

**LEHIGH ACRES FIRE CONTROL
AND RESCUE DISTRICT**

**BASIC FINANCIAL STATEMENTS
TOGETHER WITH REPORTS OF
INDEPENDENT AUDITOR**

**YEAR ENDED
SEPTEMBER 30, 2010**

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Private Companies Practice Section

Tax Division

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Lehigh Acres Fire Control and Rescue District
636 Thomas Sherwin Avenue South
Lehigh Acres, FL 33974

We have audited the accompanying basic financial statements of Lehigh Acres Fire Control and Rescue District (the "District") as of September 30, 2010 and for the year then ended, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic 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 and the provisions of the Office of Management and Budget (OMB) Circular A-133. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Lehigh Acres Fire Control and Rescue District as of September 30, 2010, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 27, 2011, on our consideration of Lehigh Acres Fire Control and Rescue District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on 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.

INTEGRITY SERVICE EXPERIENCE

12621 World Plaza Lane, Building 55 • Fort Myers, FL 33907 • Phone: (239) 333-2090 • Fax: (239) 333-2097

The Management's Discussion and Analysis (MD&A) on pages i-viii is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Management's Discussion and Analysis. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the District's basic financial statements taken as a whole. The required supplementary information other than MD&A on pages 31-37 described in the accompanying table of contents is presented for the purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. Such information has been subjected to the auditing procedures applied by us 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.

The accompanying Schedule of Expenditures of Federal Awards on page 36, for the year ended September 30, 2010, is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is a requirement within the provisions of Office of Management and Budget (OMB) Circular A-133 "Audits of States, Local Governments and Non-Profit Organizations". This supplementary information 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.



TUSCAN & COMPANY, P.A.
Fort Myers, Florida
January 27, 2011

**MANAGEMENT'S DISCUSSION
AND ANALYSIS
(MD&A)**

LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis

September 30, 2010

As management of the Lehigh Acres Fire Control and Rescue District (the "District"), we offer readers of the District's financial statement this narrative overview and analysis of the District's financial activities for the fiscal year ended September 30, 2010.

INTRODUCTION

The mission of the Fire Rescue District is to provide effective life safety and emergency services to ensure public safety and to minimize economic loss. The District performs this function through its certified fire-medical trained employees and administrative support personnel. The District responds to approximately 8,172 calls, with approximately 22.87% being fire related and 77.13% being EMS related. The District transported 4,341 patients to area hospitals in Lee County. Lehigh Regional Medical Center received 2,653 or 61.1% of the patients transported. The busiest day of the week is Friday with 1,066 incidents or 16.9% of the EMS related call volume. The busiest time of the day is from 12:00PM until 1:00PM. The busiest zone of Lehigh Acres is Station 102 at 11 South Homestead Road with 1,731 incidents of which 1,286 were EMS transports.

In fiscal 2010, Lehigh Acres continued to experience an economic downturn. It is a continued result of the local and national housing market and increase in foreclosure home sales causing property values to continue to decrease. These factors, along with rising unemployment, depressed retail sales and sales taxes have continued to negatively affect ad valorem tax revenue. In addition, many of our citizens are calling for reform and change in every area of government, including the fire service. With each of these realities there is no one solution, no one answer and no one reform. As we look at these challenges the District continues to focus on providing the highest level of service while being fiscally responsible and exploring areas in which we can reduce expenditures. In order to maintain an adequate staffing level of service, the District applied for and was awarded a Federal Grant in the amount of \$8,971,851 to re-hire positions lost due to layoffs. The grant will cover a two-year period from August, 2010 – August, 2012.

Performance Measures

Fiscal Year	03-04	04-05	05-06	06-07	07-08	08-09	09-10
	Actual	Actual	Actual	Actual	Actual	Actual	Actual
Total Alarms	5,300	6,080	7,088	7,313	7,323	7,653	8,172
Response Times*	4.75	4.95	5.20	5.81	6.19	5.90	6.43
Fire Related							
Incidents	1,446	1,475	1,967	1,801	1,715	1,695	1,869
EMS % Incidents	72.72%	75.74%	72.25%	75.37%	76.58%	77.85%	77.13%

Note*: Response times are in minutes. The increase in response times reflects a call volume that is increasing each year. Homes that also once stood vacant are being re-occupied, thus increasing our population base.

LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis

September 30, 2010

Forward-Looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations for the Lehigh Acres Fire Control and Rescue District contains forward-looking statements regarding future events and our future results that are based on current expectations, estimates, forecasts, and projections about the District in which we operate and the beliefs and assumptions of our management. This discussion and analysis are intended to serve as an introduction to the District's basic financial statements.

FINANCIAL HIGHLIGHTS

- At the close of fiscal year 2010 the District's assets exceeded its liabilities, resulting in net assets of \$22,692,764.
- The District's total net assets decreased \$1,642,272, or 6.7%.
- The District had \$13,078,132 of unreserved fund balance that can be used to meet the District's ongoing obligations. The District has an undesignated (deficit) fund balance total of \$(754,006), or approximately (5.8)% of the total. This is a result of an undesignated fund balance of \$1,905,274 in the General Fund and a (deficit) balance of \$(2,659,280) in the Impact Fee Fund.
- The District generated revenues of \$1,192,739 from EMS transports.
- Total governmental revenues decreased \$7,514,174, or 39.24%, in comparison to prior year.
- Total governmental revenues decreased \$14,865,334, or 56.10%, in comparison to fiscal year 2008.
- Total governmental expenditures decreased \$4,717,937, or 28.04%, in comparison to prior year.
- Total governmental expenditures decreased \$14,359,480, or 54.26%, in comparison to fiscal year 2008.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis of the Lehigh Acres Fire Control and Rescue District financial statements is designed to introduce the basic financial statements and provide an analytical overview of the District's financial activities for the fiscal year ended September 30, 2010. The basic financial statements are comprised of the government-wide financial statements, governmental fund financial statements, and notes to the financial statements. We hope this will assist readers in identifying significant financial issues and changes in the District's financial position.

Government-wide Financial Statements

Government-wide financial statements (statement of net assets and statement of activities found on pages 3 and 4) are intended to allow a reader to assess a government's operational accountability. Operational accountability is defined as the extent to which

LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis

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the government has met its operating objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to meet its objectives for the foreseeable future. Government-wide financial statements concentrate on the District as a whole and do not emphasize fund types.

The *Statement of Net Assets* (Page 3) presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. The District's capital assets (property, plant and equipment) are included in this statement and reported net of their accumulated depreciation.

The *Statement of Activities* (Page 4) presents revenue and expense information showing how the District's net assets changed during the fiscal year. Both statements are measured and reported using the economic resource measurement focus (revenues and expenses) and the accrual basis of accounting (revenue recognized when earned and expense recognized when a liability is incurred).

Governmental Fund Financial Statements

The accounts of the District are organized on the basis of governmental funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Governmental fund financial statements (found on pages 5 and 7) are prepared on the modified accrual basis using the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available as net current assets.

Notes to the Financial Statements

The *notes* to the financial statements explain in detail some of the data contained in the preceding statements and begin on page 9. These notes are essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements were designed so that the user could determine if the District is in a better or worse financial condition from the prior year.

LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis

September 30, 2010

The following is a condensed summary of net assets for the primary government for fiscal years 2010 and 2009:

Assets:	2010	2009
Current and other assets	\$ 13,770,744	\$ 14,109,615
Capital Assets	10,872,264	11,659,888
Total Assets	<u>\$ 24,643,008</u>	<u>\$ 25,769,503</u>
Liabilities:		
Current liabilities	\$ 692,612	\$ 569,506
Non-current Liabilities	1,257,632	864,961
Total liabilities	<u>1,950,244</u>	<u>1,434,467</u>
Net assets:		
Invested in capital assets, net of related debt	10,872,264	11,659,888
Unrestricted	11,820,500	12,675,148
Total net assets	<u>22,692,764</u>	<u>24,335,036</u>
Total liabilities and net assets	<u>\$ 24,643,008</u>	<u>\$ 25,769,503</u>

Current and other assets represent 55.9% and 54.8% of total assets for the years 2010 and 2009 respectively. For 2010 current assets were comprised of cash and cash equivalents of \$12,922,148 unrestricted, due from other governments of \$118,563, net receivables from ambulance transports of \$213,005, and grant receivables of \$517,028. For 2009 current assets were comprised of cash and cash equivalents of \$13,755,368 unrestricted, due from other governments of \$221,652, and net receivables from ambulance transports of \$132,595.

The investment in capital assets represent 44.1% and 47.9% of net assets for the years ended 2010 and 2009 and are comprised of capital assets, net accumulated depreciation and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction, or improvement of those assets. The unrestricted net asset balance of \$11,820,500 represents resources available for spending. The District has designated \$7,253,015 of the unrestricted net asset balance for operating reserves, \$2,919,843 for capital reserves and \$1,000,000 for disaster reserves.

LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis

September 30, 2010

The following schedule reports the revenues, expenses, and changes in net assets for the District for fiscal years ended September 2010 and 2009:

Revenues:	<u>2010</u>	<u>2009</u>
General Revenues		
Property taxes	\$ 9,640,209	\$ 17,069,750
Miscellaneous		
Interest	42,061	69,057
Impact fees	477	16,792
Other	125,744	117,005
Program Revenues		
Charges for services		
Ambulance	1,192,739	1,787,945
Inspection fees	28,307	32,432
Fire Prevention Fees	-	-
Operating grants and contributions	<u>603,849</u>	<u>54,579</u>
Total Revenues	<u>11,633,386</u>	<u>19,147,560</u>
Expenses:		
Public Safety - Fire and Rescue Services	<u>13,275,658</u>	<u>17,633,827</u>
Increase in net assets	(1,642,272)	1,513,733
Net Assets - Beginning	<u>24,335,036</u>	<u>22,821,303</u>
Net Assets - Ending	<u>\$ 22,692,764</u>	<u>\$ 24,335,036</u>

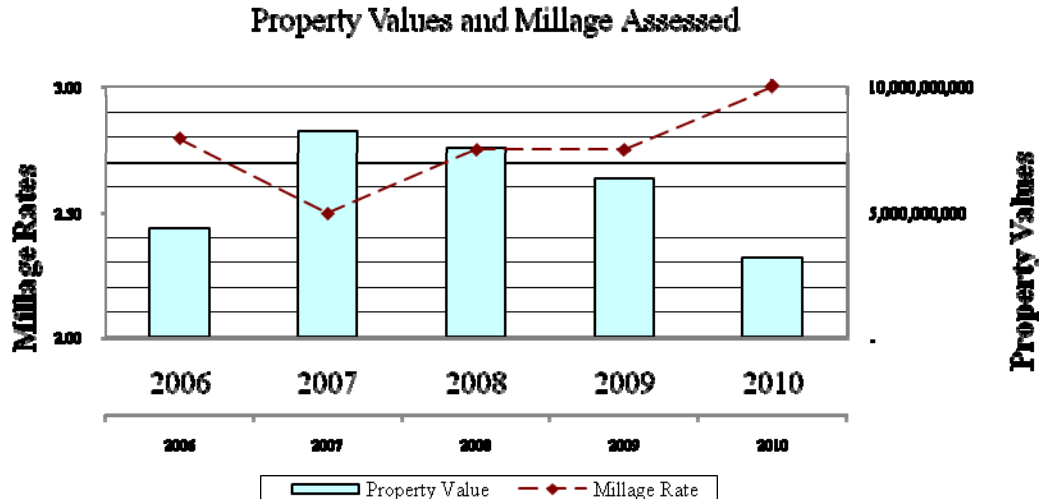
Total revenues decreased \$7,514,174 and \$7,351,160 or 39.2% and 27.7% for the fiscal year ended 2010 and 2009 respectively. Total expenses decreased \$4,358,169 and \$41,110 or 24.7 or 0.2% for fiscal years ended 2010 and 2009 respectively. Assessed property values decreased 49.6% and 16.5% for the fiscal years 2010 and 2009, respectively, resulting in lower ad valorem tax revenues. The District is currently at its maximum millage rate of 3.0 mils. However, the District continues to assess different sources of revenue that can help off-set some of the drastic declines in ad valorem revenue.

LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis

September 30, 2010

The following schedule compares the change in property value and millage rates for the past five years:



Deferred revenues for impact fees at September 30, 2010 were \$137,730. This balance consists of impact fees collected by the District but not yet spent for capital improvements.

BUDGETARY HIGHLIGHTS

The following is a brief review of the budgeting changes from the original budget to the final budget for the General Fund (see supplementary information on pages 30-33). The final budget total increased due to the increase in the cash brought forward and a decrease in ambulance service revenue. Budget changes can be briefly summarized as follows:

- Cash brought forward increased by \$5,323,897 after the fiscal year 2009 audit was completed. The District also increased the budgeted Operating Reserve contingency by \$2,644,617 and increased the budgeted Due from Impact Fee fund Reserve by \$2,659,280. These budget changes involved the General Fund.
- Cash brought forward decreased by \$2,659,280 in the Impact Fee Fund after the fiscal year 2009 audit was completed. The District also decreased the budgeted Due to General Fund Reserve as a result of the budget change.
- Bad debt (expense) was decreased/eliminated and related ambulance billing revenue was decreased by \$635,000 as a result of an accounting interpretation per Governmental Accounting, Auditing, and Financial Reporting (GAAFR) standards.

Budget versus actual comparisons are reported in the required supplementary information other than management discussion and analysis on pages 30-34. Major variances from budgeted amounts include the following:

LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis

September 30, 2010

- The District did not budget for grant revenue for fiscal year 2010; however, the District was awarded a Federal (SAFER) Grant, in addition to the Federal (MARC-Unit) Grant that had been awarded in previous years. The majority of the grant revenue was considered a receivable (as expenditures were incurred but not received as of September 30, 2010).

CAPITAL ASSETS

Non-depreciable capital assets include land and construction in progress. Depreciable assets include buildings, improvements other than buildings, vehicles, equipment, furniture and fixtures.

The following is a schedule of the District's capital assets as of September 30, 2010 and 2009:

Capital Assets	2010	2009
Land	\$ 267,663	\$ 267,663
Construction in progress	-	-
Total Capital Assets not depreciated	<u>267,663</u>	<u>267,663</u>
Buildings	7,970,018	7,970,018
Improvements other than buildings	181,473	181,473
Vehicles	6,564,739	6,495,277
Equipment	<u>2,283,828</u>	<u>2,279,985</u>
Total Capital Assets being depreciated	<u>17,000,058</u>	<u>16,926,753</u>
Accumulated Depreciation		
Buildings	(951,141)	(776,436)
Improvements other than buildings	(81,802)	(70,833)
Vehicles	(4,068,046)	(3,590,470)
Equipment	<u>(1,294,468)</u>	<u>(1,096,789)</u>
Total accumulated depreciation	<u>(6,395,457)</u>	<u>(5,534,528)</u>
Capital Assets, Net	<u>\$ 10,872,264</u>	<u>\$ 11,659,888</u>

Major capital asset purchases and projects during the current fiscal year included the following:

- Purchased equipment (communication and computer) along with a dual-axle trailer (mobile emergency communication tower – MARC-Unit).

LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis

September 30, 2010

Additional information on the District's capital assets can be found in Note F on pages 20 and 21.

LONG TERM LIABILITIES

At September 30, 2010 and 2009, the District had \$1,257,632 and \$875,726 of outstanding debt respectively, consisting of the District's Net OPEB obligation and compensated absences. The non-current liability reported as compensated absences increased by \$52,221 or 7.2%. This liability represents the total amount the District has due at the termination of all employees' employment. During the year ended September 30, 2010, the District implemented GASB #45. As such, the prior recorded retiree's health insurance liability of \$153,315 was eliminated and was incorporated with the actuarially determined Net OPEB obligation for the year ended September 30, 2010.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following were factors considered when next year's budget (2010-2011) was prepared:

- Property values decreased by \$741,272,510 or 22.9% to \$2,505,776,310. The District anticipates an additional decrease in assessed property value in the following year (2011-2012) before possibly leveling off and/or increasing in value.
- As a result of the decrease in property values over the past year the millage rate was maintained at the maximum rate (3.0 mils) to help maintain designated reserves and prepare for the financial challenges in the near future.
- No major capital purchases are anticipated.
- The District will be in the second year of a two-year Federal (SAFER) Grant which will fund (firefighter) positions and maintain adequate staffing levels
- The District continued to assess ways to decreased budgeted expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Donald R. Adams, Sr., Fire Chief
636 Thomas Sherwin Ave. S
Lehigh Acres, FL 33974
(239) 303-5300

LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF NET ASSETS
September 30, 2010

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 12,786,023
Cash and cash equivalents - restricted	136,125
Due from other governments	118,563
Grants receivable	517,028
Receivables, net	<u>213,005</u>
Total current assets	<u>13,770,744</u>
Noncurrent assets:	
Capital assets:	
Land	267,663
Depreciable buildings, vehicles, and equipment (net of \$6,395,457 accumulated depreciation)	<u>10,604,601</u>
Total noncurrent assets	<u>10,872,264</u>
TOTAL ASSETS	<u>\$ 24,643,008</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	\$ 44,255
Accrued expenses	510,627
Deferred revenue - impact fees	137,730
Current portion of long-term obligations	<u>-</u>
Total current liabilities	692,612
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	<u>1,257,632</u>
TOTAL LIABILITIES	<u>1,950,244</u>
 NET ASSETS	
Invested in capital assets, net of related debt	10,872,264
Unrestricted	<u>11,820,500</u>
TOTAL NET ASSETS	<u>22,692,764</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 24,643,008</u>

The accompanying notes are an integral part of this statement.

LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF ACTIVITIES
Year Ended September 30, 2010

	Governmental Activities
EXPENSES	
Governmental activities	
Public safety - fire protection	
Personal services	\$ 10,984,139
Operating expenses	1,422,771
Depreciation	866,711
Loss on disposal of capital assets	2,037
Interest and fiscal charges	-
TOTAL EXPENSES - GOVERNMENTAL ACTIVITIES	<u>13,275,658</u>
PROGRAM REVENUES	
Charges for services	
Ambulance	1,192,739
Inspection fees	28,307
Fire prevention fees	-
Operating grants and contributions	603,849
TOTAL PROGRAM REVENUES	<u>1,824,895</u>
NET PROGRAM EXPENSES	<u>11,450,763</u>
GENERAL REVENUES	
Ad Valorem taxes	9,640,209
Impact fees	477
Interest	42,061
Other	125,744
TOTAL GENERAL REVENUES	<u>9,808,491</u>
DECREASE IN NET ASSETS	(1,642,272)
NET ASSETS - Beginning of the year	<u>24,335,036</u>
NET ASSETS - End of the year	<u>\$ 22,692,764</u>

The accompanying notes are an integral part of this statement.

LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2010

	General Fund	Impact Fee Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 12,786,023	\$ -	\$ 12,786,023
Cash and cash equivalents - restricted	-	136,125	136,125
Due from other governments	116,958	1,605	118,563
Due from other funds	2,659,280	-	2,659,280
Grants receivable	517,028	-	517,028
Receivables, net	<u>213,005</u>	<u>-</u>	<u>213,005</u>
TOTAL ASSETS	<u>\$ 16,292,294</u>	<u>\$ 137,730</u>	<u>\$ 16,430,024</u>
 LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 44,255	\$ -	\$ 44,255
Accrued expenses	510,627	-	510,627
Due to other funds	-	2,659,280	2,659,280
Deferred revenue	<u>-</u>	<u>137,730</u>	<u>137,730</u>
TOTAL LIABILITIES	<u>554,882</u>	<u>2,797,010</u>	<u>3,351,892</u>
 FUND BALANCE (DEFICIT)			
Unreserved, reported in:			
Designated	13,832,138	-	13,832,138
Undesignated (deficit)	<u>1,905,274</u>	<u>(2,659,280)</u>	<u>(754,006)</u>
TOTAL FUND BALANCE (DEFICIT)	<u>15,737,412</u>	<u>(2,659,280)</u>	<u>13,078,132</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 16,292,294</u>	<u>\$ 137,730</u>	<u>\$ 16,430,024</u>

The accompanying notes are an integral part of this statement.

**LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
September 30, 2010**

	<u>Amount</u>
Total fund balance for governmental funds	\$ 13,078,132
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Capital assets not being depreciated	
Land	267,663
Capital assets being depreciated:	
Building, vehicles, and equipment	17,000,058
Less accumulated depreciation	<u>(6,395,457)</u>
	10,604,601
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	(774,632)
Net OPEB obligation	<u>(483,000)</u>
	(1,257,632)
Elimination of interfund amounts:	
Due to other funds	(2,659,280)
Due from other funds	<u>2,659,280</u>
	<u>-</u>
Total net assets of governmental activities	<u><u>\$ 22,692,764</u></u>

The accompanying notes are an integral part of this statement.

LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
Year Ended September 30, 2010

	General Fund	Impact Fee Fund	Total Governmental Funds
REVENUES			
Ad Valorem taxes	\$ 9,640,209	\$ -	\$ 9,640,209
Impact fees	-	477	477
Intergovernmental revenue			
Grants	586,490	-	586,490
F/F supplemental income	17,359	-	17,359
Other government revenue	-	-	-
Charges for services - ambulance	1,192,739	-	1,192,739
Inspection fees	28,307	-	28,307
Fire prevention fees	-	-	-
Interest income	42,061	-	42,061
Proceeds from disposition of capital assets	-	-	-
Other income			
Insurance proceeds	2,673	-	2,673
Donations	571	-	571
Miscellaneous	122,500	-	122,500
TOTAL REVENUES	<u>11,632,909</u>	<u>477</u>	<u>11,633,386</u>
EXPENDITURES			
Current			
Public safety			
Personal services	10,602,233	-	10,602,233
Operating expenditures	1,422,294	477	1,422,771
Capital outlay	81,124	-	81,124
Debt service			
Principal reduction	-	-	-
Interest and fiscal charges	-	-	-
TOTAL EXPENDITURES	<u>12,105,651</u>	<u>477</u>	<u>12,106,128</u>
EXCESS OF EXPENDITURES OVER REVENUES	(472,742)	-	(472,742)
FUND BALANCE (DEFICIT) - Beginning of the year	<u>16,210,154</u>	<u>(2,659,280)</u>	<u>13,550,874</u>
FUND BALANCE (DEFICIT) - End of the year	<u>\$ 15,737,412</u>	<u>\$ (2,659,280)</u>	<u>\$ 13,078,132</u>

The accompanying notes are an integral part of this statement.

**LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCE -
 GOVERNMENTAL FUNDS TO THE STATEMENT
 OF ACTIVITIES**

Year Ended September 30, 2010

	Amount
Net change (excess expenditures and other financing uses over revenues and other financing sources) in fund balance - total governmental funds	\$ (472,742)

The decrease (change) in net assets reported for governmental activities in the Statement of Activities is different because:

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. Also, the gain/loss on the sale of capital assets is recorded on the Statement of Activities but not in the governmental funds.

Expenditures for capital assets	81,124	
Less: current year depreciation	(866,711)	
Less: loss on sale of capital assets	(2,037)	
		(787,624)

The issuance of debt is reported as a financing source in governmental funds and thus contributes to the change in fund balance. In the Statement of Net Assets, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets.

Repayments (principal retirement):		
Long term debt	-	-

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 the governmental funds.

Decrease in retirees' insurance	153,315	
Increase in compensated absences	(52,221)	
Increase in Net OPEB obligation	(483,000)	
		(381,906)

Decrease in net assets of governmental activities	\$ (1,642,272)
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The accompanying notes are an integral part of this statement.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Lehigh Acres Fire Control and Rescue District (the "District") is an independent special taxing district established in 1963 by Laws of Florida, Chapter 63-1546. Laws of Florida, Chapter 2000-406 codified, reenacted, amended and repealed its prior enabling acts and was effective July 3, 2000. The District has the general and special powers prescribed by Florida Statutes Chapters 189, 191 and 633.15, as well as Laws of Florida Chapter 97-340. The District was created for the purpose of providing fire control and protection services, as well as crash and rescue services, for a certain designated area in eastern Lee County, Florida known as Lehigh Acres. The District also provides emergency medical and rescue services, including transport (ambulance) services. The District is governed by an elected five (5) member Board of Commissioners serving staggered four (4) year terms.

Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used in the preparation of these basic financial statements.

Reporting Entity

The District adheres to Governmental Accounting Standards Board Statement Number 14, "Financial Reporting Entity" (GASB 14), as amended by GASB Statement Number 39, "Determining Whether Certain Organizations Are Component Units" (GASB 39). This Statement requires the basic financial statements of the District (the primary government) to include its component units, if any. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. Based on the criteria established in GASB 14, as amended, there are no component units required to be included. Therefore, no component units are included in the District's basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the District and do not emphasize fund types. These governmental activities comprise the primary government. General governmental and intergovernmental revenues support the governmental activities. The purpose of the government-wide financial statements is

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Government-Wide Financial Statements, continued

to allow the user to be able to determine if the District is in a better or worse financial position than the prior year. The effect of all interfund activity between governmental funds has been removed from the government-wide financial statements.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33, "Accounting and Financial Reporting for Nonexchange Transactions," (GASB 33).

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability in the government-wide financial statements, rather than as expenditures.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital improvements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Program revenues are considered to be revenues generated by services performed and/or by fees charged such as inspection, ambulance and fire prevention fees, as well as operating and capital grants.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Fund Financial Statements

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the District's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds, in aggregate, for governmental funds.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period.

The District's major funds are presented in separate columns on the governmental fund financial statements. The definition of a major fund is one that meets certain criteria set forth in GASB Statement Number 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" (GASB 34). The funds that do not meet the criteria of a major fund are considered non-major funds and are combined into a single column on the governmental fund financial statements.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns on the fund financial statements.

Measurement Focus and Basis of Accounting

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

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Measurement Focus and Basis of Accounting, continued

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period and soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers tax revenues to be available if they are collected within sixty days of the end of the current fiscal period.

Revenues susceptible to accrual are property taxes, interest on investments, and intergovernmental revenues. Property taxes are recorded as revenues in the fiscal year in which they are levied, provided they are collected in the current period or within sixty days thereafter. Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific purposes or projects are recognized when all eligibility requirements are met.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) principal and interest on the long-term debt, if any, which is recognized when due; and (2) expenditures, which are generally not divided between years by the recording of prepaid expenditures.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Non-Current Government Assets/Liabilities

GASB 34 requires non-current governmental assets, such as land and buildings, and non-current governmental liabilities, such as notes payable and capital leases, to be reported in the governmental activities column in the government-wide Statement of Net Assets.

Major Funds

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The Impact Fee Fund consists of fees imposed and collected by Lee County based on new construction within the District. The fees are restricted and can only be used for certain capital expenditures associated with growth within the District.

Budgetary Information

The District has elected to report budgetary comparison of major funds as required supplementary information (RSI).

Cash and Investments

According to Board Resolution 2002-01-01 (consistent with Florida Statute, Chapter 218.415(17)), the District may invest in the following instruments:

- a) The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01, Florida Statutes
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency
- c) Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes
- d) Direct obligations of the U.S. Treasury

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cash and Investments, continued

The District adheres to the requirements of Governmental Accounting Standards Board Statement Number 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" (GASB 31), in which all investments are reported at fair value. No investments were held at September 30, 2010.

Capital Assets

Capital assets, which include land, construction in progress, buildings, improvements, vehicles, equipment and furniture are reported in the government-wide financial statements in the Statement of Net Assets.

The District follows a capitalization policy which calls for capitalization of all tangible assets that have a cost or donated value of \$1,000 or more and have a useful life in excess of one year.

All capital assets are valued at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Public domain (infrastructure) capital assets consisting of certain improvements other than building, including curbs, gutters and drainage systems, are not capitalized, as the District generally does not acquire such assets. No debt-related interest expense is capitalized as part of capital assets in accordance with GASB 34.

Maintenance, repairs and minor renovations are not capitalized. The acquisition of land and construction projects utilizing resources received from Federal and State agencies is capitalized when the related expenditure is incurred.

Expenditures that materially increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement, the cost is eliminated from the respective accounts.

Expenditures for capital assets are recorded in the fund statements as current expenditures. However, such expenditures are not reflected as expenditures in the government-wide statements, but rather are capitalized and depreciated.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital Assets, continued

Depreciable capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	10-50
Improvements other than buildings	10-50
Equipment and furniture	5-20
Vehicles	6-15

Budgets and Budgetary Accounting

The District adopted an annual budget for the General Fund, but did not adopt an Impact Fee Fund budget. No Impact Fee Fund budget was originally adopted as the fund ended the prior year with a deficit fund balance. It was the District's intent to retain any impact fees collected then begin to pay the General Fund for money loaned the Impact Fee Fund in the past. However, during the year ended September 30, 2010, the Impact Fee Fund was required to refund impact fees in the amount of \$477 to the original payer. As such, the Impact Fee Fund budget was amended to provide for the refund. It is the District's intent to continue to collect and retain impact fees to repay the loan from the General Fund.

The District follows these procedures in establishing budgetary data for the General Fund:

1. During the summer of each year, the District Fire Chief submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing on the upcoming October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is adopted by approval of the Board of Commissioners.
4. Budget amounts, as shown in these financial statements, are as originally adopted or as amended by the Board of Commissioners.
5. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.
6. The level of control for appropriations is exercised at the fund level.
7. Appropriations lapse at year-end.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Budgets and Budgetary Accounting, continued

Three (3) General Fund budget amendments were approved during the fiscal year ended September 30, 2010. The budget amendments did increase the total budgeted revenues and expenditures in the General Fund by \$4,688,897.

Impact Fees/Deferred Revenue

Through an inter-local agreement, the District levies an impact fee on new construction within the District. The intent of the fee is for growth within the District to pay for capital improvements needed due to the growth. The fee is collected by Lee County and remitted to the District. The fee is refundable if not expended by the District within six (6) years from the date of collection. The District, therefore, records this fee as restricted cash and as deferred revenue until the date of expenditure, at which time it is recognized as revenue and charged to capital outlay or debt service in the fund financial statements and capital assets or liability reduction and interest charges in the government-wide financial statements. During the year ended September 30, 2008, the Impact Fee Fund borrowed \$2,659,280 (net) from the General Fund to extinguish debt. As such, the Impact Fee Fund reflects a deficit fund balance of \$2,659,280 at September 30, 2010. It is the District's intent to collect and retain impact fees to repay the loan.

Due To/From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by funds affected in the period in which transactions are executed.

Due From Other Governments

No allowance for losses on uncollectible accounts has been recorded since the District considers all amounts to be fully collectible.

Compensated Absences

The District's employees accumulate annual leave based on the number of years of continuous service. Upon termination of employment, employees can receive payment of accumulated annual leave if certain criteria are met. The costs of vacation and personal leave benefits (compensated absences) are expended in the respective

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Compensated Absences, continued

operating funds when payments are made to employees. However, the liability for all accrued vacation and personal leave benefits is recorded in the government-wide Statement of Net Assets.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District because at present, it is not necessary in order to assure effective budgetary control or to facilitate effective cash planning and control.

Management estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Fund equity

In the governmental fund financial statements, reservation of fund balance indicates amounts that are limited for a specific purpose, are not appropriable for expenditure, or are legally segregated for a specific future use. Designations of fund balance represent tentative management plans. Unreserved, undesignated fund balance indicates funds that are available for current expenditure.

Interfund Transactions

The District considers interfund receivables (due from other funds) and interfund liabilities (due to other funds) to be loan transactions to and from other funds to cover temporary (including potentially long-term) cash needs. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing funds and as reduction of expenditures/expenses in the fund that is reimbursed.

LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Subsequent Events

Subsequent events have been evaluated through January 27, 2011, which is the date the financial statements were available to be issued.

NOTE B - CASH AND CASH EQUIVALENTS

At September 30, 2010, cash and cash equivalents were \$12,912,148, which included \$200 cash on hand and restricted cash of \$136,125 comprised of impact fees (Impact Fee Fund), which are restricted for capital asset acquisition and/or improvement due to growth within the District.

Deposits

At September 30, 2010, the carrying amounts of the District's deposits were \$12,785,823 and \$136,125 in the General Fund and the Special Revenue Fund, respectively. Cash carried in the Special Revenue Fund was restricted. At September 30, 2010, bank balances were \$12,807,726 and \$136,125 in the General Fund and Special Revenue Fund, respectively. These deposits were entirely insured by federal depository insurance or by collateral pursuant to the Public Depository Security Act of the State of Florida (Florida Statute 280).

NOTE C - GRANT RECEIVABLES

Grant receivables consist of the following at September 30, 2010:

<u>Federal Awards</u>	<u>Amount</u>
Staffing for Adequate Fire and Emergency Response (SAFER) (97.083)	\$ 514,649
MARC-Unit Sustainment and Maintenance (97.067)	1,389
MARC-Unit Sustainment and Maintenance (97.067)	<u>990</u>
	<u>\$ 517,028</u>

LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010

NOTE D - RECEIVABLES

Receivables consist of the following at September 30, 2010:

	Ambulance User Fees	Inspection Fees	Totals
Accounts receivable	\$ 3,055,597	\$ 3,616	\$ 3,059,213
Less: allowance for doubtful accounts	<u>(2,845,493)</u>	<u>(715)</u>	<u>(2,846,208)</u>
Receivables - net	<u>\$ 210,104</u>	<u>\$ 2,901</u>	<u>\$ 213,005</u>

The allowance for doubtful accounts on ambulance billings is computed by management based on historical experience rates. The aforementioned allowance total at September 30, 2010, includes estimated uncollectible balances and Medicare and Medicaid adjustments.

NOTE E - DUE TO/FROM OTHER FUNDS

Interfund receivables and payables at September 30, 2010, are as follows:

	Due from other funds	Due to other funds
General Fund:		
Impact Fee Fund	\$ 2,659,280	\$ -
Total General Fund	<u>2,659,280</u>	<u>-</u>
Impact Fee Fund:		
General Fund	<u>-</u>	<u>2,659,280</u>
Total Impact Fee Fund	<u>-</u>	<u>2,659,280</u>
Totals	<u>\$ 2,659,280</u>	<u>\$ 2,659,280</u>

LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010

NOTE F - CAPITAL ASSETS ACTIVITY

The following is a summary of changes in capital assets activity for the year ended September 30, 2010:

	Balance October 1, 2009	Increases/ Additions	Decreases/ Deletions	Adjustments/ Reclassifications	Balance September 30, 2010
Capital Assets Not Being Depreciated:					
Land	\$ 267,663	\$ -	\$ -	\$ -	\$ 267,663
Construction in progress	-	-	-	-	-
Total Capital Assets Not Being Depreciated	<u>267,663</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>267,663</u>
Capital Assets Being Depreciated:					
Buildings	7,970,018	-	-	-	7,970,018
Improvements other than buildings	181,473	-	-	-	181,473
Equipment and furniture	2,279,985	11,662	(7,819)	-	2,283,828
Vehicles	<u>6,495,277</u>	<u>69,462</u>	<u>-</u>	<u>-</u>	<u>6,564,739</u>
Total Capital Assets Being Depreciated	<u>16,926,753</u>	<u>81,124</u>	<u>(7,819)</u>	<u>-</u>	<u>17,000,058</u>
Less Accumulated Depreciation:					
Buildings	(776,436)	(174,705)	-	-	(951,141)
Improvements other than buildings	(70,833)	(10,969)	-	-	(81,802)
Equipment and furniture	(1,096,789)	(203,461)	5,782	-	(1,294,468)
Vehicles	<u>(3,590,470)</u>	<u>(477,576)</u>	<u>-</u>	<u>-</u>	<u>(4,068,046)</u>
Total Accumulated Depreciation	<u>(5,534,528)</u>	<u>(866,711)</u>	<u>5,782</u>	<u>-</u>	<u>(6,395,457)</u>
Total Capital Assets Being Depreciated, Net	<u>11,392,255</u>	<u>(785,587)</u>	<u>(2,037)</u>	<u>-</u>	<u>10,604,601</u>
Capital Assets, Net	<u>\$11,659,888</u>	<u>\$ (785,587)</u>	<u>\$ (2,037)</u>	<u>\$ -</u>	10,872,264
				Related debt	<u>-</u>
				Net assets invested in capital assets, net of related debt	<u>\$ 10,872,264</u>

LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010

NOTE F - CAPITAL ASSETS ACTIVITY, CONTINUED

Depreciation expense was charged to the following functions during the year ended September 30, 2010:

	<u>Amount</u>
General Government	
Total Depreciation Expense	<u>\$ 866,711</u>

NOTE G - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2010:

	Balance October 1, 2009	Additions	Retirements / Adjustments	Balance September 30, 2010	Amounts Due Within One Year
Retirees' insurance	\$ 153,315	\$ -	\$ (153,315)	\$ -	\$ -
Compensated Absences	722,411	52,221	-	774,632	-
Net OPEB obligation	-	483,000	-	483,000	-
	<u>\$ 875,726</u>	<u>\$ 535,221</u>	<u>\$ (153,315)</u>	<u>\$ 1,257,632</u>	<u>\$ -</u>

Long-term liabilities is comprised of the following at September 30, 2010:

	<u>Amount</u>
Non-current portion of compensated absences. Employees of the District are entitled to paid leave (sick and vacation) based on length of service and job classification.	\$ 774,632
Net OPEB obligation. Cumulative difference between annual OPEB cost and District's payments toward the cost of post employment benefits other than pensions since GASB No. 45 transition date (October 1, 2009).*	<u>483,000</u>
Total Long-Term Liabilities	1,257,632
Current Portion	<u>-</u>
Noncurrent Portion	<u>\$ 1,257,632</u>

* During the year ended September 30, 2010, the District implemented GASB #45. As such, the prior recorded retiree's health insurance liability of \$153,315 was eliminated and incorporated the actuarially determined Net OPEB obligation for the year ended September 30, 2010.

NOTE H - RETIREMENT PLAN

Plan description and provisions

All District employees are participants in the statewide Florida Retirement System (FRS) under the authority of Article X, Section 14 of the State Constitution and Florida Statutes, Chapters 112 and 121. The FRS is noncontributory and is totally administered by the State of Florida. The District contributed 100% of the required contributions. Pension costs for the District ranged between 9.85% and 23.25% of covered wages for the year ended September 30, 2010. The District's contributions to the plan were \$1,435,740, \$1,817,965 and \$1,811,262 for the fiscal years ended September 30, 2010, 2009, and 2008, respectively. There were no employee contributions allowable or made to the plan. The District's covered payroll costs for the plan were \$6,739,463, \$9,063,364, and \$8,811,987 for the years ended September 30, 2010, 2009, and 2008, respectively.

Employees who retire with 6 years of creditable service, at or after age 62, 6 years of senior management service and age 62, 6 years of special risk service and age 55, or 30 years of service (25 years for special risk) regardless of age, are entitled to a retirement benefit, payable monthly for life, equal to 1.6% to 3.0% per year of creditable service, depending on the class of employee (regular, special risk, etc.) based on average final compensation of the five (5) highest fiscal years' compensation.

Benefits vest after six years (six years for senior management) of credited service. Vested employees may retire anytime after vesting and incur a 5% benefit reduction for each year prior to normal retirement age.

Early retirement, disability, death, and survivor benefits are also offered. Benefits are established by state statute. The plan provides for a constant 3% cost-of-living adjustment for retirees.

The Plan also provides several other plan and/or investment options that may be elected by the employee. Each offers specific contribution and benefit options. The Plan documents should be referenced for complete detail.

NOTE H - RETIREMENT PLAN, CONTINUED

Description of funding policy

This is a cost sharing, multi-employer plan available to governmental units within the State and actuarial information with respect to an individual participating entity is not available. Participating employers are required by Statute to pay monthly contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due.

Plan information

A copy of the FRS's June 30, 2010, annual report can be obtained by writing to the Florida Division of Retirement, Cedars Executive Center, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560, or by calling (850) 488-5706.

NOTE I - PROPERTY TAXES

Property taxes are levied after formal adoption of the District's budget and become due and payable on November 1 of each year and are delinquent on April 1 of the following year. Discounts on property taxes are allowed for payments made prior to the April 1 delinquent date. Tax certificates are sold to the public for the full amount of any unpaid taxes and must be sold not later than June 1 of each year. The billing, collection, and related record keeping of all property taxes is performed for the District by the Lee County Tax Collector. No accrual for the property tax levy becoming due in November 2010, is included in the accompanying basic financial statements, since such taxes are collected to finance expenditures of the subsequent period.

Procedures for collecting delinquent taxes, including applicable tax certificate sales and tax deed sales, are provided for by Florida Statutes. The enforceable lien date is approximately two years after taxes become delinquent and occurs only upon request of a holder of a delinquent tax certificate. As of September 30, 2010, \$116,958 was due from the Lee County Tax Collector to the District for ad valorem taxes and excess fees.

LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010

NOTE I - PROPERTY TAXES, CONTINUED

Important dates in the property tax cycle are as follows:

Assessment roll certified	July 1
Millage resolution approved	No later than 93 days following certification of assessment roll
Taxes due and payable (Levy date)	November, with various discount provisions through March 31
Property taxes payable - maximum discount (4 percent)	30 days after levy date
Beginning of fiscal year for which taxes have been levied	October 1
Due date	March 31
Taxes become delinquent (lien date)	April 1
Tax certificates sold by the Lee County Tax Collector	Prior to June 1

For the year ended September 30, 2010, the Board of Commissioners of the District levied ad valorem taxes at a millage rate of \$3.00 per \$1,000 (3.0 mills) of the 2009 net taxable value of real property located within the District.

NOTE J - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

The District provides insurance (health, dental, and life insurance) benefits to its retired employees. All retired full-time employees are eligible for benefits if actively employed by the District immediately before retirement. As of September 30, 2010, there were thirteen (13) retirees receiving benefits. Although the opportunity to obtain coverage is available to all retired District employees, the District only subsidizes the cost of these benefits for former employees covered under Union contract or certain employee agreements. The benefits require contribution from the retirees, depending on certain specified criteria and, in particular, length of creditable employment. Dependent upon the agreement in place at the time the employee retired, the District, generally, pays \$5 per month for each year of service towards the employees' insurance premiums up to \$125 per month. There are certain exceptions where the District pays more per month. However, the District essentially matches the FRS Health Insurance contributions of \$125 per month. The District finances the benefits on a pay-as-you-go basis and recognizes expenditures at the time premiums are due.

LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010

NOTE J - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB), CONTINUED

The year ended September 30, 2010, is the District's transition year. As such, the District implemented GASB No. 45 on a prospective basis. The District, prior to the year ended September 30, 2010, recorded and accrued a liability for the cost of insurance for those retired eligible employees from the date of retirement until the date the retiree is eligible for Medicare. As such, the District's actuary incorporated the District's prior recorded liability into the District's actuarially determined Net OPEB Obligation. Also included is the District's agreement to pay for \$10,000 of life insurance coverage for retirees of the bargaining unit and fifty percent (50%) of the cost of \$100,000 of life insurance for Fire Chiefs.

The retiree's premiums for these benefits totaled \$54,091 during the year ended September 30, 2010, of which the District paid \$10,975.

Funding Policy

The District's OPEB benefits are unfunded. The District has not determined if a separate trust fund or equivalent arrangement will be established into which the District would make contributions to advance-fund the obligation. Therefore, no separate financial statement is issued. All required disclosures are presented herein. The District obtained an actuarial valuation for its OPEB Plan to measure the current year's subsidies and project these subsidies into the future, making an allocation of that cost to different years.

Schedule of Funding Progress

(1)	Actuarial Value of Assets (AVA)	Actuarial Liability (AAL)	Unfunded		Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
			Actuarial Accrued Liability (UAAL)	Funded Ratio		
Date	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c
10/01/09	\$ -	\$ 3,625,000	\$ 3,625,000	0.0%	N/A	N/A

(1) - Initial actuarial valuation dated 10/1/09 (transition year)

N/A - not available

LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010

NOTE J - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB), CONTINUED

Funding Policy, continued

Schedule of Contributions from Employer

Year Ended	Annual OPEB Cost	Expected Cash Payment	Percentage of Annual OPEB Cost	Net OPEB Obligation
09/30/10	<u>\$ 515,000</u>	<u>\$ 32,000</u>	6%	<u>\$ 483,000</u>

Annual OPEB Cost and Net OPEB Obligation

The annual OPEB cost is the amount that was expensed in the current year. Since the District's plan is unfunded, the offset to that expense comes from subsidies paid on behalf of the current retirees and their dependents for the current year. This offset is called the expected cash payment. The cumulative difference between the annual OPEB cost for the year and the expected cash payment is called the net OPEB obligation (NOO). The net OPEB obligation is reflected as a liability in the Statement of Net Assets. The following table shows the components of the District's annual OPEB cost for the year and the net OPEB obligation.

<u>Fiscal year ended September 30, 2010 (initial year)</u>	<u>Amount</u>
Annual required contribution (ARC)	\$515,000
Less NOO amortization	-
Plus interest on NOO	-
Annual OPEB cost	515,000
Expected cash payment	<u>(32,000)</u>
Yearly change in OPEB obligation	483,000
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u>\$483,000</u>

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 healthcare cost trend. Amounts determined regarding the funding status of a 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.

LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010

NOTE K - IMPACT FEE FUND ACTIVITY

During the year ended September 30, 2010, the Impact Fee Fund had the following activity:

	<u>Amount</u>
Deferred revenue, October 1, 2009	\$ 134,378
Impact fee receipts	1,860
Due from other governments	1,605
Interest receipts	364
Operating expenditures	(477)
Capital outlay	<u>-</u>
Deferred revenue, September 30, 2010	<u>\$ 137,730</u>

NOTE L - DESIGNATED FUND BALANCE

Fund balance, in the General Fund, was designated for the following purposes at September 30, 2010:

<u>Designated fund balance</u>	<u>Amount</u>
Operating reserves	\$ 7,253,015
Capital reserves	2,919,843
Personnel reserves	-
Disaster reserves	1,000,000
Impact Fee Fund receivable	<u>2,659,280</u> **
Total Designated Fund Balance	<u>\$ 13,832,138</u>

** A designated fund balance category has been added to reflect monies previously expended by the General Fund on behalf of the Impact Fee Fund. The funds are owed to the General Fund at September 30, 2010 and are reflected in the Due To/From Other Funds (Note E). Since management does not anticipate any significant repayment of the balance due in the foreseeable future, this increase serves to reduce the balance in the General Fund undesignated fund balance to reflect the reduction in General Fund cash and equivalents that is available and spendable for future years.

NOTE M - 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; injuries to employees; and natural disasters. The District is a member of a public entity risk pool which is a cooperative group of governmental entities joining together to finance an exposure, liability, or risk. The pool provides coverage for property, liability, public officials liability, worker's compensation, automobile physical damage, general liability, and automotive liability.

There were no settled claims which exceeded insurance coverage during the past three fiscal years. In addition, there were no significant reductions in insurance coverage from coverage in the prior year.

The District carries limits of liability of \$1,000,000 per occurrence and \$3,000,000 in the aggregate. The District retains no risk of loss, having a \$0 deductible amount. A loss fund is established to pay the self-insured retention amounts. Self-insured per occurrence limits are \$100,000 for property, general liability, auto, or workers' compensation claims and \$25,000 for crime related claims. Any claims in excess of these established limits are covered by aggregate excess or stop loss insurance.

The District is covered by Florida Statutes under Doctrine of Sovereign Immunity, which effectively limits the liability of individual claims to \$100,000/\$200,000 for all claims relating to the same incident.

In accordance with Governmental Accounting Standards Board Statement Number 10, which recognizes the funding of outstanding liabilities at full value, the pool retained Insurance Industry Consultants, Inc. to estimate ultimate retained losses and net loss reserve requirements as of the fiscal year ended September 30, 2010. The actuaries have concluded that the loss fund, including contributions not yet received and interest earned on all fund years to date, is sufficient to pay the retained ultimate losses and loss adjustment expenses for all fund years through September 30, 2010.

Major uninsurable risks include damages to infrastructure assets and damages or governmental fines due to seepage, pollution, or contamination of any kind.

NOTE N - COMMITMENTS AND CONTINGENCIES

During the year ended September 30, 2010, the District was awarded a Federal SAFER grant of \$8,971,851. The grant provides funding over a two (2) year period beginning August 14, 2010. The grant provided funding for the District to rehire thirty-four (34) laid off firefighter positions and retain another twelve (12) firefighter positions. Specifically, the grant provides separate funding amounts for wages and the respective taxes and routine benefits. It does not provide funding for overtime, certain types of benefits or the operating or capital costs related to the above noted firefighting positions.

The grant requires the District to pay the grant allowable costs then seek reimbursement. Therefore, during the year ended September 30, 2010, the District applied for reimbursement of \$514,649.

The grant requires the District to fill and maintain these forty-six (46) positions during the two (2) year period of the grant. The District is not required or obligated to maintain these firefighter positions after the grant period expires. If the positions were to be retained after the expiration of the grant the District would be responsible to fund 100% of the related costs. As of September 30, 2010, it appears the District's only means to fund such costs after the grant period ends would be its reserves.

The District continues to monitor its financial position.

NOTE O - DEFICIT FUND BALANCE

During the year ended September 30, 2008, the District's Impact Fee Fund borrowed \$2,659,280 (net) from the General Fund to early pay off an outstanding \$8,000,000 Note payable. The District resolved to early pay off the Note Payable to save the District future interest expense. The District intends to repay the General Fund through future collections of impact fees.

During the year ended September 30, 2010, substantially all impact fee collections were used to pay impact fee refunds. No collections were used to repay the liability owed the General Fund. Therefore, the "Due to General Fund" liability balance at September 30, 2010, remained at \$2,659,280 and the Impact Fee Fund continued to reflect a deficit fund balance of \$2,659,280. This deficit will be reduced as future impact fee collections are used to repay the General Fund.

**REQUIRED SUPPLEMENTARY
INFORMATION
OTHER THAN MD&A**

LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND - SUMMARY STATEMENT
Year Ended September 30, 2010

	General Fund			
	Original	Final	Actual	Variance
	Budget	Budget		(Unfavorable)
REVENUES				
Ad Valorem taxes	\$ 9,299,880	\$ 9,299,880	\$ 9,640,209	\$ 340,329
Intergovernmental revenue				
Grants	-	-	586,490	586,490
F/F supplemental income	12,000	12,000	17,359	5,359
Other government revenue	-	-	-	-
Charges for services - ambulance	1,635,000	1,000,000	1,192,739	192,739
Inspection fees	50,000	50,000	28,307	(21,693)
Fire prevention fees	-	-	-	-
Interest income	20,000	20,000	42,061	22,061
Proceeds from disposition of capital assets	-	-	-	-
Other income				
Insurance proceeds	-	-	2,673	2,673
Donations	200	200	571	371
Miscellaneous	60,000	60,000	122,500	62,500
Cash brought forward	10,886,257	16,210,154	-	(16,210,154)
TOTAL REVENUES	21,963,337	26,652,234	11,632,909	(15,019,325)
EXPENDITURES				
Current				
Public safety				
Personal services	10,774,581	10,774,581	10,602,233	172,348
Operating expenditures	8,188,756	12,877,653	1,422,294	11,455,359
Capital outlay	3,000,000	3,000,000	81,124	2,918,876
Debt service				
Principal reduction	-	-	-	-
Interest and fiscal charges	-	-	-	-
TOTAL EXPENDITURES	21,963,337	26,652,234	12,105,651	14,546,583
EXCESS OF EXPENDITURES				
OVER REVENUES	\$ -	\$ -	(472,742)	\$ (472,742)
FUND BALANCE, October 1, 2009			16,210,154	
FUND BALANCE, September 30, 2010			<u>\$ 15,737,412</u>	

The accompanying notes are an integral part of this statement.

LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND - DETAILED STATEMENT
Year Ended September 30, 2010

	General Fund			
	Original	Final	Actual	Variance
	Budget	Budget		(Favorable (Unfavorable))
REVENUES				
Ad Valorem taxes	\$ 9,299,880	\$ 9,299,880	\$ 9,640,209	\$ 340,329
Intergovernmental revenue				
Grants	-	-	586,490	586,490
F/F supplemental income	12,000	12,000	17,359	5,359
Other government revenue	-	-	-	-
Charges for services - ambulance (net)	1,635,000	1,000,000	1,192,739	192,739
Inspection fees	50,000	50,000	28,307	(21,693)
Fire prevention fees	-	-	-	-
Interest income	20,000	20,000	42,061	22,061
Proceeds from disposition of capital assets	-	-	-	-
Other income				
Insurance proceeds	-	-	2,673	2,673
Donations	200	200	571	371
Miscellaneous	60,000	60,000	122,500	62,500
Cash brought forward	10,886,257	16,210,154	-	(16,210,154)
TOTAL REVENUES	21,963,337	26,652,234	11,632,909	(15,019,325)
EXPENDITURES				
Current				
Public safety				
PERSONAL SERVICES				
Salaries				
Elected officials	-	-	-	-
Administrative	552,241	552,241	553,298	(1,057)
Regular	5,640,109	5,640,109	5,924,280	(284,171)
Holidays	48,144	48,144	233,455	(185,311)
Overtime	75,000	75,000	116,728	(41,728)
Sick time liability	113,000	113,000	129,864	(16,864)
Annual sick time pay	45,000	45,000	43,226	1,774
Subtotal - Salaries	<u>6,473,494</u>	<u>6,473,494</u>	<u>7,000,851</u>	<u>(527,357)</u>
Benefits				
Payroll taxes	486,578	486,578	533,803	(47,225)
Retirement	1,422,330	1,422,330	1,435,740	(13,410)
Retirement liability	-	-	3,240	(3,240)
Group insurance	1,718,179	1,718,179	1,394,256	323,923
Workers compensation	245,000	245,000	164,212	80,788
Unemployment compensation	429,000	429,000	70,131	358,869
Subtotal - Benefits	<u>4,301,087</u>	<u>4,301,087</u>	<u>3,601,382</u>	<u>699,705</u>
Personnel reserve contingencies				
Personnel reserves	-	-	-	-
SUBTOTAL - PERSONAL SERVICES	<u>10,774,581</u>	<u>10,774,581</u>	<u>10,602,233</u>	<u>172,348</u>

The accompanying notes are an integral part of this statement.

LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND - DETAILED STATEMENT, CONTINUED
Year Ended September 30, 2010

	General Fund			Variance
	Original	Final	Actual	Favorable
	Budget	Budget		(Unfavorable)
OPERATING				
Professional services				
Property appraiser	135,000	135,000	118,650	16,350
Legal fees	80,000	80,000	92,385	(12,385)
Medical director	60,000	60,000	48,000	12,000
Physicals	4,920	4,920	14,063	(9,143)
Land taxes	4,500	4,500	2,459	2,041
Tax collector fees	470,001	470,001	192,622	277,379
Actuarial study	-	-	-	-
Miscellaneous	9,000	9,000	10,381	(1,381)
Audit and accounting	25,000	25,000	26,335	(1,335)
Professional services	1,500	1,500	1,587	(87)
Contract services				
Outside maintenance contracts	10,000	10,000	83	9,917
Ambulance billing	-	-	-	-
Travel and per diem (commission)	-	-	-	-
Communications	105,000	105,000	76,805	28,195
Utilities				
Electricity	80,000	80,000	75,865	4,135
Water and garbage	26,500	26,500	21,415	5,085
Rentals and leases	3,000	3,000	-	3,000
Insurance (general)	130,000	130,000	111,293	18,707
Maintenance				
Buildings	31,000	31,000	37,213	(6,213)
Equipment	40,000	40,000	19,359	20,641
Vehicles	95,000	95,000	86,497	8,503
Maintenance contracts	110,000	110,000	63,553	46,447
Promotional	5,000	5,000	144	4,856
Other current charges and obligations				
Training (motel, per diem)	6,000	6,000	2,447	3,553
Training (instruction, etc)	40,000	40,000	2,111	37,889
Administrative (commission)	5,500	5,500	5,889	(389)
Administrative (election)	-	-	-	-
Administrative (office)	20,000	20,000	13,866	6,134
Contingencies	50,000	50,000	4,722	45,278
Office supplies	25,000	25,000	17,497	7,503
Operating supplies				
Department	60,000	60,000	26,140	33,860
Paramedic	100,000	100,000	150,345	(50,345)
Gas and oil	125,000	125,000	113,503	11,497
Uniforms	17,886	17,886	18,118	(232)
Propane	15,000	15,000	10,216	4,784
Computer supplies	34,551	34,551	12,830	21,721
Prevention supplies	-	-	-	-
Janitorial supplies	15,000	15,000	26,970	(11,970)
Training supplies	10,000	10,000	8,661	1,339
Shop supplies	6,000	6,000	4,915	1,085

The accompanying notes are an integral part of this statement.

LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND - DETAILED STATEMENT, CONTINUED
Year Ended September 30, 2010

	General Fund			
	Original	Final	Actual	Variance
	Budget	Budget		(Favorable (Unfavorable))
OPERATING (continued)				
Bad debt	635,000	-	-	-
Collection fees	10,000	10,000	2,976	7,024
Equipment < \$1,000	-	-	-	-
Equipment contract cancellation fee	-	-	-	-
Grants	-	-	2,379	(2,379)
Operating reserve contingencies				
Operating	4,588,398	7,253,015	-	7,253,015
Emergency disaster	1,000,000	1,000,000	-	1,000,000
Impact Fee fund reserve	-	2,659,280	-	2,659,280
SUBTOTAL - OPERATING	8,188,756	12,877,653	1,422,294	11,455,359
CAPITAL OUTLAY				
Buildings	-	-	-	-
Improvements other than buildings	-	-	-	-
Machinery and equipment	-	-	1,657	(1,657)
Computers	-	10,695	10,005	690
Future growth fund	-	-	-	-
Vehicles	-	69,462	69,462	-
Construction in progress	-	-	-	-
Capital reserve contingencies				
Capital reserves	3,000,000	2,919,843	-	2,919,843
SUBTOTAL - CAPITAL OUTLAY	3,000,000	3,000,000	81,124	2,918,876
DEBT SERVICE				
Principal retirement	-	-	-	-
Interest charges and fiscal	-	-	-	-
SUBTOTAL - DEBT SERVICE	-	-	-	-
TOTAL EXPENDITURES	21,963,337	26,652,234	12,105,651	14,546,583
EXCESS OF EXPENDITURES OVER REVENUES	\$ -	\$ -	(472,742)	\$ (472,742)
FUND BALANCE, October 1, 2009			16,210,154	
FUND BALANCE, September 30, 2010			<u>\$ 15,737,412</u>	

The accompanying notes are an integral part of this statement.

LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - IMPACT FEE FUND
Year Ended September 30, 2010

	Impact Fee Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
REVENUES				
Fees				
Impact fees	\$ -	\$ 1,460	\$ 477	\$ (983)
Miscellaneous				
Interest	-	400	-	(400)
Cash brought forward	-	-	-	-
TOTAL REVENUES	<u>-</u>	<u>1,860</u>	<u>477</u>	<u>(1,383)</u>
EXPENDITURES				
Current				
Public safety				
Operating				
Impact fee refunds	-	1,860	477	1,383
Subtotal - operating	<u>-</u>	<u>1,860</u>	<u>477</u>	<u>1,383</u>
Capital outlay	-	-	-	-
Debt service				
Principal reduction	-	-	-	-
Interest and fiscal charges	-	-	-	-
Subtotal - debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>-</u>	<u>1,860</u>	<u>477</u>	<u>1,383</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE (DEFICIT) - Beginning			<u>(2,659,280)</u>	
FUND BALANCE (DEFICIT) - Ending			<u>\$ (2,659,280)</u>	

The accompanying notes are an integral part of this statement.

LEHIGH ACRES FIRE CONTROL AND RESCUE SERVICE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended September 30, 2010

Grantor Agency/Program Title	Federal CFDA/ Number	Grantor's Number	Program or Award Amount	Receipts/ Revenue		Disbursements/ Expenditures
FEDERAL AGENCY						
<u>U.S. Department of Homeland Security</u>						
<u>TYPE A - MAJOR</u>						
Staffing of Adequate Fire and Emergency Response (SAFER)	97.083	* 2010-M9-3120GF-250000000-4101-D	EMW2009FH 00274 \$ 8,971,851	\$ 514,649	(1)	\$ 514,649
			<u>8,971,851</u>	<u>514,649</u>		<u>514,649</u>
<u>TYPE B - NONMAJOR</u>						
<u>U.S. Department of Homeland Security</u>						
Passed through Florida Department of Financial Services.						
MARC - Unit Sustainment and Maintenance	97.067	08-DS-60-13-00-16-373	18,249	1,389	(2)	1,389
MARC - Unit Sustainment and Maintenance	97.067	09-DS-51-13-00-16-409	103,829	70,452	(3)	70,452
MARC - Unit Sustainment and Maintenance	97.067	010-DV-39-13-00-16-414	12,846	-		-
			<u>134,924</u>	<u>71,841</u>		<u>71,841</u>
		TOTAL FEDERAL FINANCIAL AWARDS	\$ 9,106,775	\$ 586,490		\$ 586,490

* Designates Type A Major Grant Project

(1) Includes receivable of \$514,649

(2) Includes receivable of \$1,389

(3) Includes receivable of \$990

The accompanying notes are an integral part of this statement.

LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
September 30, 2010

Page 36 of 47

NOTE A - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards has been prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and is in accordance with the provisions of OMB Circular A-133.

Expenditures reported on the Schedule of Expenditures of Federal Awards include cash disbursements, whether capitalized or expensed, during the fiscal year as well as grant related amounts recorded as payable at year end. Revenues reported on the Schedule of Expenditures of Federal Awards include cash receipts, whether recognized as well as grant receivables recorded at year end. Revenue that is deferred is not reflected but rather footnoted.

NOTE B - INDIRECT COSTS

The District did not routinely allocate indirect costs to Federal Awards. Costs charged to such programs were direct costs.

**ADDITIONAL REPORTS OF
INDEPENDENT AUDITOR**



TUSCAN
 & Company, PA

Certified Public Accountants & Consultants

Affiliations

Florida Institute of Certified Public Accountants
 American Institute of Certified Public Accountants
 Private Companies Practice Section
 Tax Division

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
 Lehigh Acres Fire Control and Rescue District
 636 Thomas Sherwin Avenue South
 Lehigh Acres, Florida 33974

We have audited the basic financial statements of Lehigh Acres Fire Control and Rescue District (the "District") as of and for the year ended September 30, 2010, and have issued our report thereon dated January 27, 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 opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lehigh Acres Fire Control and Rescue District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lehigh Acres Fire Control and Rescue 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 significant deficiency is a deficiency, or a combination of deficiencies, in internal control, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of

INTEGRITY SERVICE EXPERIENCE

America, such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected and corrected on a timely basis.

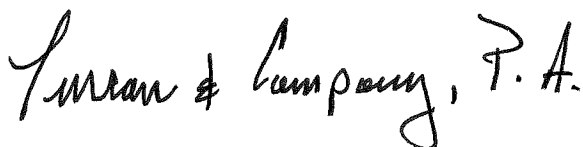
A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the basic financial statements will not be prevented or detected and corrected on a timely basis.

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. However, we did note certain other matters that we have reported to management in our Report to Management dated January 27, 2011

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lehigh Acres Fire Control and Rescue District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of basic 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.

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

A handwritten signature in black ink that reads "Tuscán & Company, P.A." The signature is written in a cursive, flowing style.

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
January 27, 2011



TUSCAN
 & Company, PA

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Florida Institute of Certified Public Accountants

American Institute of Certified Public Accountants

Private Companies Practice Section

Tax Division

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
 REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
 EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
 COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners
 Lehigh Acres Fire Control and Rescue District
 636 Thomas Sherwin Avenue South
 Lehigh Acres, Florida 33974

Compliance

We have audited Lehigh Acres Fire Control and Rescue District's compliance with the types of compliance requirements described in the United States Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Lehigh Acres Fire Control and Rescue District's major federal programs for the year ended September 30, 2010. Lehigh Acres Fire Control and Rescue District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Lehigh Acres Fire Control and Rescue District's management. Our responsibility is to express an opinion on Lehigh Acres Fire Control and Rescue District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lehigh Acres Fire Control and Rescue District's compliance with those requirements and performing such other

INTEGRITY SERVICE EXPERIENCE

procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lehigh Acres Fire Control and Rescue District's compliance with those requirements.

In our opinion, Lehigh Acres Fire Control and Rescue District, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

Management of Lehigh Acres Fire Control and Rescue District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lehigh Acres Fire Control and Rescue District internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lehigh Acres Fire Control and Rescue District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, in internal control, that adversely affects the entity's ability to administer a federal program or state project such that there is a reasonable possibility that noncompliance with a type of compliance requirement of a federal program or state project that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Commissioners, management, Federal and State awarding agencies, pass-through entities, the Auditor General of the State of Florida, and other Federal and State audit agencies. This report is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Tuscan & Company, P.A." in a cursive script.

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
January 27, 2011

LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED
COSTS - FEDERAL AWARDS
Year ended September 30, 2010

Section I – Summary of Auditor’s Results
Financial Statements

Type of auditor's report issued:	Unqualified		
Internal control over financial reporting:			
Control deficiency(ies) identified?	_____ Yes	<u> X </u> No	
Significant deficiency(ies) identified?	_____ Yes	<u> X </u> No	
Material weakness(es) identified?	_____ Yes	<u> X </u> None reported	
Noncompliance material to financial statements noted?	_____ Yes	<u> X </u> No	

Federal Awards

Internal control over major programs:			
Control deficiency(ies) identified?	_____ Yes	<u> X </u> No	
Significant deficiency(ies) identified?	_____ Yes	<u> X </u> No	
Material weakness(es) identified?	_____ Yes	<u> X </u> None reported	
Type of auditors report issued on compliance for major programs:	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	_____ Yes	<u> X </u> No	
Identification of major programs (<u>Type A</u>):			

CFDA	
<u>Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.083	Staffing for Adequate Fire and Emergency Response (SAFER)

Dollar threshold used to distinguish between Type A and Type B programs	Threshold used was \$300,000
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Auditee qualified as low-risk auditee?	_____ Yes	<u> X </u> No
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Listing of Subrecipients and amounts passed-through:	There were no subgrantees.
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LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED
COSTS - FEDERAL AWARDS, CONTINUED
Year ended September 30, 2010

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Section II- Financial Statement Findings

There were no significant deficiencies, material weaknesses, or instances of material noncompliance related to the financial statements.

Section III- Federal Award Findings and Questioned Costs

There were no audit findings related to federal awards required to be reported by Circular A-133, Section 510(a).

Status of Federal Prior Year Findings

There were no prior year findings. This is the District's initial single audit.



INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT

Board of Commissioners
Lehigh Acres Fire Control and Rescue District
636 Thomas Sherwin Avenue South
Lehigh Acres, Florida 33974

We have audited the basic financial statements of the Lehigh Acres Fire Control and Rescue District (the "District") as of and for the fiscal year ended September 30, 2009 and have issued our report thereon dated January 27, 2011. In connection with our audit, we are submitting the following comments and recommendations in accordance with Chapter 10.550 "Rules of the Auditor General - Local Governmental Entity Audits" (Revised September 30, 2010) Rule 10.557(3) and Section 218.39(4) of the Florida Statutes.

PRIOR YEAR COMMENTS THAT CONTINUE TO APPLY (AS REVISED OR AMENDED):

Note: The prior year comments not repeated below appear to have been resolved. Prior year comments listed below continue to apply in the current year. Each prior year comment listed has a current year addendum to indicate the current year status of the comment.

1. Establishment of a Line of Credit Should be Considered

We recommend the District consider a line of credit (LOC) for emergency purposes. Current banking circumstances generally provide a LOC can be maintained for a fairly small fee annually. Such a LOC provides the District with additional available resources in times of emergencies.

September 30, 2008 addendum

We continue to recommend the District consider a line of credit (LOC) for emergency purposes for the reasons noted above.

September 30, 2009 addendum

We continue to recommend the District consider a line of credit (LOC) for emergency purposes for the reasons noted above. We did note that subsequent to September 30, 2009, the District did obtain a LOC.

1. Establishment of a Line of Credit Should be Considered, continued
September 30, 2010 addendum

The line of credit was not renewed during the current fiscal year. The Board resolved that the District's reserves were sufficient to cover the working capital needs and that it was not fiscally prudent to renew the line of credit due to the associated fees.

2. Ambulance Fee Accounting and Reporting Should be Enhanced

During the audit we noted that management currently estimates an allowance for bad debt based on the last two months (accounts receivable) balance. Upon our review, it appears that the District collects less than anticipated from current activity (i.e. past two months) and more from older balances. It appears that calculated net accounts receivable is still reasonably stated. However, we recommend that the District adopt a revised trend analysis to estimate an allowance for doubtful accounts which more closely relates to current factors.

September 30, 2009 addendum

We continue to recommend the District adopt a formal policy relating to the write-down of its accounts receivable balance.

September 30, 2010 addendum

We noted that the District monitors the monthly collections of ambulance billings, however, we continue to recommend that the District adopt or revise their policy to estimate the allowance for doubtful accounts to more closely reflect the collectability of these accounts.

3. Designation of Fund Balance

At September 30, 2008 the District had \$5,346,827 designated and reserved for various purposes. However, we noted the District has \$8,272,353 as unreserved, undesignated fund balance.

As such, we recommend the District establish an updated target and/or planned fund balance. Specifically, we recommend the Board review its unreserved undesignated fund balance (in the General Fund) and determine a target and/or planned fund balance to be held for unanticipated and emergency purposes. Planned designated fund balances should also include amounts for future capital purchases, insurance deductibles, and/or major repairs and correlate with future budgets with these items. We also recommend the Board increase its operating reserve to three (3) to six (6) months of its annual budgeted expenditures.

This effort should be correlated with the update of the five (5) year capital and operational plan, as well as projected tax, impact fee and other revenues. Future major capital repairs, replacement, and expansion should be incorporated into the plan. Methods, timing and revenue sources to fund such items should be planned and reserves designed and funded over time.

3. Designation of Fund Balance, continued
September 30, 2009 addendum

We continue to recommend the District use an annual multi-year budget process in light of the substantial reductions in ad valorem tax revenue. Accordingly, the District should manage its unrestricted fund balance by specifically designating fund balance amounts by future fiscal year and particular purpose. It appears at this time, that the reduction of taxable property values will continue for at least the next two to three years. Therefore, managing the fund balance reserves is imperative.

It should be noted that in an effort to reduce expenditures and preserve fund balance reserves, the District laid off or terminated thirty-eight (38) employees, closed station #5, implemented various cost reductions, implemented unpaid furlough days, implemented four (4)-day work weeks for administrative personnel, and increased the millage rate to the cap of 3 mills.

September 30, 2010 addendum

Although designated fund balance accounts were established during the current fiscal year, we continue to recommend that the District utilize a multi-year budget process due to the reductions in ad valorem tax revenue. Additionally, future major capital repairs and replacements should be incorporated into the budgeting process. The method, timing and funding of capital expenditures should also be planned and designated.

CURRENT YEAR COMMENTS:

No financially significant comments noted.

We have included in this letter all comments which came to our attention during the course of our audit regarding Items 1 through 7, as applicable, of the "Rules of the Auditor General-Local Governmental Entity Audits," Rule 10.554, Section (1)(i). In regard to Item 2, we represent that the Lehigh Acres Fire Control and Rescue District has complied with Florida Statute 218.415 regarding investment of public funds. In regard to Item 7(a), nothing came to our attention to cause us to believe that at any time during the year the Lehigh Acres Fire Control and Rescue District met any of the criteria for being in a state of financial emergency as defined in Florida Statute 218.503(1). In regard to item 7(c)(1), we applied financial condition assessment procedures pursuant to Rule 10.556(7) and noted no significant indications of deteriorating financial conditions. As such, we do not believe the District to be in a state of financial emergency as a consequence of conditions described in Section 218.503(1) of the Florida Statutes. Additionally, in regard to Item 7(b), we represent that the financial report filed with the Department of Financial Services, pursuant to Florida Statute 218.32(1)(a), is in agreement with the annual financial audit report for the same period.

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

Tuscan & Company, P.A.

TUSCAN & COMPANY, P.A.

Fort Myers, Florida

January 27, 2011

EXHIBIT



Lehigh Acres Fire Control and Rescue District

636 Thomas Sherwin Ave. S.
Phone: (239) 303-5300

Lehigh Acres, FL 33974
Fax: (239) 369-2436

February 17, 2011

BOARD OF COMMISSIONERS

David Adams
Seat #4

Seat #2

Seat #5

Seat #3

Jeffrey Berndt
Seat #1

CHIEF OF DEPARTMENT

Donald R. Adams, Sr.

Jeff Tuscan
Tuscan & Company, P.A.
12621 World Plaza Lane, Bldg. 55
Ft. Myers, FL 33907

Dear Mr. Tuscan,

This letter is in response to the Management letter provided to Board of Commissioners, Lehigh Acres Fire Control and Rescue District, for the 2009/2010 fiscal year ended September 30, 2010, by Tuscan & Company, P.A. Responses to the individual comments are addressed in the same order as presented in the Management letter dated January 27, 2011.

PRIOR YEAR COMMENTS THAT CONTINUE TO APPLY (AS REVISED OR AMENDED):

1. Establishment of a Line of Credit Should be Considered

The District has considered obtaining a line of credit for emergency purposes. However, due to the cost associated with obtaining a line of credit (and the cost of annual renewal), we will continually monitor the level of current reserves and also adjust annual budgeted expenditures to reasonable levels. Therefore, the District will not pursue a line of credit at this time.

2. Ambulance Fee Accounting and Reporting Should be Enhanced

In May 2009 the District moved the billing function from an outside company back in-house with District staff. In the fiscal year 2010, the District implemented administrative policies including the ambulance billing process. During the current fiscal year the District will review and enhance a trend analysis to better estimate allowance for doubtful accounts. This will also be included in the administrative policies and procedures manual.



Lehigh Acres Fire Control and Rescue District

636 Thomas Sherwin Ave. S.
Phone: (239) 303-5300

Lehigh Acres, FL 33974
Fax: (239) 369-2436

3. Designation of Fund Balance

BOARD OF COMMISSIONERS

David Adams
Seat #4

Seat #2

Seat #5

Seat #3

Jeffrey Berndt
Seat #1

The District had determined that \$10,878,734 was designated in the 2010-2011 fiscal year budget for operating, capital, OPEB liabilities and disaster reserves/expenditures, \$2,659,280 is money that will be paid back to the General Fund from the Impact Fee Fund and the remaining balance will be designated by the Board in the current year amended budget for operations, etc. The District will continue to assess current and future capital needs, future reductions in ad valorem revenue, and other factors in creating future budgets.

CHIEF OF DEPARTMENT

Donald R. Adams, Sr.

CURRENT YEAR COMMENTS:

(No financially significant comments were noted).

The comments and recommendations offered in the Management Letter have been a great help in assisting administration in improving the fiscal management of the Lehigh Acres Fire Control and Rescue District.

Sincerely,

A handwritten signature in black ink that reads "Donald R. Adams, Sr." in a cursive style.

Donald R. Adams, Sr.
Fire Chief