap is \$1,340,000. The principal portion on the note is not variable; it is only the basis on which the interest payments are calculated. Based on the swap agreement, the District pays a fixed rate of 4.49% on the principal balance outstanding. The swap payment is the difference between the fixed rate of 4.49% and the monthly LIBOR rate. If the District were to terminate the swap agreement prior to maturity, the District would be obligated to pay a termination fee of the fair value of the swap on that date. At September 30, 2007, the fair market value of the swap was estimated at \$(1,488). The swap agreement matures September of 2014.

The District entered into an interest rate swap agreement in April of 2003, in order to fix a portion of its variable rate debt with Bank of America. The notional amount of the swap is \$564,000. The principal portion on the note is not variable; it is only the basis on which the interest payments are calculated. Based on the swap agreement, the District pays a fixed rate of 3.88% on the principal balance outstanding. The swap payment is the difference between the fixed rate of 3.88% and the monthly LIBOR rate. If the District were to terminate the swap agreement prior to maturity, the District would be obligated to pay a termination fee of the fair value of the swap on that date. At September 30, 2007, the fair market value of the swap which was in the District's favor, was estimated at (\$3,351). The swap agreement matures September of 2009.

**SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

NOTE C - GENERAL LONG-TERM DEBT - CONTINUED

The total fair value of these swap agreements in the amount of \$146,880 has been recorded as a long-term liability in the statement of net assets. The change in fair value of the swaps has been recorded in the statement of activities as part of interest expense. No amount has been recorded in the fund financial statements.

Total annual debt service requirements for all long-term debt governmental activities as of September 30, 2007 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 624,256	\$ 347,765	\$ 972,021
2009	629,118	319,200	948,318
2010	470,985	293,306	764,291
2011	489,487	270,374	759,861
2012	507,567	246,693	754,260
2013-2017	2,275,840	877,060	3,152,900
2018-2022	2,262,572	335,586	2,598,158
2023	226,226	4,005	230,231
TOTAL	<u>\$ 7,486,051</u>	<u>\$ 2,693,989</u>	<u>\$ 10,180,040</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Notes Payable					
Fifth Third Bank	\$ 39,649	\$ -0-	\$ (7,651)	\$ 31,998	\$ 8,374
Bank of America-Series 2000	941,680	-0-	(38,097)	903,583	47,135
Bank of America-Series 2003A	5,206,111	-0-	(211,641)	4,994,470	223,725
Bank of America-Series 2003B	1,340,000	-0-	(160,000)	1,180,000	149,028
Bank of America-Series 2003C	564,000	-0-	(188,000)	376,000	195,994
Total Notes Payable	<u>8,091,440</u>	<u>-0-</u>	<u>(605,389)</u>	<u>7,486,051</u>	<u>624,256</u>
Interest Rate Swap	146,695	185	-0-	146,880	-0-
Compensated absences	671,000	369,505	(316,505)	724,000	150,000
Governmental activity:					
Long-term liabilities	<u>\$ 8,909,135</u>	<u>\$ 369,690</u>	<u>\$ (921,894)</u>	<u>\$ 8,356,931</u>	<u>\$ 774,256</u>

NOTE D - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and government-wide statement of net assets.

The reconciliation between the fund balance - total governmental funds as reported in the governmental fund balance sheet and net assets - governmental activities as

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE D – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – CONTINUED

reported in the statement of net assets, is included on page 12 of the basic financial statements. One line of that reconciliation explains “long-term liabilities, including notes payable, interest rate swap and long-term compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.” The detail of the difference is shown below:

Notes Payable	\$ (7,486,051)
Fair Value of Interest Rate Swap	(146,880)
Compensated Absences	<u>(574,000)</u>
	<u>\$ (8,206,931)</u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The reconciliation between the net changes in fund balances – total governmental funds as reported in the statement of revenues, expenditures and changes in fund balances, and the changes in net assets as reported in the statement of activities is included on page 14 of the basic financial statements. One line in that reconciliation explains that “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. The details of the difference are shown below:

Capital additions included as expenditures in the governmental funds	\$ 331,615
Depreciation Expense	<u>(560,573)</u>
	<u>\$ (228,958)</u>

Another element of that reconciliation explains that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of the difference are shown below:

Change in long-term compensated absences	\$ (55,000)
Change in fair value of interest rate swaps	<u>(185)</u>
	<u>\$ (55,185)</u>

NOTE E – RETIREMENT PLAN

Defined Benefit Plan for General Employees

In resolution 99-08 adopted October 1, 1999, the District converted their defined contribution plan for general employees to a defined benefit plan.

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE E - RETIREMENT PLAN - CONTINUED

The plan is a single-employer, defined benefit public employee retirement system and is accounted for in the accompanying financial statements as a pension trust fund. Total employer contributions were \$90,174 on a covered payroll of \$319,980 for the year ended September 30, 2007. For the year ended September 30, 2006, employer contributions were \$81,421 on a covered payroll of \$288,829. For the year ended September 30, 2005, employer contributions were \$89,408 on a covered payroll of \$317,162. The plan covers all full-time non-firefighters effective the date of hiring.

Normal retirement benefit (which occurs at age 62 and 10 years of service or earlier attainment of 30 years of service) is 2.5% of the number of years of credited service multiplied by the average final compensation. Reduced pension benefits are available to employees with at least 10 years of credited service.

The balances transferred into the plan from the previous defined contribution plan are the minimum benefit payable to the respective employees. Employees are required to contribute 3.5% of their compensation to the plan on a pre-tax basis. At year-end nine employees were members of the General Employee Plan.

Vesting on employer contributions occurs after 10 years of service. Employees are fully vested in their required 3.5% contributions when made. Required contributions from the District were 29.26% of covered payroll. Contributions were determined as part of an actuarial cost study.

Defined Benefit Plan for Firefighters

In resolution 97-01 the District imposed a 1.85% excise tax on insurers' receipts of premiums collected within the District. These receipts will be used to partially fund the Section 175 retirement plan, which was adopted on March 11, 1997.

The plan is a single-employer, defined benefit public employee retirement system and is accounted for in the accompanying financial statements as a pension trust fund. Total employer contributions were \$1,054,605 on a covered payroll of \$4,046,927 for the year ended September 30, 2007. Additional contributions to the plan included the Casualty Insurance Premium Tax in the amount of \$408,807. For the year ended September 30, 2006, employer contributions were \$1,124,133 on a covered payroll of \$3,652,155. For the year ended September 30, 2005, employer contributions were \$953,277 on a covered payroll of \$3,097,066. The plan covers all full-time and volunteer firefighters effective the date of hiring. Normal retirement benefit (which occurs at age 55 and 10 years of service or earlier attainment of 25 years of service) is 3.5% of the number of years of credited service multiplied by the average final compensation. Reduced pension benefits are available to employees with at least 10 years of credited service.

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE E – RETIREMENT PLAN – CONTINUED

The balances transferred into the plan from a previous defined contribution plan are the minimum benefit payable to the respective firefighters. Employees are required to contribute 3.5% of their compensation to the plan on a pre-tax basis. At year-end 106 employees were members of the Firefighter's Plan.

Vesting on employer contributions occurs after 10 years of service. Employees are fully vested in their required 3.5% contributions when made. Total actuarially required contributions were 34.88% of covered payroll including state contributions.

Funding Status and Progress

The actuarial valuation for both of the employer pension plans was completed on October 1, 2006 by Southern Actuarial Services. The following are the significant actuarial assumptions used in this valuation:

Annual Investment Return – 7.5% all years (both Plans).

Annual Salary Increase – 5.0% both plans.

Valuation Method – Aggregate Cost Method. Under this method, the present value of benefits, less all assets, are equated to the present value of future employer contributions, and of future employee contributions, if any. The required contribution is expressed as a percentage of payroll. At October 1, 2006 (the date of the last actuarial valuation) membership consisted of 106 active employees for the firefighters plan and 7 active employees for the general plan. The plans are administered by the Florida League of Cities.

Summary of Significant Accounting Policies – Both Plans

Both of the District's pension plans are affiliated with the Florida Municipal Pension Trust Fund (FMPTF) an agent multiple employer pension plan administered by the FMPTF Board of Trustees. The FMPTF issues a publicly available report that includes the combined financial statements of all plan members. Separate accounts are maintained for each employer group. The District's plans do not issue separate financial reports. Plan administrative costs are paid by the plan. The District Board has the authority to amend or extend the provisions of the plan.

Basis of Accounting – The Employee Pension Funds use the accrual basis of accounting.

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE E – RETIREMENT PLAN – CONTINUED

Asset Valuation – Investments are reported at market value. Investment income is recognized when earned. Gains and losses on sale and exchanges of securities are recognized on the transaction date. Plan assets are held by the Wells Fargo Bank and managed by the Florida Municipal Investment Trust by Atlanta Capital Management Company and State Street Global Advisors. At September 30, 2007 approximately 59% of the funds assets are in equities, 1% in cash and cash equivalents, and 40% in bonds. Separate plan financial statements are available from the FMPTF. Total District’s plans include the following amounts with the FMPTF at September 30, 2007.

General Employee Plan	<u>\$ 812,700</u>
Firefighters Plan	<u>\$ 11,218,002</u>

The following financial statements present the combining statement of fiduciary net assets and statement of changes in fiduciary net assets by pension trust fund as of and for the year ended September 30, 2007:

Combining Statement of Fiduciary Net Assets

	General Employees Pension Fund	Firefighter Pension Fund	Total Employee Retirement Funds
ASSETS			
Investments	\$ 812,700	\$ 11,218,002	\$ 12,030,702
Due from other governmental units	-0-	135,382	135,382
Total Assets	812,700	11,353,384	12,166,084
LIABILITIES	-0-	47,835	47,835
NET ASSETS			
Held in Trust for Pension Benefits	\$ 812,700	\$ 11,305,549	\$ 12,118,249

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE E - RETIREMENT PLAN - CONTINUED

Combining Statement of Changes in Fiduciary Net Assets

	General Employees Pension Fund	Firefighter Pension Fund	Total Employee Retirement Funds
ADDITIONS			
Contributions:			
Employer	\$ 90,174	\$ 1,054,605	\$ 1,144,779
Employee	11,196	218,476	229,672
Intergovernmental Revenue	-	408,807	408,807
Total contributions	101,370	1,681,888	1,783,258
Investment Income:			
Net appreciation in fair value of investments	83,748	1,101,297	1,185,045
Less investment expense:			
Administrative expenses	5,004	27,436	32,440
Net investment income	78,744	1,073,861	1,152,605
Total Additions	180,114	2,755,749	2,935,863
DEDUCTIONS			
Benefits and distributions to participants	20,702	58,314	79,016
Total deductions	20,702	58,314	79,016
Change in Net Assets	159,412	2,697,435	2,856,847
Net Assets - Beginning of year	653,288	8,608,114	9,261,402
Net Assets - End of year	\$ 812,700	\$ 11,305,549	\$ 12,118,249

REQUIRED SUPPLEMENTARY INFORMATION

**SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES –BUDGET AND ACTUAL–GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
REVENUES				
Tax assessments	\$ 10,353,030	\$ 10,353,030	\$ 10,518,148	\$ 165,118
Interest	59,000	59,000	231,085	172,085
Intergovernmental Revenue	250,000	250,000	413,071	163,071
Miscellaneous	94,740	96,660	240,718	144,058
Charges for services	65,000	65,000	62,955	(2,045)
Total Revenues	10,821,770	10,823,690	11,465,977	642,287
EXPENDITURES				
Current:				
Personal service	8,559,476	8,404,396	8,470,533	(66,137)
Operating	1,218,825	1,193,332	1,109,521	83,811
Debt Service	1,027,530	1,005,530	997,478	8,052
Capital outlay	659,747	407,328	318,494	88,834
Total Expenditures	11,465,578	11,010,586	10,896,026	114,560
Excess of Revenues Over (Under) Expenditures	(643,808)	(186,896)	569,951	756,847
OTHER FINANCING SOURCES				
Transfers in	410,456	290,000	234,069	(55,931)
Net Change in Fund Balances	(233,352)	103,104	804,020	700,916
FUND BALANCE – Beginning	804,547	804,547	804,547	0
FUND BALANCE – Ending	\$ 571,195	\$ 907,651	\$ 1,608,567	\$ 700,916

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
REVENUES				
Impact Fees	\$ 390,000	\$ 200,000	\$ 208,891	\$ 8,891
Interest	3,000	3,000	5,267	2,267
Total Revenues	<u>393,000</u>	<u>203,000</u>	<u>214,158</u>	<u>11,158</u>
EXPENDITURES				
Capital outlay	-	-	-	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>-</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	393,000	203,000	214,158	11,158
OTHER FINANCING SOURCES (USES)				
Transfers out	(410,456)	(290,000)	(234,069)	55,931
Net Change in Fund Balance	(17,456)	(87,000)	(19,911)	67,089
FUND BALANCES – Beginning	<u>117,456</u>	<u>117,456</u>	<u>56,222</u>	<u>(61,234)</u>
FUND BALANCES – Ending	<u><u>\$ 100,000</u></u>	<u><u>\$ 30,456</u></u>	<u><u>\$ 36,311</u></u>	<u><u>\$ 5,855</u></u>

**SOUTHERN MANATEE FIRE & RESCUE DISTRICT
SCHEDULE OF FUNDING PROGRESS AND
EMPLOYER CONTRIBUTIONS
FIREFIGHTERS PLAN**

SCHEDULE OF FUNDING PROGRESS:

<u>ACTUARIAL VALUATION DATE</u>	<u>ACTUARIAL VALUE OF ASSETS (a)</u>	<u>ACTUARIAL ACCRUED LIABILITY (AAL) ENTRY AGE (b)</u>	<u>UNFUNDED AAL (UAAL) (b-a)</u>	<u>FUNDED RATIO (a-b)</u>	<u>COVERED PAYROLL (c)</u>	<u>UAAL AS A PERCENTAGE OF COVERED PAYROLL ((b-a)c)</u>
10/01/01	\$ 2,177,393	\$ -0-	\$ -0-	100%	\$ 1,729,345	0%
10/01/02	\$ 2,629,041	\$ -0-	\$ -0-	100%	\$ 1,877,093	0%
10/01/03	\$ 3,645,870	\$ -0-	\$ -0-	100%	\$ 2,081,316	0%
10/01/04	\$ 4,539,271	\$ -0-	\$ -0-	100%	\$ 2,680,601	0%
10/01/05	\$ 6,059,486	\$ -0-	\$ -0-	100%	\$ 2,910,917	0%
10/01/06	\$ 7,749,173	\$ -0-	\$ -0-	100%	\$ 3,391,919	0%

SCHEDULE OF EMPLOYER CONTRIBUTIONS:

<u>YEAR ENDED SEPTEMBER 30</u>	<u>ANNUAL REQUIRED CONTRIBUTION</u>	<u>PERCENTAGE CONTRIBUTED</u>
2001	\$ 470,902	100%
2002	\$ 529,084	100%
2003	\$ 630,098	100%
2004	\$ 690,515	100%
2005	\$ 990,387	100%
2006	\$ 1,138,512	100%

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	10/01/06
Actuarial cost method	Aggregate Cost Method
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases*	5.0%

*Includes inflation at 3.75%

**SOUTHERN MANATEE FIRE & RESCUE DISTRICT
SCHEDULE OF FUNDING PROGRESS AND
EMPLOYER CONTRIBUTIONS
GENERAL EMPLOYEES PLAN**

SCHEDULE OF FUNDING PROGRESS:

<u>ACTUARIAL VALUATION DATE</u>	<u>ACTUARIAL VALUE OF ASSETS (a)</u>	<u>ACTUARIAL ACCRUED LIABILITY (AAL) ENTRY AGE (b)</u>	<u>UNFUNDED AAL (UAAL) (b-a)</u>	<u>FUNDED RATIO (a-b)</u>	<u>COVERED PAYROLL (c)</u>	<u>UAAL AS A PERCENTAGE OF COVERED PAYROLL ((b-a)c)</u>
10/01/01	\$ 234,090	\$ -0-	\$ -0-	100%	\$ 227,334	0%
10/01/02	\$ 260,670	\$ -0-	\$ -0-	100%	\$ 254,386	0%
10/01/03	\$ 352,151	\$ -0-	\$ -0-	100%	\$ 227,023	0%
10/01/04	\$ 440,261	\$ -0-	\$ -0-	100%	\$ 318,412	0%
10/01/05	\$ 533,350	\$ -0-	\$ -0-	100%	\$ 241,781	0%
10/01/06	\$ 629,301	\$ -0-	\$ -0-	100%	\$ 288,571	0%

SCHEDULE OF EMPLOYER CONTRIBUTIONS:

<u>YEAR ENDED SEPTEMBER 30</u>	<u>ANNUAL REQUIRED CONTRIBUTION</u>	<u>PERCENTAGE CONTRIBUTED</u>
2001	\$ 31,075	100%
2002	\$ 38,606	100%
2003	\$ 54,599	100%
2004	\$ 59,006	100%
2005	\$ 90,292	100%
2006	\$ 73,052	100%

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	10/01/06
Actuarial cost method	Aggregate Cost Method
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases*	5%

*Includes inflation at 3.75%

OTHER SUPPLEMENTAL INFORMATION

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
SCHEDULE OF OPERATING EXPENDITURES –
BUDGET TO ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Personal Services Expenditures			
Wages	\$ 4,937,212	\$ 4,862,046	\$ 75,166
Insurance – health, disability, and workers' compensation	1,563,839	1,584,296	(20,457)
Retirement	1,427,145	1,563,523	(136,378)
Payroll taxes	376,109	369,384	6,725
Uniforms and protective gear	100,091	91,284	8,807
Total Personal Service Expenditures	<u>\$ 8,404,396</u>	<u>\$ 8,470,533</u>	<u>\$ (66,137)</u>
Operating Expenditures			
Fire prevention division	\$ 14,737	\$ 12,863	\$ 1,874
Training division	42,300	39,757	2,543
Repairs and maintenance	328,922	298,458	30,464
Professional fees	79,624	63,951	15,673
Miscellaneous	21,343	17,611	3,732
Fuel	80,652	73,842	6,810
General dues, education, travel and publications	21,400	20,557	843
Supplies	23,083	21,633	1,450
Office expense	33,000	22,909	10,091
Fees, collector and appraiser	325,394	315,458	9,936
Utilities	112,877	114,780	(1,903)
General Insurance	110,000	107,702	2,298
Total Operating Expenditures	<u>\$ 1,193,332</u>	<u>\$ 1,109,521</u>	<u>\$ 83,811</u>

OTHER AUDITORS' REPORTS



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

To the Board of Commissioners
Southern Manatee Fire and Rescue District

We have audited the financial statements of Southern Manatee Fire and Rescue District as of and for the year ended September 30, 2007, and have issued our report thereon dated February 6, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control 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 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 Southern Manatee Fire and Rescue District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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.

We noted certain matters that we have reported to the management of Southern Manatee Fire and Rescue District in a separate letter dated February 6, 2008.

This report is intended solely for the information and use of the Board of Commissioners, management, audit committee, and administration and is not intended to be and should not be used by anyone other than these specified parties.

*Christopher, Smith, Leonard,
Bristow & Stanell, P.A.*

CHRISTOPHER SMITH, LEONARD,
BRISTOW & STANELL, P.A.

February 6, 2008
Bradenton, Florida

MANAGEMENT LETTER

Board of Commissioners
Southern Manatee Fire and Rescue District

We have audited the financial statements of the Southern Manatee Fire and Rescue District, Florida, as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated February 6, 2008.

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. We have issued our Independent Auditor's Report on Compliance and Internal Control over Financial Reporting. Disclosures in those reports, which are dated February 6, 2008, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, we report the following:

The rules of the Auditor General, require that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we have the following recommendations.

Year End Adjustments

Comment

As encouraged by new reporting standards, the Districts accountant prepared all year end adjustments with the exception of pension plan adjustments.

As part of this process, we suggest the pension plans be added to the general ledger.

Managements Response

We will add the pension plans to the general ledger for the upcoming fiscal year.

Payroll Tax Deposits

Comment

The District was notified by the taxing authorities concerning potential payroll tax penalties due to late deposits.

We suggest all deposits be made on a timely basis and a monitoring control be established.

Managements Response

No penalties resulted from the above. Payroll deposits are now reviewed by both the Assistant Chief and the Administrative Assistant.

All prior year audit comments not mentioned above have been corrected.

In connection with our audit, we determined that the Southern Manatee Fire and Rescue District complied with Section 218.415, Florida Statutes regarding the investment of public funds.

As required by Section 10.554 (1)(i)7.b., Rules of the Auditor General, we determined that the annual financial report for the Southern Manatee Fire and Rescue District for the fiscal year ended September 30, 2007, 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, 2007.

In connection with our audit, we determined that the Southern Manatee Fire and Rescue District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

In accordance with Sections 10.554(1)(i)7.c. and 10.556(7) of the Rules of the Auditor General we applied financial condition assessment procedures. It is management's responsibility to monitor the entity'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.

This management letter is intended solely for the information of the Southern Manatee Fire and Rescue District and management, and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

*Christopher, Smith, Leonard,
Bristow & Stanell, P.A.*
CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANELL, P.A.

February 7, 2008
Bradenton, Florida