

**SOUTHERN MANATEE
FIRE AND RESCUE DISTRICT
FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

**SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

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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, 2010, 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, 2010, 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.

As discussed in Note H to the financial statements, the District adopted the provisions of GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments in 2010.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 20, 2011 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, the budgetary comparison information on pages 39 - 40, the schedules of finding progress and employer contributions - firefighter and general employees on pages 41-42 and the schedule of post employment benefits - other than pension on page 43, be presented to supplement the basic financial statements.

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

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 on page 44 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.

June 20, 2011
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, 2010.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$4,974,010 (*net assets*).
- The District's total net assets decreased by \$73,512.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$4,609,949, an increase of \$1,802,351 in comparison with the prior year. Tax assessments decreased by \$88,421 and interest income decreased \$27,919 from the prior year. The District also had \$2,394,210 of debt proceeds. Personal service expenses decreased \$404,103 and capital outlay increased \$1,374,950. Of this total amount, \$3,369,232 is *available for spending* at the District's discretion (*unreserved fund balance*).
- The District's total debt was \$8,104,059, which increased by \$1,903,924 during the current fiscal year. Increases were due new debt net of 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 and budgeted debt proceeds 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 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 on the accrual basis.

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 \$4,974,010 at the close of the most recent fiscal year.

A large portion of the District’s net assets, \$2,786,142, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment and construction in process); 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, 2010 with comparative totals as of September 30, 2009 follows:

	Net Assets	
	<u>Governmental Activities</u>	<u>Governmental Activities</u>
	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 5,724,370	\$ 3,342,218
Capital assets	9,763,095	9,061,059
Total assets	15,487,465	12,403,277
Long-term liabilities outstanding	10,133,635	7,431,111
Other liabilities	379,820	534,620
Total liabilities	<u>10,513,455</u>	<u>7,965,731</u>
Net assets:		
Invested in capital assets, net of related debt	2,786,142	2,250,948
Restricted	113,611	98,348
Unrestricted	2,074,257	2,088,250
Total net assets	<u>\$ 4,974,010</u>	<u>\$ 4,437,546</u>

An additional portion of the District’s net assets, \$113,611 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 \$2,074,257 may be used to meet the District’s ongoing obligations to citizens and creditors.

The District's net assets decreased by \$73,512 during the current fiscal year. In addition, beginning net assets at September 30, 2009 were restated in the amount of \$609,976 due to the implementation of GASB Statement No. 53 and accounting for the District's interest rate swap, which qualifies as a hedging derivative instrument.

The following is a condensed statement of activities for the year ended September 30, 2010 with comparative totals for the year ended September 30, 2009:

	Governmental	Governmental
	Activities	Activities
	2010	2009
Revenues:		
Program revenues:		
Charges for services	\$ 33,260	\$ 38,325
General revenues:		
Fire assessments	11,117,098	11,205,519
Impact Fees	117,941	132,894
Other	<u>578,908</u>	<u>692,602</u>
Total revenues	11,847,207	12,069,340
Expenses:		
Fire Protection Services	10,837,761	10,449,468
Depreciation	725,834	564,528
Interest on long-term debt	<u>357,124</u>	<u>588,953</u>
Total expenses	<u>11,920,719</u>	<u>11,602,949</u>
Increase (Decrease) in net assets	(73,512)	466,391
Net assets – Beginning	4,437,546	3,971,155
Prior period adjustment	<u>609,976</u>	-0-
Net assets – Ending	<u>\$ 4,974,010</u>	<u>\$ 4,437,546</u>

- Fire taxes decreased by \$88,421 during the year. The decrease is due to declining property values within the District.
- Impact fees and related payments from developers decreased by \$14,953 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 increased \$317,770. Significant changes were due to: Current year expenses included an increase for OPEB costs of \$619,000, retirement expense of \$225,822 and depreciation and operating costs of \$311,242, netted by a decrease in personal service costs related to health insurance, wages and OPEB trust funding of \$610,904, and decreases in debt service interest of \$231,829.

During 2010, the District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions. As a result, the District recorded an additional OPEB liability in the government wide financial statements of \$619,000. The liability is based on an actuarially calculated amount.

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 \$4,609,949, an increase of \$1,802,351 in comparison with the prior year. Of this total \$3,369,232 is *unrestricted fund balance*, which is available for spending at the District's discretion. Fund balance in the amount of \$55,875 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, \$1,127,106 in unspent debt proceeds is reserved for station 3 construction. Lastly, \$57,736 is reserved 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 \$3,369,232, while general fund total fund balance increased to \$4,554,074. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 27 percent of total general fund expenditures.

During the current year, the fund balance of the District's general fund increased by \$1,787,385. The main reasons were due to \$2,394,210 of debt proceeds for the construction of a station and new fire engines. The general fund also had a decrease in personal service costs due to less wages and health insurance costs than the prior year, offset by an increase in retirement contributions. Capital outlay costs increased \$1,374,950 due to construction in process of a fire station and two new fire engines.

The capital projects fund has a total fund balance of \$55,875, 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 increase in fund balance during the current year in the capital projects fund was \$14,966. Revenues decreased in this fund by \$18,028, due to a \$14,953 decrease in impact fees and developer related payments and a decrease in interest income of \$3,075. In addition, the capital projects fund transferred \$103,921 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 \$11,821,108, plus \$1,703,909 of other financing sources compared to the original budgeted revenues of \$11,891,371, plus other financing sources of \$73,000. The final budgeted expenditures were \$14,199,262 compared to the original budget of \$12,459,668. For the current fiscal year, actual revenues were less than budgeted revenues by \$92,766. Actual expenditures were less than the budgeted amount by \$2,554,406 due mainly to less capital outlay costs, as well as personal service, operating and debt service costs than budgeted.

The General Fund budget is presented as required supplementary information on page 39.

Capital Assets

The District's investment in capital assets for the year ended September 30, 2010 amounts to \$9,763,095 (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 increased by \$702,036; this was comprised of \$1,467,115 of capital additions, depreciation expense of \$725,834 and loss on disposal of assets of \$39,245.

Capital Assets

	<u>Governmental Activities</u>	<u>Governmental Activities</u>
	<u>2010</u>	<u>2009</u>
Land	\$ 861,156	\$ 861,156
Building and Improvements	6,515,632	6,631,515
Machinery and equipment	1,789,362	1,445,734
Construction in progress	596,945	122,654
Total (net of depreciation)	<u>\$ 9,763,095</u>	<u>\$ 9,061,059</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 \$8,104,059. 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, 2010 was \$765,576.

During the current fiscal year, the District's total debt increased by \$1,903,924. The increase was due to new debt of \$2,394,210 less principal payments of \$490,286.

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, our Ad-Valorem taxes are anticipated to decrease by 4.5%. Due to the growth, our assessments are anticipated to increase by .9%. This will result in over a .8% 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 finalize construction of Station 3.

All of these factors were considered in preparing the District's budget for the 2011 fiscal year, and will affect the fiscal year 2011 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, 2010

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and cash equivalents	\$ 536,879
Investments	3,081,303
Due from other governments	99,009
Deposits	886
Deferred outflow of resources	765,576
Restricted assets:	
Temporarily restricted:	
Cash and cash equivalents	57,736
Investments	1,182,981
Capital assets	
Land and construction in progress	1,458,101
Other capital assets, net of depreciation	8,304,994
Total Assets	15,487,465
LIABILITIES	
Accounts payable and other current liabilities	348,845
Accrued interest	30,975
Interest rate swap liability	765,576
Noncurrent liabilities:	
Due within one year	675,299
Due in more than one year	8,692,760
Total Liabilities	10,513,455
NET ASSETS	
Invested in capital assets, net of related debt	2,786,142
Restricted for:	
Impact fees and fallen firefighters fund	113,611
Unrestricted	2,074,257
TOTAL NET ASSETS	\$ 4,974,010

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, 2010**

Public Safety–Fire Protection	
Personal services	\$ 9,594,544
Operating expenses	1,243,217
Depreciation	725,834
Interest on long-term debt	357,124
Total Program Expenses	<u>11,920,719</u>
Program Revenues:	
Charges for services	33,260
Net Program Expense	<u>11,887,459</u>
General Revenues:	
Fire assessments	11,117,098
Impact fees	117,941
Intergovernmental revenue	324,870
Investment earnings	64,903
Miscellaneous	189,135
Total General Revenues	<u>11,813,947</u>
Increase (decrease) in net assets	(73,512)
Net Assets – beginning, as previously stated	4,437,546
Prior period adjustment	609,976
Net Assets–beginning, as restated	<u>5,047,522</u>
Net Assets – ending	<u><u>\$ 4,974,010</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, 2010

	GENERAL	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	\$ 536,879	\$ -	\$ 536,879
Investments	3,081,303	-	3,081,303
Due from other governments	99,009	-	99,009
Deposits	886	-	886
Restricted assets:			
Cash and cash equivalents	57,736	-	57,736
Investments	1,127,106	55,875	1,182,981
TOTAL ASSETS	\$ 4,902,919	\$ 55,875	\$ 4,958,794
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 32,463	\$ -	\$ 32,463
Retainage Payable	33,915	-	33,915
Accrued wages payable	282,467	-	282,467
Total Liabilities	348,845	-	348,845
Fund Balances:			
Reserved			
Impact Fees		55,875	55,875
Fallen firefighters fund	57,736	-	57,736
Construction loan-unspent	1,127,106	-	1,127,106
Unreserved, reported in:			
General Fund	3,369,232	-	3,369,232
Total fund balances	4,554,074	55,875	4,609,949
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,902,919	\$ 55,875	\$ 4,958,794

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, 2010**

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

Fund Balance – Governmental Fund	\$ 4,609,949
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	9,763,095
Accrued interest is not due and payable for current financial resources. As a result, it is not recorded as a fund liability.	(30,975)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.	<u>(9,368,059)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 4,974,010</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, 2010**

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES			
Tax assessments	\$ 7,044,434	\$ -	\$ 7,044,434
Ad Valorem tax	4,072,664	-	4,072,664
Impact fees	-	117,941	117,941
Interest	63,957	946	64,903
Intergovernmental Revenue	324,870	-	324,870
Miscellaneous	189,135	-	189,135
Charges for services	33,260	-	33,260
Total Revenues	<u>11,728,320</u>	<u>118,887</u>	<u>11,847,207</u>
EXPENDITURES			
Current:			
Personal service	8,951,544	-	8,951,544
Operating	1,172,975	-	1,172,975
Debt Service:			
Principal retirement	490,286	-	490,286
Interest	326,149	-	326,149
Capital outlay	1,498,112	-	1,498,112
Total Expenditures	<u>12,439,066</u>	<u>-</u>	<u>12,439,066</u>
Excess of Revenues Over (Under) Expenditures	(710,746)	118,887	(591,859)
OTHER FINANCING SOURCES (USES)			
Loan proceeds	2,394,210	-	2,394,210
Transfers In	103,921	-	103,921
Transfers Out	-	(103,921)	(103,921)
Total Other Financing Sources (Uses)	<u>2,498,131</u>	<u>(103,921)</u>	<u>2,394,210</u>
Net Change in Fund Balances	1,787,385	14,966	1,802,351
FUND BALANCES – Beginning	<u>2,766,689</u>	<u>40,909</u>	<u>2,807,598</u>
FUND BALANCES – Ending	<u>\$ 4,554,074</u>	<u>\$ 55,875</u>	<u>\$ 4,609,949</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, 2010**

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

Net change in fund balance – total governmental fund	\$ 1,802,351
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 additions exceeds depreciation expense and loss on disposal in the current year.	702,036
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.	490,286
Debt proceeds are considered an other financing resource in the general fund and increase fund balance. However, in the governmental activities debt proceeds increase the debt balance and has no effect on net assets.	(2,394,210)
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 accrued interest.	(30,975)
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 OPEB liability.	(619,000)
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 long term accrued absences.	<u>(24,000)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (73,512)</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, 2010

	<u>Pension Trust Funds</u>
ASSETS	
Investments	\$ 15,793,483
Due from other governmental units	74,392
Total Assets	<u><u>15,867,875</u></u>
 NET ASSETS	
Held in Trust for Pension Benefits	<u><u>\$ 15,867,875</u></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, 2010

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 1,228,777
Employee	166,472
Intergovernmental Revenue	399,262
Total contributions	<u>1,794,511</u>
Investment Income:	
Net appreciation/(depreciation) in fair value of investments	1,277,866
Less investment expense:	
Administrative expenses	49,567
Net investment income	<u>1,228,299</u>
Total additions	<u>3,022,810</u>
DEDUCTIONS	
Benefits and distributions to participants	<u>133,108</u>
Total deductions	<u>133,108</u>
CHANGE IN NET ASSETS	2,889,702
Net Assets – Beginning of year	<u>12,978,173</u>
Net Assets – End of year	<u>\$ 15,867,875</u>

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

**SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

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, 2010**

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, as well as loan proceeds and any transfers in. From the fund are paid the general operating expenditures and budgeted capital expenditures, and debt service costs.
- (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. Fund balance in the Capital Projects Fund is reserved. 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, 2010**

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, 2010, Capital Project Fund Balance is reserved from impact fees. General Fund Balance is reserved for unspent debt proceeds to be used for station 3 construction and the fallen firefighter's fund.

**SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

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, 2010, 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, 2010, the carrying amount of the District's deposits was \$594,615 and the bank balance was \$715,934.

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 AAf/S1+ by Standard & Poor's at September 30, 2010. Total investments at fair value of the pool as of September 30, 2010 were \$578,866,000. The District's investments included in the Pool were \$4,264,284. 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, 2010, the Pool had no investments with a maturity exceeding three years, and its weighted average to maturity was 0.77 years. For further information regarding the Manatee County Investment pool, readers should refer to the financial statements and disclosures of Manatee County, Florida.

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

At September 30, 2010, the District had the following investments:

<u>General Fund:</u>	
Manatee County Investment Pool	<u>\$ 4,208,409</u>
<u>Capital Projects Fund:</u>	
Manatee County Investment Pool	<u>\$ 55,875</u>
Total	

- (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.
- (m) Interest Rate Swap – The District has adopted the provisions of Statement No. 53 of the Governmental Accounting Standards Board, “Accounting and Financial Reporting for Derivative Instruments.” The interest rate swap agreement meets the criteria of an effective hedge and as a result the District follows hedge accounting. A liability in the Statement of Net Assets has been recorded for the fair value of the interest rate swap in the amount of \$765,576. In addition, a like amount has been recorded in the asset line Deferred Outflows of Resources.

**SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE B – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2010 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>122,654</u>	<u>474,291</u>	<u>-0-</u>	<u>-0-</u>	<u>596,945</u>
Total capital assets, not being depreciated	<u>983,810</u>	<u>474,291</u>	<u>-0-</u>	<u>-0-</u>	<u>1,458,101</u>
Capital assets being depreciated:					
Buildings and improvements	7,625,246	76,560	-0-	-0-	7,701,806
Machinery and equipment	<u>4,719,108</u>	<u>916,264</u>	<u>(664,474)</u>	<u>-0-</u>	<u>4,970,898</u>
Total capital assets being depreciated	<u>12,344,354</u>	<u>992,824</u>	<u>(664,474)</u>	<u>-0-</u>	<u>12,672,704</u>
Less accumulated depreciation for:					
Buildings and improvements	(993,731)	(192,443)	-0-	-0-	(1,186,174)
Machinery and equipment	<u>(3,273,374)</u>	<u>(533,391)</u>	<u>625,229</u>	<u>-0-</u>	<u>(3,181,536)</u>
Total accumulated depreciation	<u>(4,267,105)</u>	<u>(725,834)</u>	<u>625,229</u>	<u>-0-</u>	<u>(4,367,710)</u>
Total capital assets, being depreciated, net	<u>8,077,249</u>	<u>266,990</u>	<u>(39,245)</u>	<u>-0-</u>	<u>8,304,994</u>
Governmental activities capital assets, net	<u>\$ 9,061,059</u>	<u>\$ 741,281</u>	<u>\$ (39,245)</u>	<u>\$ -0-</u>	<u>\$ 9,763,095</u>

Depreciation in the amount of \$725,834 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, 2010:

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.	\$ 747,272
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.	4,295,532
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.	700,000

**SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE C - LONG-TERM DEBT - CONTINUED

Series 2010 note payable to Bank of America due in monthly installments of principal and interest of \$10,770. The note has a fixed rate of interest at 5.21% and matures in March of 2030. The note is secured by available non-advalorem revenues. 1,567,045

Note payable related to the financing of two Pierce Custom Contender Big Block Pumpers due in annual installments of \$99,099 including principal and interest at 4.58%. The note matures September of 2019 and is collateralized by the fire equipment. 794,210
\$ 8,104,059

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. Bank of America has a Standard & Poor's credit quality rating of A+. The District's objective of entering into the swaps was to hedge its changes in cash flow and effectively fix the rate on its variable rate debt. The interest rate swaps are derivative financial instruments, which qualify as hedging derivative instruments. 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)	\$ 747,272	11/17/2000	11/17/2020	5.695%	*
2)	\$ 4,295,532	4/17/2003	3/31/2023	4.75%	**
3)	\$ 700,000	4/17/2003	9/30/2014	4.49%	**

* Index is one month LIBOR. At September 30, 2010, the rate was .257%.

** Index is three month LIBOR. At September 30, 2010, the rate was .186%.

- 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. 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, 2010, the Fair Market Value of the swap was estimated at \$(172,822).
- 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. 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, 2010, the Fair market value of the swap was estimated at \$(556,953).

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE C - 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. 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, 2010, the Fair Market Value of the swap was estimated at \$(35,802).

Fair Value - The swaps had a negative fair value as of September 30, 2010. The negative fair value may be offset by reductions in total interest payments required under the variable-rate-debt, creating lower synthetic interest rates. The principal portion on the notes is not variable; it is only the basis on which interest payments are calculated.

The fair value estimate is provided to the District by a financial institution known to be a high value participant in this market, and is based on the Counterparty's internal valuation models and assumptions, as well as available market data. The District has requested the fair value of its swaps be determined, although it has no intention of selling the agreements and has the ability to hold and meet the swap obligations. The fair value of the swaps at September 30, 2010 is recorded as a liability in the statement of net assets. The change in fair value is recorded as a Deferred Outflow of Resources, also in the statement of net assets. The swaps are recorded only in the government wide financial statements.

Credit Risk - Since the Swaps have a negative fair value at September 30, 2010, the District was not exposed to any credit risk on the swaps. However, should interest rates change and the fair value of the swaps becomes positive, the District would be exposed to credit risk in the amount of the derivative's fair value.

Basis Risk - The District is exposed to basis risk on its pay-fixed interest rate swaps used to hedge the variable rate debt as the variable rates may differ between the swaps and debt agreements.

Termination Risk - 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 swaps' fair value.

**SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE C - LONG-TERM DEBT - CONTINUED

Future Maturities

Total annual debt service requirements for all long-term debt governmental activities as of September 30, 2010 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 675,299	\$ 406,416	\$ 1,081,715
2012	627,955	354,659	982,614
2013	658,506	324,110	982,616
2014	660,878	292,067	952,945
2015	520,458	261,853	782,311
2016-2020	2,919,607	892,856	3,812,463
2021-2025	1,546,674	264,650	1,811,324
2026 - 2030	494,682	60,324	555,006
TOTAL	<u>\$ 8,104,059</u>	<u>\$ 2,856,935</u>	<u>\$ 10,960,994</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2010, 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	\$ 800,091	\$ -0-	\$ (52,819)	\$ 747,272	\$ 55,907
Bank of America-Series 2003A	4,540,044	-0-	(244,512)	4,295,532	257,773
Bank of America-Series 2003B	860,000	-0-	(160,000)	700,000	170,388
Bank of America-Series 2010	-0-	1,600,000	(32,955)	1,567,045	48,538
Sun Trust Financing	-0-	794,210	-0-	794,210	142,693
Total Notes Payable	<u>6,200,135</u>	<u>2,394,210</u>	<u>(490,286)</u>	<u>8,104,059</u>	<u>675,299</u>
Interest Rate Swap	609,976	155,600	-0-	765,576	-0-
OPEB Liability	-0-	619,000	-0-	619,000	-0-
Compensated absences	800,000	471,026	(432,026)	839,000	194,000
Governmental activity:					
Long-term liabilities	<u>\$ 7,610,111</u>	<u>\$ 3,639,836</u>	<u>\$ (922,312)</u>	<u>\$ 10,327,635</u>	<u>\$ 869,299</u>

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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	\$ 8,104,059
OPEB	619,000
Compensated Absences	<u>645,000</u>
	<u>\$ 9,368,059</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 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	\$ 1,467,115
Depreciation Expense	(725,834)
Loss on disposal of assets	<u>(39,245)</u>
	<u>\$ 702,036</u>

NOTE E – RETIREMENT PLANS

The District has two defined benefit retirement plans.

- Pension plan for firefighters (FFPP)
- Pension plan for general employees (GEPP)

a) Summary of Significant Accounting Policies

Basis of Accounting – The Plans follow the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE E – RETIREMENT PLANS – CONTINUED

are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investment income is recognized when earned. Gains and losses on sale and exchanges of securities are recognized on the transaction date.

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 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 plans.

All employee pension plans assets with the FMPTF are included in the trust's master Trust Fund. Employee pension plan 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, 2010, the asset allocations for the various investment models were as follows:

	<u>Asset Allocation</u> <u>Model/Percentage</u>
	FFPP/GEPP
	<u>70/30</u>
Cash and Money Market	0.5
FMIvT Broad Market High Quality Bond	28.8
FMIvT High Quality Growth	9.6
FMIvT Large Cap Diversified Value	9.5
FMIvT Russell 1000 Enhanced Index	28.4
FMIvT Diversified Small Cap Equity	13.1
FMIvT International Blend	<u>10.1</u>
	<u>100</u>

**SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE E – RETIREMENT PLANS – CONTINUED

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 Broad Market High Quality 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 an effective duration of 3.70 years and a weighted average maturity of 4.90 years.

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 \$1,036,007 on a covered payroll of \$4,425,045 for the year ended September 30, 2010. Additional contributions to the plan included the Casualty Insurance Premium Tax in the amount of \$399,262. For the year ended September 30, 2009, employer contributions were \$862,274 on a covered payroll of \$4,328,142. For the year ended September 30, 2008, employer contributions were \$1,342,701 on a covered payroll of \$4,371,748. 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 of employer contributions occurs after 10 years of service. Employees are fully vested in their required 3.5% contributions when made. Total actuarially required contributions made were 32.44% of covered payroll including state contributions.

**SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE E – RETIREMENT PLANS – CONTINUED

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 \$92,770 on a covered payroll of \$331,323 for the year ended September 30, 2010. For the year ended September 30, 2009, employer contributions were \$93,957 on a covered payroll of \$335,563.

For the year ended September 30, 2008, employer contributions were \$93,568 on a covered payroll of \$331,919. 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. Benefits include COLA increases.

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 of 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.

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

The funded status of each plan as of October 1, 2010, 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	\$ 12,806,292	\$ 20,126,718	\$ 7,320,426	63.63%	\$ 4,315,692	169.62%
GEPP	\$ 1,015,163	\$ 1,423,371	\$ 408,208	71.32%	\$ 351,483	116.14%

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. Projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE E - RETIREMENT PLANS - CONTINUED

Additional information as of the latest actuarial valuation follows:

	<u>FFPP</u>	<u>GEPP</u>
Valuation date	10/01/10	10/01/10
Actuarial cost method	Aggregate Cost	Aggregate Cost
Amortization method	Level Dollar, open	Level Dollar, open
Remaining amortization period	30 years	30 years
Asset valuation method	Market	Market
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases*	5.13%	6.0%
COLA's	None	3.0%
* Includes inflation at 3.75%		
Retirees and beneficiaries receiving benefits	5	3
Terminated plan members entitled to, but not yet receiving, benefits	25	-0-
Active plan members, including DROP	<u>84</u>	<u>7</u>
Total	114	10

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>
09/30/10	\$ 1,901,704	107%	\$ -0-
09/30/09	\$ 1,298,683	100%	\$ -0-
09/30/08	\$ 1,206,262	100%	\$ -0-

**SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE E - RETIREMENT PLANS - CONTINUED

<u>GEPP</u>			
<u>Year Ended</u>	<u>Actuarially Required Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/10	\$ 113,790	110%	\$ -0-
09/30/09	\$ 91,273	100%	\$ -0-
09/30/08	\$ 90,407	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, 2010:

Combining Statement of Fiduciary Net Assets

	<u>General Employees Pension Fund</u>	<u>Firefighter Pension Fund</u>	<u>Other Post Employment Benefit Fund</u>	<u>Total Employee Pension Funds</u>
ASSETS				
Investments	\$ 1,015,691	\$ 14,165,249	\$ 612,543	\$ 15,793,483
Due from other governmental units	-0-	74,392	-0-	74,392
Total Assets	<u>1,015,691</u>	<u>14,239,641</u>	<u>612,543</u>	<u>15,867,875</u>
LIABILITIES	-0-	-0-	-0-	-0-
NET ASSETS				
Held in Trust for Pension Benefits	<u>\$ 1,015,691</u>	<u>\$ 14,239,641</u>	<u>\$ 612,543</u>	<u>\$ 15,867,875</u>

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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	\$ 92,770	\$ 1,036,007	\$ 100,000	\$ 1,228,777
Employee	11,596	154,876	-	166,472
Intergovernmental Revenue	-	399,262	-	399,262
Total contributions	104,366	1,590,145	100,000	1,794,511
Investment Income:				
Net appreciation/(depreciation) in fair value of investments	83,332	1,146,563	47,971	1,277,866
Less investment expense:				
Administrative expenses	5,852	43,039	676	49,567
Net investment income	77,480	1,103,524	47,295	1,228,299
Total Additions	181,846	2,693,669	147,295	3,022,810
DEDUCTIONS				
Benefits and distributions to participants	46,646	86,462	-	133,108
Total deductions	46,646	86,462	-	133,108
Change in Net Assets	135,200	2,607,207	147,295	2,889,702
Net Assets - Beginning of year	880,491	11,632,434	465,248	12,978,173
Net Assets - End of year	\$ 1,015,691	\$ 14,239,641	\$ 612,543	\$ 15,867,875

**SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE F - OTHER POST-EMPLOYMENT HEALTHCARE SUBSIDY BENEFIT PLAN

1. Plan Description

The District' board of commissioners adopted a single-employer retiree health insurance policy, which became effective January 1, 2008, (the Plan). The policy provides eligible District personnel who retire from the District other post employment health benefits, (OPEB). As of October 1, 2010, eligible retirees pay a monthly premium of \$450. The District pays the amount which actual premiums are in excess of \$450. All employees are eligible to participate in the Plan after reaching normal retirement age and receiving retirement benefits.

The District fully implemented GASB Standard No. 45, Accounting and Reporting by Employers for Post-employment Benefits Other than Pensions, for certain post employment health-care, dental and vision benefits provided by the District in the current year. The requirement of this statement was implemented prospectively with an actuarially determined liability of \$4,712,000 at the date of transition based on the actuarial study obtained for fiscal year September 30, 2010 and is being amortized over 20 years. Accordingly, for financial reporting purposes, no liability was reported for the post-employment health care, dental and vision benefits at the date of transition.

Membership in the Plan consisted of the following at September 30, 2010:

Retirees	3
Active fully eligible for benefits	39
Active not yet fully eligible for benefits	<u>48</u>
Total	90

The District, under the authority established within the policy, may amend the Plan in whole or in part. The District's board of commissioners provides oversight of the OPEB Plan. The Plan is construed and governed by the laws of Florida, except as preempted by Federal law. The District has included the Plan as a fiduciary fund. A stand alone report is not available.

2. Summary of Significant Accounting Policies

Basis of Accounting - The OPEB Plan uses the accrual basis of accounting. District contributions are recognized in the period due and when a formal commitment has been approved by the Board of Commissioners. Healthcare premium subsidies are recognized when due and payable.

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

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE F – OTHER POSTEMPLOYMENT HEALTHCARE BENEFIT PLAN – CONTINUED

3. Plan Investments

The District's board established an OPEB Trust, effective January 1, 2008, which is 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 plan does not issue separate financial reports. Plan administrative costs are paid by the plan.

All OPEB assets with the FMPTF are included in the trust's master Trust Fund. 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, 2010, the asset allocations for the OPEB plan were as follows:

	<u>Model/Percentage</u>
	OBEP
	<u>60/40</u>
Cash and Money Market	8.1
FMIvT Broad Market High Quality Bond	35.8
FMIvT High Quality Growth	7.7
FMIvT Large Cap Diversified Value	6.8
FMIvT Russell 1000 Enhanced Index	21.4
FMIvT Diversified Small Cap Equity	9.9
FMIvT International Blend	<u>10.3</u>
	<u>100.0</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 Broad Market High Quality Bond fund has a Fitch Rating of AA/V4.

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE F - OTHER POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN - CONTINUED

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. Interest rate risk is presented below by effective duration and weighted average maturity (WAM).

	<u>Effective Duration</u>	<u>WAM</u>
FMIvT Broad Market High Quality Bond	3.70	4.90

4. Contributions and Funding Policy

The District has historically budgeted for contributions to the OPEB trust. The District contributed \$100,000 during the year ended September 30, 2010, which equaled the budgeted contributions. Current insurance premiums in excess of retiree contributions are paid and recognized in the general fund.

Contributions for the year ended September 30, 2009 were \$250,000 and for the year ended September 30, 2008 were \$200,000. The District contributes on a "pay-as-you-go" basis amount, through funding of the OPEB trust.

Administrative costs of the Plan are financed through investment earnings.

5. Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employee (ARC), an amount which was actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the actuarially determined components of the District's annual OPEB cost for the year and the net OPEB obligation, (only 1 year available):

	<u>9/30/10</u>
Annual Required Contribution (ARC)	\$ 793,000
Interest on Net OPEB Obligation	-0-
Adjustment to the ARC	-0-
Total Annual OPEB Cost	<u>793,000</u>
Employer Contributions	(172,000)
Interest on Employer Contributions	<u>(2,000)</u>
Increase in Net OPEB Obligation	619,000
Net OPEB Obligation - beginning of year	-0-
Net OPEB Obligation - end of year	<u>\$ 619,000</u>

**SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE F - OTHER POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN - CONTINUED

The District's OPEB cost, the percentage of annual OPEB cost contributed and the Net OPEB obligation follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/10	\$ 793,000	22%	\$ 619,000

6. Schedule of Funding Progress

<u>ACTUARIAL VALUATION DATE</u>	<u>(a) ACTUARIAL VALUE OF ASSETS (a)</u>	<u>(b) ACTUARIAL ACCRUED LIABILITY (AAL) (b)</u>	<u>(c) 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>
* 10/01/10	\$ 613,000	\$ 5,058,000	\$ 4,445,000	12.1%	\$ 4,661,000	95.4%

* The District obtained an actuarial study for fiscal year 2010. As a result, only 1 year of information is available.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multiyear trend information, (when available), about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

**SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE F – OTHER POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN – CONTINUED

7. Actuarial Methods and Assumptions

Valuation Date	October 1, 2010
Actuarial cost method	Projected unit credit
Amortization method	20 year open period; level-dollar payment
Investment return	7% per annum (includes inflation at 3%)

Healthcare cost trend rates:

	<u>Insurance Premiums</u>
Select Rates	10% for 2010/11 graded to 6% for 2018/19
Ultimate rate	5% per annum

NOTE G – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

NOTE H – PRIOR PERIOD ADJUSTMENT – NET ASSETS

During 2010, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 53. As a result of implementing this statement, the District's net assets as of September 30, 2009 in the government wide financial statements have been increased by \$609,976 to reflect the effect for accounting for the District's interest rate swap liability as a hedging derivative financial instrument.

NOTE I – 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.

NOTE J – COMMITMENTS

The District has a construction contract for the renovation of station 3. The amount remaining to be completed on the construction commitment is \$1,090,915 at September 30, 2010. All amounts are expected to be expended in the next fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

**SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES –BUDGET AND ACTUAL–GENERAL FUND
NON-GAAP BUDGETARY BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
REVENUES				
Tax assessments	\$ 11,096,491	\$ 11,096,491	\$ 11,117,098	\$ 20,607
Interest	80,000	80,000	63,957	(16,043)
Intergovernmental Revenue	508,000	420,595	324,870	(95,725)
Miscellaneous	166,880	184,022	189,135	5,113
Charges for services	40,000	40,000	33,260	(6,740)
Total Revenues	11,891,371	11,821,108	11,728,320	(92,788)
EXPENDITURES				
Current:				
Personal service	9,399,105	9,534,330	8,951,544	582,786
Operating	1,339,563	1,364,170	1,172,975	191,195
Debt Service	1,146,000	1,245,300	816,435	428,865
Capital outlay	575,000	2,055,462	703,902	1,351,560
Total Expenditures	12,459,668	14,199,262	11,644,856	2,554,406
Excess of Revenues Over (Under) Expenditures	(568,297)	(2,378,154)	83,464	2,461,618
OTHER FINANCING SOURCES				
Loan Proceeds	-	1,600,000	1,600,000	-
Transfers in	73,000	103,909	103,921	12
Total Other Financing Sources	73,000	1,703,909	1,703,921	12
Net Change in Fund Balances	(495,297)	(674,245)	1,787,385	2,461,630
FUND BALANCE – Beginning	2,766,689	2,766,689	2,766,689	-
FUND BALANCE – Ending	\$ 2,271,392	\$ 2,092,444	\$ 4,554,074	\$ 2,461,630

Note 1-Reconciliation of Differences between Non-GAAP Budgetary Basis and GAAP Basis

The District did no budget for proceeds from financing of two new fire engines.

	ACTUAL ON GAAP BASIS	ADJUSTMENT TO BUDGET BASIS	ACTUAL ON BUDGET BASIS
Other Financing Sources (Uses):			
Debt Proceeds	\$ 2,394,210	\$ (794,210)	\$ 1,600,000
Capital Outlay	\$ 1,498,112	\$ (794,210)	\$ 703,902

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, 2010

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
REVENUES				
Impact Fees	\$ 70,000	\$ 70,000	\$ 117,941	\$ 47,941
Interest	3,000	3,000	946	(2,054)
Total Revenues	<u>73,000</u>	<u>73,000</u>	<u>118,887</u>	<u>45,887</u>
EXPENDITURES				
Capital outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	73,000	73,000	118,887	45,887
OTHER FINANCING SOURCES (USES)				
Transfers out	(73,000)	(103,909)	(103,921)	(12)
Net Change in Fund Balance	-	(30,909)	14,966	45,875
FUND BALANCES – Beginning	<u>40,909</u>	<u>40,909</u>	<u>40,909</u>	<u>-</u>
FUND BALANCES – Ending	<u><u>\$ 40,909</u></u>	<u><u>\$ 10,000</u></u>	<u><u>\$ 55,875</u></u>	<u><u>\$ 45,875</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>
10/01/05	\$ 6,059,486	\$ 6,059,486	\$ -0-	100%	\$ 2,910,917	0%
10/01/06	\$ 7,749,173	\$ 7,749,173	\$ -0-	100%	\$ 3,391,919	0%
10/01/07	\$ 10,178,736	N/A	N/A	N/A	N/A	N/A
10/01/08	\$ 9,901,143	N/A	N/A	N/A	N/A	N/A
10/01/09	\$ 9,778,891	\$ 17,500,195	\$ 7,721,304	55.88%	\$ 4,126,922	187.10%
10/01/10	\$ 12,806,292	\$ 20,126,718	\$ 7,320,426	63.63%	\$ 4,315,692	169.62%

SCHEDULE OF EMPLOYER CONTRIBUTIONS:

<u>YEAR ENDED SEPTEMBER 30</u>	<u>ANNUAL REQUIRED CONTRIBUTION</u>	<u>PERCENTAGE CONTRIBUTED</u>
2005	\$ 990,387	100%
2006	\$ 1,138,512	100%
2007	\$ 1,195,540	100%
2008	\$ 1,206,262	100%
2009	\$ 1,298,683	100%
2010	\$ 1,901,704	107%

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	10/01/10
Actuarial cost method	Aggregate Cost Method
Amortization method	Level Dollar, open
Remaining amortization period	30 years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases*	5.13%

*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>
10/01/05	\$ 533,350	\$ 533,350	\$ -0-	100%	\$ 241,781	0%
10/01/06	\$ 629,301	\$ 629,301	\$ -0-	100%	\$ 288,571	0%
10/01/07	\$ 785,284	N/A	N/A	N/A	N/A	N/A
10/01/08	\$ 749,500	N/A	N/A	N/A	N/A	N/A
10/01/09	\$ 847,230	\$ 1,306,730	\$ 459,500	64.84%	\$ 300,430	152.95%
10/01/10	\$ 1,015,163	\$ 1,423,371	\$ 408,208	71.32%	\$ 351,483	116.14%

SCHEDULE OF EMPLOYER CONTRIBUTIONS:

<u>YEAR ENDED SEPTEMBER 30</u>	<u>ANNUAL REQUIRED CONTRIBUTION</u>	<u>PERCENTAGE CONTRIBUTED</u>
2005	\$ 90,292	100%
2006	\$ 73,052	100%
2007	\$ 86,745	100%
2008	\$ 90,407	100%
2009	\$ 91,273	100%
2010	\$ 113,790	110%

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	10/01/10
Actuarial cost method	Aggregate Cost Method
Amortization method	Level Dollar, open
Remaining amortization period	30 years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases*	6%

*Includes inflation at 3.75%

**SOUTHERN MANATEE FIRE & RESCUE DISTRICT
SCHEDULE OF POST-EMPLOYMENT BENEFITS
OTHER THAN PENSION**

The information presented in the Required Supplementary Information schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	9/30/2010
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar Payment
Remaining Amortization Period	20 years
Asset Valuation Method	Market
Actuarial Assumptions:	
Investment rate of return	7% (3% inflation)
Health Care Cost Trend Rates	
Select Rates	10% for 2010/11 graded to 6% for 2018/19
Ultimate Rate	5% per annum

SCHEDULE OF FUNDING PROGRESS

<u>ACTUARIAL VALUATION DATE</u>	<u>(A) ACTUARIAL VALUE OF ASSETS</u>	<u>(B) ACTUARIAL ACCRUED LIABILITY (AAL)</u>	<u>UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) (B-A)</u>	<u>(A/B) FUNDED RATIO</u>	<u>(C) COVERED PAYROLL</u>	<u>UAAL AS A PERCENTAGE OF COVERED PAYROLL ((B-A)/C)</u>
10/01/10	\$ 613,000	\$ 5,058,000	\$ 4,445,000	12.1%	\$ 4,661,000	95.4%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>FISCAL YEAR ENDED</u>	<u>ANNUAL OPEB COST</u>	<u>PERCENTAGE OF ANNUAL OPEB COST CONTRIBUTED</u>	<u>ESTIMATED NET OPEB OBLIGATION</u>
9/30/10	\$ 793,000	22%	\$ 619,000

OTHER SUPPLEMENTAL INFORMATION

SOUTHERN MANATEE FIRE AND RESCUE DISTRICT
 SCHEDULE OF OPERATING EXPENDITURES –
 BUDGET TO ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Personal Services Expenditures			
Wages	\$ 5,692,786	\$ 5,297,365	\$ 395,421
Insurance – health, disability, and workers' compensation	1,718,740	1,595,655	123,085
Retirement and OPEB	1,648,776	1,608,737	40,039
Payroll taxes	430,767	411,430	19,337
Uniforms and protective gear	43,261	38,357	4,904
Total Personal Service Expenditures	<u>\$ 9,534,330</u>	<u>\$ 8,951,544</u>	<u>\$ 582,786</u>
Operating Expenditures			
Fire prevention division	\$ 18,992	\$ 8,074	\$ 10,918
Training division	37,128	23,284	13,844
Repairs and maintenance	382,194	277,457	104,737
Professional fees	139,586	139,787	(201)
Miscellaneous	19,379	10,631	8,748
Fuel	84,843	65,189	19,654
General dues, education, travel and publications	21,850	14,169	7,681
Supplies	27,482	24,901	2,581
Office expense	45,392	30,277	15,115
Fees, collector and appraiser	333,894	328,943	4,951
Utilities	123,960	123,600	360
General Insurance	129,470	126,663	2,807
Total Operating Expenditures	<u>\$ 1,364,170</u>	<u>\$ 1,172,975</u>	<u>\$ 191,195</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 basic financial statements of the governmental activities, and each major fund of Southern Manatee Fire and Rescue District as of and for the year ended September 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 20, 2011. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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 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 June 20, 2011.

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

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

June 20, 2011
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, 2010, and have issued our report thereon dated June 20, 2011.

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 and schedule, which are dated June 20, 2011, 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 responses, we report the following:

- Section 10.544(1)(i)3., Rules of the Auditor General, require that we address in the management letter any recommendations to improve financial management. In connection with our audit, we have the following recommendations:

1. Payroll Tax Deposits

Comment

As was noted in the prior year, the District incurred payroll tax penalties during the year due to late deposits.

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

2. Fixed Assets

Comment

During the audit we noted that the fixed asset software program was incorrectly calculating depreciation on certain assets. The District did contact the software vendor and corrections were made. In addition, we noted that a physical inventory of assets was taken, but it was after fiscal year end.

Recommendations

We recommend that the District monitor the fixed assets software regularly and ensure that depreciation is being calculated correctly. Any discrepancies should be resolved with the software vendor promptly. In addition, the physical inventory should be conducted prior to year end.

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address finding and recommendation made in the preceding annual financial audit report. All prior year comments not addressed 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.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- In connection with our audit, we determined that the Southern Manatee Fire and Rescue District was not in a state of financial emergency as it did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- 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, 2010, 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, 2010.
- 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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, the Board of Commissioners 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.

June 20, 2011
Bradenton, Florida

SOUTHERN MANATEE

Post Office Box 20216
Phone: (941) 751-7675



FIRE & RESCUE DISTRICT

Bradenton, Florida 34204
Fax (941) 751-7694

July 7, 2011

State of Florida
Auditor Generals Office
111 West Madison Street
P.O. Box 1735
Tallahassee, FL 32302

Re: Transmittal of Audit of Chief Executive Officer's Written Statement of Explanation

Gentlemen:

The following is our written statement of response to our auditor's comments as included in the Management Letter portion of the document, page 47.

Payroll Tax Deposits

Controls were put in place to ensure that payroll taxes are paid in a timely manner to avoid penalties. We have a check sheet that all personnel can use to ensure that all payroll taxes are paid in a timely manner. A report is sent to the Assistant Chief confirming that payroll taxes have been processed.

Fixed Assets

Errors in the calculation of depreciation were carried forward from previous depreciation software. Physical inventory was initiated in July 2010 but due to circumstances beyond our control and problems with our new software, we had to redo the inventory and that took us beyond September 2010. A policy has been put into effect that outlines disposals and timing of the inventory process.

We trust that the above referenced statement of explanation satisfactorily addresses the necessary issues. If you have any questions or require any additional information, please do not hesitate to contact us.

Sincerely,

SOUTHERN MANATEE FIRE & RESCUE DISTRICT

A handwritten signature in black ink, appearing to read 'C. Thayer, Jr.'.

C. Thayer, Jr.
Assistant Chief

c: Christopher, Smith, Leonard, P.A