

**SOUTHERN MANATEE
FIRE AND RESCUE DISTRICT
FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

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FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

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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, 2009, 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, 2009, 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 4, 2010 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 34 through 37 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 4, 2010
Bradenton, Florida

SOUTHERN MANATEE

P.O. Box 20216
Phone: (941) 751-7675



FIRE & RESCUE DISTRICT

Bradenton, Florida 34204
Fax: (941) 751-7694

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, 2009.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$4,437,546 (*net assets*).
- The District's total net assets increased by \$466,391. The increase is attributable to tax assessment revenue exceeding fire protection services expense in the current year.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2,807,598, an increase of \$511,109 in comparison with the prior year. Tax assessments decreased by \$71,441 and interest income decreased \$101,631 from the prior year. This was offset by decreases in personal service and operating expenses of \$140,360. Of this total amount, \$2,709,250 is *available for spending* at the District's discretion (*unreserved fund balance*).
- The District's total debt was \$6,200,135, which decreased by \$664,521 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 10 and 11 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 and related debt service. 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 12 to 15 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 16 and 17 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 beginning on page 18 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 \$4,437,546 at the close of the most recent fiscal year.

A large portion of the District’s net assets, \$2,250,948, 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, 2009 with comparative totals as of September 30, 2008 follows:

	Net Assets	
	<u>Governmental Activities</u>	<u>Governmental Activities</u>
	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 3,342,218	\$ 2,952,247
Capital assets	9,061,059	9,501,993
Total assets	12,403,277	12,454,240
Long-term liabilities outstanding	7,431,111	7,827,327
Other liabilities	534,620	655,758
Total liabilities	<u>7,965,731</u>	<u>8,483,085</u>
Net assets:		
Invested in capital assets, net of related debt	2,250,948	2,295,666
Restricted	98,348	174,242
Unrestricted	2,088,250	1,501,247
Total net assets	<u>\$ 4,437,546</u>	<u>\$ 3,971,155</u>

An additional portion of the District’s net assets, \$98,348 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 \$2,088,250 may be used to meet the district’s ongoing obligations to citizens and creditors.

The District’s net assets increased by \$466,391 during the current fiscal year.

The following is a condensed statement of activities for the year ended September 30, 2009 with comparative totals for the year ended September 30, 2008:

	Governmental	Governmental
	Activities	Activities
	2009	2008
Revenues:		
Program revenues:		
Charges for services	\$ 38,325	\$ 65,980
General revenues:		
Fire assessments	11,205,519	11,276,960
Impact Fees	132,894	281,022
Other	<u>692,602</u>	<u>781,806</u>
Total revenues	12,069,340	12,405,768
Expenses:		
Fire Protection Services	10,449,468	10,638,548
Depreciation	564,528	661,827
Interest on long-term debt	<u>588,953</u>	<u>546,423</u>
Total expenses	<u>11,602,949</u>	<u>11,846,798</u>
Increase in net assets	466,391	558,970
Net assets – Beginning	<u>3,971,155</u>	<u>3,412,185</u>
Net assets – Ending	<u>\$ 4,437,546</u>	<u>\$ 3,971,155</u>

- Fire taxes decreased by \$71,441 during the year. The decrease is due to declining property values within the District.
- Impact fees and related payments from developers decreased by \$148,128 due to a slow down in construction within the District.
- Other revenues decreased due to less interest revenue and excess fees refunded in the current fiscal year.
- Total expenses decreased \$243,849 primarily due to decreases in fire protection services expenditures and depreciation. Fire protection services expenses declined \$189,080 due to decreases in personal services expenses and operating expenses.

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 \$2,807,598, an increase of \$511,109 in comparison with the prior year. Of this total \$2,709,250 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, \$57,439 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 \$2,709,250, while general fund total fund balance increased to \$2,766,689. 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 23 percent of total general fund expenditures, while total fund balance represents 24 percent of that same amount.

The fund balance of the District's general fund increased by \$589,038 during the current fiscal year due to tax assessment income exceeding current year expenditures. The decline in revenues was more than offset by decreases in personal service and operating costs, debt service and capital outlay expenditures.

The capital projects fund has a total fund balance of \$40,909, all of which is reserved for the acquisition, construction or purchase of assets and related debt service required to provide fire protection and emergency services. The net decrease in fund balance during the current year in the capital projects fund was \$77,929. Revenues decreased in this fund by \$148,612, due to a \$148,128 decrease in impact fees and developer related payments and a decrease in interest income of \$484. In addition, the capital projects fund transferred \$214,844 to the general fund for debt service costs.

General Fund Budgetary Highlights

During the year, the General Fund budget was amended. The final budget revenues were \$11,835,375 compared to the original budgeted revenues of \$11,971,922. The final budgeted expenditures were \$14,050,309 compared to the original budget of \$14,054,099. For the current fiscal year, actual revenues were more than budgeted revenues by \$97,050. Actual expenditures were less than the budgeted amount by \$2,492,078 due mainly to less capital outlay costs than budgeted.

The General Fund budget is presented as required supplementary information on page 34.

Capital Assets

The District's investment in capital assets for the year ended September 30, 2009 amounts to \$9,061,059 (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 \$440,934; this was comprised of \$123,594 of capital additions, and depreciation expense of \$564,528.

Capital Assets

	<u>Governmental Activities</u> <u>2009</u>	<u>Governmental Activities</u> <u>2008</u>
Land	\$ 861,156	\$ 861,156
Building and Improvements	6,631,515	6,822,947
Machinery and equipment	1,445,734	1,764,760
Construction in progress	122,654	53,130
Total (net of depreciation)	<u>\$ 9,061,059</u>	<u>\$ 9,501,993</u>

See note B 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 \$6,200,135. 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, 2009 was \$609,976 and has been included in the statement of net assets as a long-term liability.

The District's total debt decreased by \$664,521 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 \$268,305 this year.

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

Economic Factors and Next Year's Budgets and Rates

- Due to the decrease in property values and Amendment 1, the District's Ad-Valorem taxes are anticipated to decrease by 7.0%. Due to the growth and the increase of 5% on assessments, that amount is anticipated to increase by 5.0%. This will result in over a 1.5% net decrease in revenues.
- The District's personnel services budget increased by approximately less than 1%. This included longevity increases only.
- Capital outlay and construction expense is budgeted to increase and includes the construction of Station 3 which was put on hold during the last budget year.

All of these factors were considered in preparing the District's budget for the 2010 fiscal year, and will affect the fiscal year 2010 financial results.

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, 2009

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and cash equivalents	\$ 195,284
Investments	2,839,163
Due from other governments	208,537
Deposits	886
Restricted assets:	
Temporarily restricted:	
Cash and cash equivalents	57,439
Investments	40,909
Capital assets	
Land and construction in progress	983,810
Other capital assets, net of depreciation	8,077,249
Total Assets	<u>12,403,277</u>
LIABILITIES	
Accounts payable and other current liabilities	534,620
Noncurrent liabilities:	
Due within one year	640,650
Due in more than one year	6,790,461
Total Liabilities	<u>7,965,731</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,250,948
Restricted for:	
Impact fees and fallen firefighters fund	98,348
Unrestricted	<u>2,088,250</u>
TOTAL NET ASSETS	<u><u>\$ 4,437,546</u></u>

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, 2009**

Public Safety–Fire Protection	
Personal services	\$ 9,355,647
Operating expenses	1,093,821
Depreciation	564,528
Interest on long-term debt	588,953
Total Program Expenses	<u>11,602,949</u>
Program Revenues:	
Charges for services	38,325
Net Program Expense	<u>11,564,624</u>
General Revenues:	
Fire assessments	11,205,519
Impact fees	132,894
Intergovernmental revenue	430,312
Investment earnings	92,823
Miscellaneous	169,467
Total General Revenues	<u>12,031,015</u>
Increase in net assets	466,391
Net Assets - Beginning	<u>3,971,155</u>
Net Assets - Ending	<u><u>\$ 4,437,546</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, 2009

	GENERAL	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	\$ 195,284	\$ -	\$ 195,284
Investments	2,839,163	-	2,839,163
Due from other governments	208,537	-	208,537
Deposits	886		886
Restricted assets:			
Cash and cash equivalents	57,439	-	57,439
Investments	-	40,909	40,909
TOTAL ASSETS	\$ 3,301,309	\$ 40,909	\$ 3,342,218
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 14,478	\$ -	\$ 14,478
Accrued wages payable	341,142	-	341,142
Compensated absence accrual	179,000	-	179,000
Total Liabilities	534,620	-	534,620
Fund Balances:			
Reserved	57,439	40,909	98,348
Unreserved, reported in:			
General Fund	2,709,250	-	2,709,250
Total fund balances	2,766,689	40,909	2,807,598
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,301,309	\$ 40,909	\$ 3,342,218

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, 2009**

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

Fund Balance – Governmental Fund	\$ 2,807,598
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	9,061,059
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.	<u>(7,431,111)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 4,437,546</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, 2009**

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES			
Tax assessments	\$ 11,205,519	\$ -	\$ 11,205,519
Impact fees	-	132,894	132,894
Interest	88,802	4,021	92,823
Intergovernmental Revenue	430,312	-	430,312
Miscellaneous	169,467	-	169,467
Charges for services	38,325	-	38,325
Total Revenues	<u>11,932,425</u>	<u>136,915</u>	<u>12,069,340</u>
EXPENDITURES			
Current:			
Personal service	9,355,647	-	9,355,647
Operating	1,094,253	-	1,094,253
Debt Service:			
Principal retirement	664,521	-	664,521
Interest	320,648	-	320,648
Capital outlay	123,162	-	123,162
Total Expenditures	<u>11,558,231</u>	<u>-</u>	<u>11,558,231</u>
Excess of Revenues Over (Under) Expenditures	374,194	136,915	511,109
OTHER FINANCING SOURCES (USES)			
Transfers In	214,844	-	214,844
Transfers Out	-	(214,844)	(214,844)
Total Other Financing Sources (Uses)	<u>214,844</u>	<u>(214,844)</u>	<u>-</u>
Net Change in Fund Balances	589,038	(77,929)	511,109
FUND BALANCES – Beginning	<u>2,177,651</u>	<u>118,838</u>	<u>2,296,489</u>
FUND BALANCES – Ending	<u>\$ 2,766,689</u>	<u>\$ 40,909</u>	<u>\$ 2,807,598</u>

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, 2009**

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

Net change in fund balance – total governmental fund	\$ 511,109
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 depreciation expense exceeds capital outlay in the current period.	(440,934)
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.	664,521
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. This amount represents the change in fair value of interest rate swaps.	<u>(268,305)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 466,391</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, 2009

	<u>Pension Trust Funds</u>
ASSETS	
Investments	\$ 12,877,578
Due from other governmental units	100,595
Total Assets	<u>12,978,173</u>
 NET ASSETS	
Held in Trust for Pension Benefits	<u>\$ 12,978,173</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, 2009

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 1,206,231
Employee	163,260
Intergovernmental Revenue	430,312
Total contributions	<u>1,799,803</u>
Investment Income:	
Net appreciation/(depreciation) in fair value of investments	382,491
Less investment expense:	
Administrative expenses	34,086
Net investment income	<u>348,405</u>
Total additions	<u>2,148,208</u>
DEDUCTIONS	
Benefits and distributions to participants	<u>1,722,370</u>
Total deductions	<u>1,722,370</u>
CHANGE IN NET ASSETS	425,838
Net Assets – Beginning of year	<u>12,552,335</u>
Net Assets – End of year	<u><u>\$ 12,978,173</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, 2009**

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, 2009

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. These revenues can only be used for the acquisition, construction or purchase of assets and related debt service 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. A budgeted transfer is made to the General Fund each year for debt service costs.

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.
 - (4) Other Post Employment Benefit Trust Fund – is used to account for assets held by the District in a trustee capacity. Consequently, net assets in the fiduciary fund, is reserved. OPEB 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. Post employment 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.

**SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- (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.

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. The District received tax revenues based on millage and also assessments which 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
Millage resolution approved	September 30
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, 2009, Capital Project Fund Balance is reserved from impact fees. General Fund Balance is restricted for the fallen firefighter's fund.

**SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- (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)
 - (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.

Demand Deposits

At September 30, 2009, 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, 2009, the carrying amount of the District's deposits was \$252,723 and the bank balance was \$337,641.

Investments

Credit and Concentration of Credit Risk

The District invests 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 been rated AA+ by Standard & Poor's at September 30, 2009. Total investments at fair value of the pool as of September 30, 2009 were \$593,312,955. The District's investments included in the Pool were \$2,880,072. The District's position in the pool is the same as the value of the pool shares.

Interest Rate Risk

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, 2009, the Pool had no investments with a maturity exceeding three 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, 2009, the District had the following investments:

General Fund:

Manatee County Investment Pool: Unrestricted \$ 2,839,163

Capital Projects Fund:

Manatee County Investment Pool: Restricted 40,909

Total **\$ 2,880,072**

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- (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.
- (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, 2009 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	<u>53,130</u>	<u>69,524</u>	<u>-0-</u>	<u>-0-</u>	<u>122,654</u>
Total capital assets, not being depreciated	<u>914,286</u>	<u>69,524</u>	<u>-0-</u>	<u>-0-</u>	<u>983,810</u>
Capital assets being depreciated:					
Buildings and improvements	7,625,246	-	-0-	-0-	7,625,246
Machinery and equipment	<u>4,665,038</u>	<u>54,070</u>	<u>-0-</u>	<u>-0-</u>	<u>4,719,108</u>
Total capital assets being depreciated	<u>12,290,284</u>	<u>54,070</u>	<u>-0-</u>	<u>-0-</u>	<u>12,344,354</u>
Less accumulated depreciation for:					
Buildings and improvements	(802,299)	(191,432)	-0-	-0-	(993,731)
Machinery and equipment	<u>(2,900,278)</u>	<u>(373,096)</u>	<u>-0-</u>	<u>-0-</u>	<u>(3,273,374)</u>
Total accumulated depreciation	<u>(3,702,577)</u>	<u>(564,528)</u>	<u>-0-</u>	<u>-0-</u>	<u>(4,267,105)</u>
Total capital assets, being depreciated, net	<u>8,587,707</u>	<u>(510,458)</u>	<u>-0-</u>	<u>-0-</u>	<u>8,077,249</u>
Governmental activities capital assets, net	<u>\$ 9,501,993</u>	<u>\$ (440,934)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 9,061,059</u>

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE B – CAPITAL ASSETS – CONTINUED

Depreciation in the amount of \$564,528 was reported as a separate line item in the statement of activities.

NOTE C – LONG-TERM DEBT

General long-term debt consisted of the following at September 30, 2009:

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.	\$ 800,091
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.	4,540,044
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.	<u>860,000</u>
	<u>\$ 6,200,135</u>

**SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

NOTE C - GENERAL LONG-TERM DEBT - CONTINUED

Interest Rate Swap (Swap)

In order to protect against the possibility of rising interest rates, the District has entered into three interest rate swap agreements with Bank of America in order to effectively fix the rate on its variable rate debt. The details of the swaps follow:

	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Fixed Rate</u>	<u>Variable Rate</u>
1)	\$ 800,091	11/17/2000	11/17/2020	5.695%	*
2)	\$ 4,537,544	4/17/2003	3/31/2023	4.75%	**
3)	\$ 830,000	4/17/2003	9/30/2014	4.49%	**

* Index is one month LIBOR. At September 30, 2009, the rate was .2473%.

** Index is three month LIBOR. At September 30, 2009, the rate was .298%.

- 1) 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 less principal reductions. 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 and the variable rate. At September 30, 2009, the Fair Market Value of the swap was estimated at \$(158,064). The fair market value of the swap has been determined by the counterparty (Bank of America) a financial institution known to be a high value participant in the market. Since the swap has a negative fair value at September 30, 2009, the District was not exposed to any credit risk on the swap. However, should interest rates change and the fair value of the swap becomes positive, the District would be exposed to credit risk in the amount of the derivative's fair value.

- 2) The notional amount of the swap, which was \$5,600,000 at inception, is equal to the balance outstanding on the original principal drawn on the note less principal reductions. 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 and the variable rate. At September 30, 2009, the Fair market value of the swap was estimated at \$(413,306). The fair market value of the swap has been determined by the counterparty (Bank of America) a financial institution known to be a high value participant in the market. Since the swap has a negative fair value at September 30, 2009, the District was not exposed to any credit risk on the swap. However, should interest rates change and the fair value of the swap becomes positive, the District would be exposed to credit risk in the amount of the derivative's fair value.

**SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

NOTE C - GENERAL LONG-TERM DEBT - CONTINUED

- 3) The notional amount of the swap, which was \$1,660,000 at inception, is equal to the balance outstanding on the original principal drawn on the note less principal reductions. 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 and the variable rate. At September 30, 2009, the Fair Market Value of the swap was estimated at \$(38,606). The fair market value of the swap has been determined by the counterparty (Bank of America) a financial institution known to be a high value participant in the market. Since the swap has a negative fair value at September 30, 2009, the District was not exposed to any credit risk on the swap. However, should interest rates change and the fair value of the swap becomes positive, the District would be exposed to credit risk in the amount of the derivative's fair value.

The District or the counter party may terminate the swaps if the other party fails to perform under the terms of the contract. If the swap is terminated, the associated variable-rate note would no longer carry a synthetic fixed interest rate. Also, if at the time of the termination the swap has a negative fair value, the District would be liable to the counter party for a payment equal to the swap's fair value.

The total fair value of these swap agreements in the amount of \$609,976 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.

Future Maturities

Total annual debt service requirements for all long-term debt governmental activities as of September 30, 2009 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 461,650	\$ 292,622	\$ 754,272
2011	484,068	270,204	754,272
2012	507,580	246,692	754,272
2013	532,242	222,030	754,272
2014	525,489	196,166	721,655
2015-2019	2,109,175	660,673	2,769,848
2020-2023	<u>1,579,931</u>	<u>137,780</u>	<u>1,717,711</u>
TOTAL	<u>\$ 6,200,135</u>	<u>\$ 2,026,167</u>	<u>\$ 8,226,302</u>

**SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

NOTE C - GENERAL LONG-TERM DEBT - CONTINUED

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2009, 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					
Bank of America-Series 2000	\$ 883,599	\$ -0-	\$ (83,508)	\$ 800,091	\$ 52,818
Bank of America-Series 2003A	4,773,057	-0-	(233,013)	4,540,044	245,884
Bank of America-Series 2003B	1,020,000	-0-	(160,000)	860,000	162,948
Bank of America-Series 2003C	<u>188,000</u>	<u>-0-</u>	<u>(188,000)</u>	<u>-0-</u>	<u>-0-</u>
Total Notes Payable	\$ 6,864,656	\$ -0-	\$ (664,521)	\$ 6,200,135	\$ 461,650
Interest Rate Swap	341,671	268,305	-0-	609,976	-0-
Compensated absences	<u>786,000</u>	<u>448,000</u>	<u>(434,000)</u>	<u>800,000</u>	<u>\$ 179,000</u>
Governmental activity:					
Long-term liabilities	<u>\$ 7,992,327</u>	<u>\$ 716,305</u>	<u>\$ (1,098,521)</u>	<u>\$ 7,610,111</u>	<u>\$ 640,650</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 reported in the statement of net assets, is included on page 13 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	\$ (6,200,135)
Fair Value of Interest Rate Swap	(609,976)
Compensated Absences	<u>(621,000)</u>
	<u>\$ (7,431,111)</u>

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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

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 15 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	\$ 123,594
Depreciation Expense	(564,528)
	<u>\$ (440,934)</u>

NOTE E – RETIREMENT PLANS AND OTHER POST-EMPLOYMENT BENEFIT PLANS

The District has three defined benefit plans.

- Pension plan for firefighters (FFPP)
- Pension plan for general employees (GEPP)
- Other Post Employment Benefit Plan (OPEB)

a) Summary of Significant Accounting Policies

Basis of Accounting – The Plans follow the accrual basis of accounting.

Asset Valuation – Investments are reported at market value based on quoted prices at month/year end. Investment income is recognized when earned. Gains and losses on sale and exchanges of securities are recognized on the transaction date.

b) Plan Investments

Both of the District’s pension plans and the OPEB Plan 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.

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2009

NOTE E - RETIREMENT PLANS AND OTHER POST-EMPLOYMENT BENEFIT PLANS - CONTINUED

All employee pension plans or OPEB assets with the FMPTF are included in the trust's master Trust Fund. Employee pension plan or OPEB assets of the defined benefit type are invested by the FMPTF through the Florida Municipal Investment Trust (FMIvT) for the benefit of the Participating Employers, Participating Employees and Beneficiaries.

The FMIvT is a Local Government Investment Pool (LGIP) and, therefore, considered an external investment pool. The plans have a beneficial interest in shares in the FMIvT portfolios listed below. The plan's investment is the beneficial interest in the FMIvT portfolio, not the individual securities held within each portfolio.

As of September 30, 2009, the asset allocations for the various investment models were as follows:

	<u>Asset Allocation</u>	
	<u>Model/Percentage</u>	
	<u>FFPP</u>	
	<u>GEPP</u>	<u>OPEB</u>
	<u>70/30</u>	<u>60/40</u>
Cash and Money Market	0.7	0.7
FMIvT Broad Market High Quality Bond	32.3	36.7
FMIvT High Quality Growth	9.2	8.3
FMIvT Large Cap Diversified Value	9.5	8.7
FMIvT Russell 1000 Enhanced Index	26.0	23.7
FMIvT Diversified Small Cap Equity	13.5	11.5
FMIvT International Blend	<u>8.8</u>	<u>10.4</u>
	<u>100</u>	<u>100</u>

Credit Risk

Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations.

The FMIvT Bond fund has a Fitch Rating of AA/V4. The equities are in portfolios which are not rated.

Interest Rate Risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value.

The FMIvT Broad Market High Quality Bond Fund has a weighted average maturity of 4.81 years.

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

**NOTE E - RETIREMENT PLANS AND OTHER POST-EMPLOYMENT BENEFIT PLANS -
CONTINUED**

c) Plan Descriptions and Contribution Information

FFPP - 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 \$862,274 on a covered payroll of \$4,328,942 for the year ended September 30, 2009. Additional contributions to the plan included the Casualty Insurance Premium Tax in the amount of \$430,312. For the year ended September 30, 2008, employer contributions were \$1,342,701 on a covered payroll of \$4,371,748. For the year ended September 30, 2007, employer contributions were \$1,054,605 on a covered payroll of \$4,046,927. 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.

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.

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 30.7% of covered payroll including state contributions.

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

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 \$93,957 on a covered payroll of \$335,563 for the year ended September 30, 2009. For the year ended September 30, 2008, employer contributions were \$93,568 on a covered payroll of \$331,919.

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE E - RETIREMENT PLANS AND OTHER POST-EMPLOYMENT BENEFIT PLANS - CONTINUED

For the year ended September 30, 2007, employer contributions were \$90,174 on a covered payroll of \$313,980. 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.

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 28% of covered payroll. Contributions were determined as part of an actuarial cost study.

OPEB - Effective January 1, 2008, the District established a trust to allow retired employees and dependents to be eligible for continued health benefits at an initial cost of \$450 per month. The cost is subject to adjustment. An initial contribution of \$200,000 was made to the fund for the year ended September 30, 2008. A contribution of \$250,000 was made to the fund for the year ended September 30, 2009. An actuarial valuation has not been completed.

d) Funded Status and Funding Progress - Pension Plans (FFPP & GEPP)

The funded status of each plan as of October 1, 2007, the most recent actuarial valuation date, is as follows:

	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY (AAL) ENTRY AGE (b)	UNFUNDED AAL (UAAL) (b-a)	FUNDED RATIO (a/b)	COVERED PAYROLL (c)	UAAL AS A PERCENTAGE OF COVERED PAYROLL ((b-a)/c)
FFPP	\$ 10,178,736	\$ -0-	\$ -0-	100%	\$ 4,060,402	0%
GEPP	\$ 785,284	\$ -0-	\$ -0-	100%	\$ 319,881	0%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE E - RETIREMENT PLANS AND OTHER POST-EMPLOYMENT BENEFIT PLANS - CONTINUED

Additional information as of the latest actuarial valuation follows:

	<u>FFPP</u>	<u>GEPP</u>
Valuation date	10/01/07	10/01/07
Actuarial cost method	Aggregate Cost	Aggregate
Cost		
Amortization method	N/A	N/A
Remaining amortization period	N/A	N/A
Asset valuation method	Market	Market

Actuarial assumptions:

Investment rate of return	7.5%	7.5%
Projected salary increases*	5.0%	5.0%
COLA's	None	3.0%

* Includes inflation at 3.75%

Retirees and beneficiaries receiving benefits	3	1
Terminated plan members entitled to, but not yet receiving, benefits	21	1
Active plan members	<u>87</u>	<u>7</u>
Total	111	9

The plans use the aggregate actuarial cost method to calculate annual required contributions. The aggregate actuarial cost method does not identify or separately amortize any unfunded actuarial liabilities. The information presented is intended to serve as a surrogate for the funded status and funding progress of the plan. The funded status as disclosed above has been prepared on the entry age actuarial cost method.

Three year trend information.

FFPP

<u>Year Ended</u>	<u>Actuarially Required Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/07	\$ 917,852	100%	\$ -0-
09/30/06	\$ 899,087	100%	\$ -0-
09/30/05	\$ 793,866	100%	\$ -0-

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE E - RETIREMENT PLANS AND OTHER POST-EMPLOYMENT BENEFIT PLANS - CONTINUED

<u>GEPP</u>				
Year Ended	Actuarially Required Contribution	Percentage of APC Contributed	Net Pension Obligation	
09/30/07	\$ 86,745	100%	\$ -0-	
09/30/06	\$ 73,052	100%	\$ -0-	
09/30/05	\$ 90,292	100%	\$ -0-	

The following financial statements present the combining statement of fiduciary net assets and statement of changes in fiduciary net assets by trust fund as of and for the year ended September 30, 2009:

Combining Statement of Fiduciary Net Assets

	General Employees Pension Fund	Firefighter Pension Fund	Other Post Employment Benefit Fund	Total Employee Pension Funds
ASSETS				
Investments	\$ 880,491	\$ 11,531,839	\$ 465,248	\$ 12,877,578
Due from other governmental units	-0-	100,595	-0-	100,595
Total Assets	<u>880,491</u>	<u>11,632,434</u>	<u>465,248</u>	<u>12,978,173</u>
LIABILITIES				
Due to Employer	-0-	-0-	-0-	-0-
NET ASSETS				
Held in Trust for Pension Benefits	<u>\$ 880,491</u>	<u>\$ 11,632,434</u>	<u>\$ 465,248</u>	<u>\$ 12,978,173</u>

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE E – RETIREMENT PLAN – CONTINUED

Combining Statement of Changes in Fiduciary Net Assets

	General Employees Pension Fund	Firefighter Pension Fund	Other Post Employment Benefit Fund	Total Employee Pension Funds
ADDITIONS				
Contributions:				
Employer	\$ 93,957	\$ 862,274	\$ 250,000	\$ 1,206,231
Employee	11,745	151,515	-	163,260
Intergovernmental Revenue	-	430,312	-	430,312
Total contributions	<u>105,702</u>	<u>1,444,101</u>	<u>250,000</u>	<u>1,799,803</u>
Investment Income:				
Net appreciation/(depreciation) in fair value of investments	25,046	319,011	38,434	382,491
Less investment expense:				
Administrative expenses	4,422	29,437	227	34,086
Net investment income	<u>20,624</u>	<u>289,574</u>	<u>38,207</u>	<u>348,405</u>
Total Additions	<u>126,326</u>	<u>1,733,675</u>	<u>288,207</u>	<u>2,148,208</u>
DEDUCTIONS				
Benefits and distributions to participants	25,912	1,696,458	-	1,722,370
Total deductions	<u>25,912</u>	<u>1,696,458</u>	<u>-</u>	<u>1,722,370</u>
Change in Net Assets	100,414	37,217	288,207	425,838
Net Assets – Beginning of year	<u>780,077</u>	<u>11,595,217</u>	<u>177,041</u>	<u>12,552,335</u>
Net Assets – End of year	<u>\$ 880,491</u>	<u>\$ 11,632,434</u>	<u>\$ 465,248</u>	<u>\$ 12,978,173</u>

NOTE F – CONCENTRATIONS OF LABOR SUBJECT TO COLLECTIVE BARGAINING AGREEMENT

The District's professional firefighters, which represent a significant portion of the District's employees are represented by a union.

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, 2009**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
REVENUES				
Tax assessments	\$ 11,105,162	\$ 11,092,630	\$ 11,205,519	\$ 112,889
Interest	210,000	80,000	88,802	8,802
Grant Income	-	8,000	-	(8,000)
Intergovernmental Revenue	475,000	433,733	430,312	(3,421)
Miscellaneous	121,760	181,012	169,467	(11,545)
Charges for services	60,000	40,000	38,325	(1,675)
Total Revenues	11,971,922	11,835,375	11,932,425	97,050
EXPENDITURES				
Current:				
Personal service	9,646,969	9,578,738	9,355,647	223,091
Operating	1,296,130	1,321,332	1,094,253	227,079
Debt Service	1,146,000	1,184,900	985,169	199,731
Capital outlay	1,965,000	1,965,339	123,162	1,842,177
Total Expenditures	14,054,099	14,050,309	11,558,231	2,492,078
Excess of Revenues Over (Under) Expenditures	(2,082,177)	(2,214,934)	374,194	2,589,128
OTHER FINANCING SOURCES				
Loan Proceeds	1,500,000	1,500,000	-	(1,500,000)
Transfers in	153,000	181,838	214,844	33,006
Total Other Financing Sources	1,653,000	1,681,838	214,844	(1,466,994)
Net Change in Fund Balances	(429,177)	(533,096)	589,038	1,122,134
FUND BALANCE – Beginning	2,177,651	2,177,651	2,177,651	0
FUND BALANCE – Ending	\$ 1,748,474	\$ 1,644,555	\$ 2,766,689	\$ 1,122,134

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, 2009

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
REVENUES				
Impact Fees	\$ 150,000	\$ 70,000	\$ 132,894	\$ 62,894
Interest	3,000	3,000	4,021	1,021
Total Revenues	<u>153,000</u>	<u>73,000</u>	<u>136,915</u>	<u>63,915</u>
EXPENDITURES				
Capital outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	153,000	73,000	136,915	63,915
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(153,000)</u>	<u>(181,838)</u>	<u>(214,844)</u>	<u>(33,006)</u>
Net Change in Fund Balance	-	(108,838)	(77,929)	30,909
FUND BALANCES – Beginning	<u>118,838</u>	<u>118,838</u>	<u>118,838</u>	<u>-</u>
FUND BALANCES – Ending	<u><u>\$ 118,838</u></u>	<u><u>\$ 10,000</u></u>	<u><u>\$ 40,909</u></u>	<u><u>\$ 30,909</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>
10/01/02	\$ 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%
10/01/07	\$ 10,178,736	\$ -0-	\$ -0-	100%	\$ 4,060,402	0%

SCHEDULE OF EMPLOYER CONTRIBUTIONS:

<u>YEAR ENDED SEPTEMBER 30</u>	<u>ANNUAL REQUIRED CONTRIBUTION</u>	<u>PERCENTAGE CONTRIBUTED</u>
2002	\$ 529,084	100%
2003	\$ 630,098	100%
2004	\$ 690,515	100%
2005	\$ 990,387	100%
2006	\$ 1,138,512	100%
2007	\$ 1,195,540	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	10/01/07
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>
10/01/02	\$ 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%
10/01/07	\$ 785,284	\$ -0-	\$ -0-	100%	\$ 319,881	0%

SCHEDULE OF EMPLOYER CONTRIBUTIONS:

<u>YEAR ENDED SEPTEMBER 30</u>	<u>ANNUAL REQUIRED CONTRIBUTION</u>	<u>PERCENTAGE CONTRIBUTED</u>
2002	\$ 38,606	100%
2003	\$ 54,599	100%
2004	\$ 59,006	100%
2005	\$ 90,292	100%
2006	\$ 73,052	100%
2007	\$ 86,745	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	10/01/07
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, 2009

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Personal Services Expenditures			
Wages	\$ 5,707,851	\$ 5,629,207	\$ 78,644
Insurance – health, disability, and workers' compensation	1,747,378	1,724,715	22,663
Retirement	1,643,321	1,537,157	106,164
Payroll taxes	436,780	428,611	8,169
Uniforms and protective gear	43,408	35,957	7,451
Total Personal Service Expenditures	\$ 9,578,738	\$ 9,355,647	\$ 223,091
Operating Expenditures			
Fire prevention division	\$ 19,340	\$ 11,703	\$ 7,637
Training division	29,085	15,780	13,305
Repairs and maintenance	334,189	246,736	87,453
Professional fees	150,884	103,447	47,437
Miscellaneous	32,442	11,411	21,031
Fuel	87,432	59,262	28,170
General dues, education, travel and publications	22,625	16,052	6,573
Supplies	29,007	25,179	3,828
Office expense	46,209	33,962	12,247
Fees, collector and appraiser	333,779	327,730	6,049
Utilities	115,340	128,596	(13,256)
General Insurance	121,000	114,395	6,605
Total Operating Expenditures	\$ 1,321,332	\$ 1,094,253	\$ 227,079

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, 2009, and have issued our report thereon dated February 4, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 the District in a separate letter dated February 4, 2010.

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 4, 2010
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, 2009, and have issued our report thereon dated February 4, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Compliance and Internal Control over Financial Reporting. Disclosures in those reports, which are dated February 4, 2010, 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:

1. Payroll Tax Deposits

Comment

The District incurred payroll tax penalties during the year due to a late deposit.

The monitoring control that was established should be followed and all deposits should be made on a timely basis.

Management Response

Controls were put in place to ensure that payroll taxes are paid in a timely manner to avoid penalties. Since the error was discovered, we have refined the check sheet that all personnel can use to avoid this error in the future.

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, 2009, 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, 2009.

In connection with our audit, we determined that the Southern Manatee Fire and Rescue District is not in a state of financial emergency as it 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 4, 2010
Bradenton, Florida