

**LEHIGH ACRES FIRE CONTROL  
AND RESCUE DISTRICT**

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

**YEAR ENDED  
SEPTEMBER 30, 2009**

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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**

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, 2009 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. 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, 2009, 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 February 16, 2010, 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.

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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 28-32 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.



TUSCAN & COMPANY, P.A.  
Fort Myers, Florida  
February 16, 2010

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

# LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT

## Management's Discussion and Analysis

Year Ended September 30, 2009

As management of the Lehigh Acres Fire Control and Rescue District (the "District"), we offer readers of the District's basic financial statement this narrative overview and analysis of the District's financial activities for the fiscal year ended September 30, 2009.

### INTRODUCTION

The mission of the 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 7,653 calls, with approximately 22.15% being fire related and 77.85% being EMS related. The District transported 4,257 patients to area hospitals in Lee County. Lehigh Regional Medical Center received 2,661 or 62.5% of the patients transported. The busiest day of the week is Friday, with 1,065 incidents or 13.9% of the call volume. The busiest time of the day is from 8:00AM until 8:00PM. The busiest zone of Lehigh Acres is Station 102 at 11 South Homestead Road with 1,737 incidents, of which 1,167 were EMS transports. Of those transports, 633 were Advance Life Support and 534 were Basic Life Support.

During fiscal year 2009, Lehigh Acres continued to experience an economic downturn that did not happen overnight. It is a result of the plummeting local housing market and increase in foreclosure home sales, causing property values to continue to decline. These factors, along with rising unemployment and depressed retail sales and sales taxes, have directly affected ad valorem tax revenue. In addition, the Florida legislature mandated a roll-back in property taxes and authorized a constitutional amendment expanding the Homestead Exemption, as well as putting caps on capital growth. Even with all these challenges, the District has continued to focus on providing the highest level of service while being fiscally responsible and exploring areas in which it can reduce expenditures.

### Performance Measures

Fiscal Year	02-03 Actual	03-04 Actual	04-05 Actual	05-06 Actual	06-07 Actual	07-08 Actual	08-09 Actual
Total Alarms	4,791	5,300	6,080	7,088	7,313	7,323	7,653
Response Times*	4.51	4.75	4.95	5.20	5.81	6.19	5.90
Fire Related Incidents	1,076	1,446	1,475	1,967	1,801	1,715	1,695
EMS % Incidents	77.54%	72.72%	75.74%	72.25%	75.37%	76.58%	77.85%

*Note\**: Response times are in minutes. The increase in response times reflects more and more residences being built in remote areas outside of the main corridor of the District.

# LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis  
Year Ended September 30, 2009

## 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 it operates and the beliefs and assumptions of its management. This discussion and analysis is intended to serve as an introduction to the District's basic financial statements.

## **FINANCIAL HIGHLIGHTS**

- At the close of fiscal year 2009, the District's assets exceeded its liabilities, resulting in net assets of \$24,335,036.
- The District's total net assets increased \$1,513,733, or 6.6%.
- The District had \$13,550,874 of unreserved fund balance that can be used to meet the District's ongoing obligations. Approximately 17% of the total, or \$2,303,196, is undesignated.
- The District recognized revenues of \$1,787,945 and bad debt expense of \$715,023 from EMS transports.
- Total governmental revenues (fund basis) decreased \$7,351,160, or 27.74%, in comparison to prior year.
- Total governmental expenditures (fund basis) decreased \$9,641,543, or 36.43%, in comparison to prior year.

## **OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

This discussion and analysis of the Lehigh Acres Fire Control and Rescue District basic 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, 2009. 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 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.

# LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT

## Management's Discussion and Analysis

Year Ended September 30, 2009

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

Year Ended September 30, 2009

The following is a condensed summary of net assets of the primary government as of September 30, 2009 and 2008:

Assets:	2009	2008
Current assets	\$ 14,109,615	\$ 11,930,992
Capital assets, net	11,659,888	12,544,099
Total assets	<u>\$ 25,769,503</u>	<u>\$ 24,475,091</u>
Liabilities:		
Current liabilities	\$ 569,506	\$ 711,378
Non-current liabilities	864,961	942,410
Total liabilities	<u>1,434,467</u>	<u>1,653,788</u>
Net assets:		
Invested in capital assets, net of related debt	11,659,888	12,544,099
Restricted for capital improvements	-	267,479
Unrestricted	12,675,148	10,009,725
Total net assets	<u>24,335,036</u>	<u>22,821,303</u>
Total liabilities and net assets	<u>\$ 25,769,503</u>	<u>\$ 24,475,091</u>

Current assets represent 54.8% and 48.7% of total assets as of September 30, 2009 and 2008, respectively. At September 30, 2009, current assets were comprised of cash and cash equivalents of \$13,755,368, due from other governments of \$221,652, and net receivables from ambulance transports and inspection fees of \$132,595. At September 30, 2008, current assets were comprised of cash and cash equivalents of \$11,374,061, due from other governments of \$288,998, and net receivables from ambulance transports and inspection fees of \$267,933.

The net investment in capital assets represent 47.9% and 55.0% of net assets as of September 30, 2009 and 2008, respectively, 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 \$12,675,148 represents resources available for spending. The District has designated \$4,588,398 of the unrestricted net asset balance for operating reserves, \$3,000,000 for capital reserves, \$1,000,000 for disaster reserves, and \$2,659,280 reserving for payback of General Fund monies due from the Impact Fee Fund.

# LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT

## Management's Discussion and Analysis

Year Ended September 30, 2009

The following schedule reports the revenues, expenses, and changes in net assets for the District for years ended September 2009 and 2008:

Revenues:	<u>2009</u>	<u>2008</u>
General Revenues		
Property taxes	\$ 17,069,750	\$ 20,321,307
Miscellaneous		
Interest	69,057	505,081
Impact fees	16,792	3,862,602
Other	117,005	67,731
Program Revenues		
Charges for services		
Ambulance	1,787,945	1,635,813
Inspection fees	32,432	67,586
Fire Prevention Fees	-	3,997
Operating grants and contributions	<u>54,579</u>	<u>34,603</u>
Total Revenues	<u>19,147,560</u>	<u>26,498,720</u>
Expenses:		
Public Safety - Fire and Rescue Services	<u>17,633,827</u>	<u>17,674,937</u>
Increase in net assets	1,513,733	8,823,783
Net Assets - Beginning	<u>22,821,303</u>	<u>13,997,520</u>
Net Assets - Ending	<u>\$ 24,335,036</u>	<u>\$ 22,821,303</u>

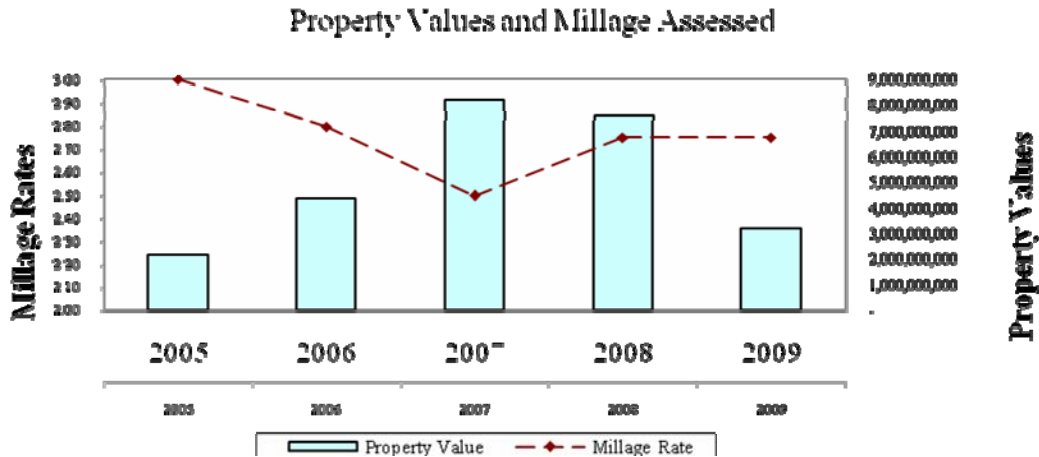
Total revenues decreased \$7,351,160 or 27.7% for the fiscal year 2009 and increased \$2,376,676 or 9% for the fiscal year 2008. Total expenses decreased \$41,110 or 0.2% for the fiscal year 2009 and increased \$1,753,501 or 11.0% for fiscal year 2008. Assessed property values decreased 16.0% and 8.3% for the fiscal years 2009 and 2008, respectively, resulting in lower ad valorem tax revenues. Due to the decrease in taxable property values, the District raised the millage rate again in 2009 to 3.0 mils.

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

# LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT

Management's Discussion and Analysis

Year Ended September 30, 2009



Deferred revenues for impact fees at September 30, 2009 were \$134,378. 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 General Fund supplementary information on pages 30-33). The final budget total increased due to the increase in the cash brought forward and increase in ambulance service revenue. Budget changes can be briefly summarized as follows:

- Cash brought forward increased by \$1,980,654 after the fiscal year 2008 audit was completed. The District also increased the budgeted Operating Reserve contingency by \$1,980,654.

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:

- Charges for ambulance service were substantially higher because the budget accounted for anticipated cash received and not for ambulance fee charges.
- Personal services were substantially lower than the original budgeted amounts due to cost savings realized from the termination of thirty-eight (38) employees. The decision to terminate employees was made in an effort to reduce expenditures and reserve fund balance reserves for anticipated financial hardships.
- Capital Outlay charges were substantially lower than original budgeted amounts due to the District not pursuing various large capital purchases as first anticipated.

# LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT

## Management's Discussion and Analysis

Year Ended September 30, 2009

### 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, 2009 and 2008:

Capital Assets	<u>2009</u>	<u>2008</u>
Land	\$ 267,663	\$ 267,663
Construction in progress	<u>-</u>	<u>-</u>
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	6,495,277	6,495,277
Equipment and furniture	<u>2,279,985</u>	<u>2,251,461</u>
Total Capital Assets being depreciated	<u>16,926,753</u>	<u>16,898,229</u>
Accumulated Depreciation		
Buildings	(776,436)	(601,731)
Improvements other than buildings	(70,833)	(59,864)
Vehicles	(3,590,470)	(3,029,696)
Equipment	<u>(1,096,789)</u>	<u>(930,502)</u>
Total accumulated depreciation	<u>(5,534,528)</u>	<u>(4,621,793)</u>
Capital Assets, Net	<u>\$ 11,659,888</u>	<u>\$ 12,544,099</u>

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

- Communication, medical and suppression equipment.

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

# **LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT**

Management's Discussion and Analysis

Year Ended September 30, 2009

## **LONG TERM LIABILITIES**

At September 30, 2009 and 2008, the District had \$875,726 and \$950,175 of outstanding debt respectively, consisting of retirees' insurance and compensated absences. The non-current liability reported as compensated absences decreased by \$106,933 or 12.9%. This liability represents the total amount of accumulated annual leave due to District employees upon termination of employment.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The following were factors considered when next year's budget (2009-2010) was prepared:

- Property values decreased by \$3,149,521,335, or 49.6%, to \$3,199,796,505.
- As a result of the decrease in property values over the past year, the millage rate was increased to maintain designated reserves and prepare for the financial challenges in the near future.

## **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, 2009**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 13,621,814
Cash and cash equivalents - restricted	133,554
Due from other governments	221,652
Receivables, net	<u>132,595</u>
Total current assets	<u>14,109,615</u>
Noncurrent assets:	
Capital assets:	
Land	267,663
Depreciable buildings, vehicles, and equipment (net of \$5,534,528 accumulated depreciation)	<u>11,392,225</u>
Total noncurrent assets	<u>11,659,888</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 25,769,503</u></b>
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 51,314
Accrued expenses	373,049
Deferred revenue - impact fees	134,378
Current portion of long-term obligations	<u>10,765</u>
Total current liabilities	569,506
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	<u>864,961</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,434,467</u></b>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	11,659,888
Unrestricted	<u>12,675,148</u>
<b>TOTAL NET ASSETS</b>	<b><u>24,335,036</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 25,769,503</u></b>

The accompanying notes are an integral part of this statement.

**LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**Year Ended September 30, 2009**

	Governmental Activities
<b>EXPENSES</b>	
Governmental activities	
Public safety - fire protection	
Personal services	\$ 13,761,982
Operating expenses	2,910,231
Depreciation	955,669
Loss on disposal of capital assets	5,945
Interest and fiscal charges	-
TOTAL EXPENSES - GOVERNMENTAL ACTIVITIES	<u>17,633,827</u>
<b>PROGRAM REVENUES</b>	
Charges for services	
Ambulance	1,787,945
Inspection fees	32,432
Fire prevention fees	-
Operating grants and contributions	<u>54,579</u>
TOTAL PROGRAM REVENUES	<u>1,874,956</u>
NET PROGRAM EXPENSES	<u>15,758,871</u>
<b>GENERAL REVENUES</b>	
Ad Valorem taxes	17,069,750
Impact fees	16,792
Interest	69,057
Other	<u>117,005</u>
TOTAL GENERAL REVENUES	<u>17,272,604</u>
INCREASE IN NET ASSETS	1,513,733
<b>NET ASSETS - Beginning of the year</b>	<u>22,821,303</u>
<b>NET ASSETS - End of the year</b>	<u>\$ 24,335,036</u>

The accompanying notes are an integral part of this statement.

**LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**September 30, 2009**

	General Fund	Impact Fee Fund	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 13,621,814	\$ -	\$ 13,621,814
Cash and cash equivalents - restricted	-	133,554	133,554
Due from other governments	220,828	824	221,652
Due from other funds	2,659,280	-	2,659,280
Receivables, net	<u>132,595</u>	<u>-</u>	<u>132,595</u>
TOTAL ASSETS	<u>\$ 16,634,517</u>	<u>\$ 134,378</u>	<u>\$ 16,768,895</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 51,314	\$ -	\$ 51,314
Accrued expenses	373,049	-	373,049
Retainage payable	-	-	-
Due to other funds	-	2,659,280	2,659,280
Deferred revenue	<u>-</u>	<u>134,378</u>	<u>134,378</u>
TOTAL LIABILITIES	<u>424,363</u>	<u>2,793,658</u>	<u>3,218,021</u>
 <b>FUND BALANCE</b>			
Unreserved, reported in:			
Designated	11,247,678	-	11,247,678
Undesignated (deficit)	<u>4,962,476</u>	<u>(2,659,280)</u>	<u>2,303,196</u>
TOTAL FUND BALANCE (DEFICIT)	<u>16,210,154</u>	<u>(2,659,280)</u>	<u>13,550,874</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 16,634,517</u>	<u>\$ 134,378</u>	<u>\$ 16,768,895</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, 2009**

	<u>Amount</u>
Total fund balance for governmental funds	\$ 13,550,874
<p>Amounts reported for governmental activities in the  Statement of Net Assets are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources  and therefore are not reported in the governmental funds.</p>	
Capital assets not being depreciated	
Land	267,663
Capital assets being depreciated:	
Building, vehicles, and equipment	16,926,753
Less accumulated depreciation	<u>(5,534,528)</u>
	11,392,225
<p>Long-term liabilities are not due and payable in the current period  and therefore are not reported in the funds.</p>	
Retirees' insurance	(153,315)
Compensated absences	<u>(722,411)</u>
	(875,726)
<p>Elimination of interfund amounts:</p>	
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>\$ 24,335,036</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, 2009**

	General Fund	Impact Fee Fund	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Ad Valorem taxes	\$ 17,069,750	\$ -	\$ 17,069,750
Impact fees	-	16,792	16,792
Intergovernmental revenue			
Grants	-	-	-
F/F supplemental income	54,579	-	54,579
Other government revenue	-	-	-
Charges for services - ambulance	1,787,945	-	1,787,945
Inspection fees	32,432	-	32,432
Fire prevention fees	-	-	-
Interest income	68,519	538	69,057
Proceeds from disposition of capital assets	-	-	-
Other income			
Insurance proceeds	48,634	-	48,634
Donations	260	-	260
Miscellaneous	68,111	-	68,111
TOTAL REVENUES	<u>19,130,230</u>	<u>17,330</u>	<u>19,147,560</u>
<b>EXPENDITURES</b>			
Current			
Public safety			
Personal services	13,836,431	-	13,836,431
Operating expenditures	2,892,901	17,330	2,910,231
Capital outlay	77,403	-	77,403
Debt service			
Principal reduction	-	-	-
Interest and fiscal charges	-	-	-
TOTAL EXPENDITURES	<u>16,806,735</u>	<u>17,330</u>	<u>16,824,065</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,323,495	-	2,323,495
FUND BALANCE (DEFICIT) - Beginning of the year	<u>13,886,659</u>	<u>(2,659,280)</u>	<u>11,227,379</u>
FUND BALANCE (DEFICIT) - End of the year	<u>\$ 16,210,154</u>	<u>\$ (2,659,280)</u>	<u>\$ 13,550,874</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, 2009**

	<u>Amount</u>
Net change (excess revenues and other financing sources over expenditures and other financing uses) in fund balance - total governmental funds	\$ 2,323,495

The increase (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	77,403	
Less: current year depreciation	(955,669)	
Less: loss on sale of capital assets	<u>(5,945)</u>	
		(884,211)

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):		
Retirees' health insurance	<u>9,516</u>	
		9,516

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.

Increase in retirees' insurance	(41,375)	
Decrease in compensated absences	<u>106,933</u>	
		<u>65,558</u>

Increase in net assets of governmental activities	<u><u>\$ 1,514,358</u></u>
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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, 2009.

**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 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, 2009, the Impact Fee Fund was required to refund impact fees in the amount of \$17,330 to the original payer. As such, the Impact Fee Fund then experienced an over budget situation. 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**

One General Fund budget amendment was approved during the fiscal year ended September 30, 2009. The budget amendment did increase the total budgeted revenues and expenditures in the General Fund by \$1,980,654.

**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 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, 2009. 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, 2009**

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

**Subsequent Events**

Subsequent events have been evaluated through February 16, 2010, which is the date the financial statements were available to be issued.

**NOTE B - CASH AND CASH EQUIVALENTS**

At September 30, 2009, cash and cash equivalents were \$13,755,368, which included \$200 cash on hand and restricted cash of \$133,554 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, 2009, the carrying amounts of the District's deposits were \$13,621,614 and \$133,554 in the General Fund and the Special Revenue Fund, respectively. Cash carried in the Special Revenue Fund was restricted. At September 30, 2009, bank balances were \$13,797,687 and \$133,554 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 - RECEIVABLES**

Receivables consist of the following at September 30, 2009:

	<u>Ambulance User Fees</u>	<u>Inspection Fees</u>	<u>Totals</u>
Accounts receivable	\$ 2,078,240	\$ 1,248	\$ 2,079,488
Less: allowance for doubtful accounts	<u>(1,946,893)</u>	<u>-</u>	<u>(1,946,893)</u>
Receivables - net	<u>\$ 131,347</u>	<u>\$ 1,248</u>	<u>\$ 132,595</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, 2009, includes estimated uncollectible balances and Medicare and Medicaid adjustments.

**LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2009**

**NOTE D - DUE TO/FROM OTHER FUNDS**

Interfund receivables and payables at September 30, 2009, are as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
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, 2009**

**NOTE E - CAPITAL ASSETS ACTIVITY**

The following is a summary of changes in capital assets activity for the year ended September 30, 2009:

	Balance October 1 2008	Increases/ Additions	Decreases/ Deletions	Adjustments/ Reclassifications	Balance September 30 2009
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	2,251,461	77,403	(48,879)	-	2,279,985
Vehicles	<u>6,495,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,495,277</u>
Total Capital Assets Being Depreciated	<u>16,898,229</u>	<u>77,403</u>	<u>(48,879)</u>	<u>-</u>	<u>16,926,753</u>
Less Accumulated Depreciation:					
Buildings	(601,731)	(174,705)	-	-	(776,436)
Improvements other than buildings	(59,864)	(10,969)	-	-	(70,833)
Equipment and furniture	(930,502)	(209,221)	42,934	-	(1,096,789)
Vehicles	<u>(3,029,696)</u>	<u>(560,774)</u>	<u>-</u>	<u>-</u>	<u>(3,590,470)</u>
Total Accumulated Depreciation	<u>(4,621,793)</u>	<u>(955,669)</u>	<u>42,934</u>	<u>-</u>	<u>(5,534,528)</u>
Total Capital Assets Being Depreciated, Net	<u>12,276,436</u>	<u>(878,266)</u>	<u>(5,945)</u>	<u>-</u>	<u>11,392,225</u>
Capital Assets, Net	<u>\$12,544,099</u>	<u>\$ (878,266)</u>	<u>\$ (5,945)</u>	<u>\$ -</u>	<u>\$ 11,659,888</u>
				Related debt	<u>-</u>
				Net assets invested in capital assets, net of related debt	<u>\$ 11,659,888</u>

**LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2009**

**NOTE E - CAPITAL ASSETS ACTIVITY, CONTINUED**

Depreciation expense was charged to the following functions during the year ended September 30, 2009:

	<u>Amount</u>
General Government	\$ 955,669
Total Depreciation Expense	<u>\$ 955,669</u>

**NOTE F - LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended September 30, 2009:

	Balance October 1 2008	Additions	Retirements / Adjustments	Balance September 30 2009	Amounts Due Within One Year
Retirees' insurance	\$ 120,831	\$ 41,375	\$ (8,891)	\$ 153,315	\$ 10,765
Compensated Absences	<u>829,344</u>	<u>-</u>	<u>(106,933)</u>	<u>722,411</u>	<u>-</u>
	<u>\$ 950,175</u>	<u>\$ 41,375</u>	<u>\$ (115,824)</u>	<u>\$ 875,726</u>	<u>\$ 10,765</u>

Long-term liabilities is comprised of the following at September 30, 2009:

	<u>Amount</u>
Retiree's Health Insurance: the District has agreements with several former employees whereby the District pays for a portion of the former employees' health insurance costs until they reach an eligible age to receive Medicare.	\$ 153,315
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.	<u>722,411</u>
Total Long-Term Liabilities	875,726
Current Portion	<u>(10,765)</u>
Noncurrent Portion	<u>\$ 864,961</u>

**LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2009**

**NOTE F - LONG-TERM LIABILITIES, CONTINUED**

The annual debt service requirements at September 30, 2009, were as follows:

Year Ending Sept. 30	Retiree's Insurance	Total Principal
2010	\$ 10,765	\$ 10,765
2011	10,765	10,765
2012	10,765	10,765
2013	10,765	10,765
2014	10,765	10,765
2015-2019	53,826	53,826
2020-2024	38,914	38,914
2025-2027	6,750	6,750
	<u>\$ 153,315</u>	153,315
Accrued compensated absences		<u>722,411</u>
Total Long-Term Liabilities		<u>\$ 875,726</u>

**Line of Credit**

During October 2009, the District signed an agreement (titled a "Guidance Facility") with a financial institution to establish a \$1.5 million revolving Line of Credit (LOC) to be used for emergency situations. The LOC is available, although the District has not activated the LOC. The LOC requires interest paid quarterly and principal at maturity. Interest shall accrue at the variable "3 month LIBOR Rate" plus 171 basis points. The LOC has a minimum interest rate of 2%. The LOC is collateralized by a pledge of AdValorem Tax revenue. The Guidance Facility can be renewed annually for an additional term not to exceed 364 days.

**NOTE G - 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 20.92% of covered wages for the year ended September 30, 2009. The District's contributions to the plan were \$1,817,965, \$1,811,262 and \$1,530,880 for the fiscal years ended September 30, 2009, 2008, and 2007, respectively. There were no employee contributions allowable or made to the plan. The District's covered payroll costs for the plan were \$9,063,364, \$8,811,987, and \$7,514,542 for the years ended September 30, 2009, 2008, and 2007, 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 G - 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, 2009, 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 H - 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 2009, 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, 2009, \$220,828 was due from the Lee County Tax Collector to the District for ad valorem taxes and excess fees.

**NOTE H - 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, 2009, the Board of Commissioners of the District levied ad valorem taxes at a millage rate of \$2.7517 per \$1,000 (2.7517 mills) of the 2008 net taxable value of real property located within the District.

**NOTE I - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

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, 2009, there were nineteen (19) retirees receiving benefits. The benefits are only provided with contractual or labor agreements. The benefits may require contribution from the retirees, depending on certain specified criteria and, in particular, length of creditable employment. Dependent upon the Bargaining Agreement in place at the time the employee retired, the District pays \$5 for each year of service towards the employees' insurance premiums up to \$125. The District finances the benefits on a pay-as-you-go basis and recognizes expenditures at the time premiums are due. The amount paid by the District for the health and dental benefits totaled \$8,891 during the year ended September 30, 2009. The amount paid by the District for life insurance benefits totaled \$238 during the year ended September 30, 2009.

**LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2009**

**NOTE J - IMPACT FEE FUND ACTIVITY**

During the year ended September 30, 2009, the Impact Fee Fund had the following activity:

	<u>Amount</u>
Deferred revenue, October 1, 2008	\$ 132,412
Impact fee receipts	17,934
Due from other governments	824
Interest receipts	538
Operating expenditures	(17,330)
Capital outlay	<u>-</u>
Deferred revenue, September 30, 2009	<u>\$ 134,378</u>

**NOTE K - DESIGNATED FUND BALANCE**

Fund balance, in the General Fund, was designated for the following purposes at September 30, 2009:

<u>Designated fund balance</u>	<u>Amount</u>
Operating reserves	\$ 4,588,398
Capital reserves	3,000,000
Personnel reserves	-
Disaster reserves	1,000,000
Impact Fee Fund receivable	<u>2,659,280</u> **
Total Designated Fund Balance	<u>\$ 11,247,678</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, 2009 and are reflected in the Due To/From Other Funds (Note D). 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 L - 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, 2009. 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, 2009.

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

**NOTE M - COMMITMENTS AND CONTINGENCIES**

In May 2009, the District's Commissioners approved a motion to cancel a contract for the construction of a Sutphen Fire Apparatus (truck). After negotiations with the Sutphen Corporation, the cancellation fee (originally in excess of \$100,000) was reduced to \$29,000. As part of the settlement proposal, the parties agreed that the cancellation fee retained by the Sutphen Corporation will be applied to a future fire apparatus purchase contract, if any. However, due to the economic downturn in Southwest Florida, management has no current plans to purchase a fire apparatus vehicle. Therefore, the \$29,000 cancellation fee has been recorded as a General Fund operating expenditure for the year ended September 30, 2009.

**NOTE N - IMPLEMENTATION OF GASB STATEMENT NO. 45**

The Governmental Accounting Standards Board has issued Statement No. 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions." This Statement will change the manner in which a governmental entity funds and records its post retirement benefit costs other than pension. Specifically, governments will have to actuarially accrue and fund costs rather than fund them on a pay-as-you-go basis, as is currently the method used. This Statement may have a significant effect on the District's annual budget. The Statement is effective for the District, as a Phase III government, for the year ended September 30, 2010. The District intends to implement this Statement at that time.

**NOTE O - OPERATING LEASE COMMITMENTS**

The District leased the following under agreements classified as operating leases during the year ended September 30, 2009: a storage unit and 13 in-mask communication devices. The storage unit is leased on a month-to-month basis. The communication devices were leased under a twelve-month contract, which expired during the year ended September 30, 2009.

Total rental/lease expense was \$6,220 for the year ended September 30, 2009. The aforementioned expenditure total also includes room rental and related security for District public meetings.

**LEHIGH ACRES FIRE CONTROL AND RESCUE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2009**

**NOTE P - EXPENDITURES IN EXCESS OF BUDGET**

Florida Statute 189.418(3) prohibits actual expenditures in excess of budgeted expenditures. During the year ended September 30, 2009, the District expended \$17,330 in excess of the approved final budget in the Impact Fee Fund. The expenditures, which consisted entirely of impact fee refunds, were approved by the Board. However, no Impact Fee budget was adopted by the District due to the belief that no impact fee related capital expenditures would be incurred during the fiscal year.

**NOTE Q - 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. The "Due to General Fund" liability amount recorded in the Impact Fee Fund at September 30, 2008, of \$2,659,280 resulted in a deficit fund balance in the Impact Fee Fund. This deficit will be reduced as future impact fee collections are used to repay the General Fund.

During the year ended September 30, 2009, 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, 2009, remained at \$2,659,280.

\*The District's General Fund had available unreserved fund balance to fund the loan to the Impact Fee 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, 2009**

	General Fund			
	Original	Final		Variance
	Budget	Budget	Actual	Favorable (Unfavorable)
<b>REVENUES</b>				
Ad Valorem taxes	\$ 16,597,847	\$ 16,597,847	\$ 17,069,750	\$ 471,903
Intergovernmental revenue				
Grants	-	-	-	-
F/F supplemental income	-	-	54,579	54,579
Other government revenue	12,000	12,000	-	(12,000)
Charges for services - ambulance	1,000,000	1,000,000	1,787,945	787,945
Inspection fees	50,000	50,000	32,432	(17,568)
Fire prevention fees	-	-	-	-
Interest income	50,000	50,000	68,519	18,519
Proceeds from disposition of capital assets	-	-	-	-
Other income				
Insurance proceeds	-	-	48,634	48,634
Donations	200	200	260	60
Miscellaneous	35,000	35,000	68,111	33,111
Cash brought forward	9,246,725	11,227,379	-	(11,227,379)
<b>TOTAL REVENUES</b>	<u>26,991,772</u>	<u>28,972,426</u>	<u>19,130,230</u>	<u>(9,842,196)</u>
<b>EXPENDITURES</b>				
Current				
Public safety				
Personal services	17,118,771	17,118,771	13,836,431	3,282,340
Operating expenditures	6,175,832	8,156,486	2,892,901	5,263,585
Capital outlay	3,697,169	3,697,169	77,403	3,619,766
Debt service				
Principal reduction	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>26,991,772</u>	<u>28,972,426</u>	<u>16,806,735</u>	<u>12,165,691</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>2,323,495</u>	<u>\$ 2,323,495</u>
FUND BALANCE, October 1, 2008			<u>13,886,659</u>	
FUND BALANCE, September 30, 2009			<u>\$ 16,210,154</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, 2009**

	General Fund			
	Original	Final	Actual	Variance
	Budget	Budget		Favorable (Unfavorable)
<b>REVENUES</b>				
Ad Valorem taxes	\$ 16,597,847	\$ 16,597,847	\$ 17,069,750	\$ 471,903
Intergovernmental revenue				
Grants	-	-	-	-
F/F supplemental income	-	-	54,579	54,579
Other government revenue	12,000	12,000	-	(12,000)
Charges for services - ambulance	1,000,000	1,000,000	1,787,945	787,945
Inspection fees	50,000	50,000	32,432	(17,568)
Fire prevention fees	-	-	-	-
Interest income	50,000	50,000	68,519	18,519
Proceeds from disposition of capital assets	-	-	-	-
Other income				
Insurance proceeds	-	-	48,634	48,634
Donations	200	200	260	60
Miscellaneous	35,000	35,000	68,111	33,111
Cash brought forward	9,246,725	11,227,379	-	(11,227,379)
<b>TOTAL REVENUES</b>	<b>26,991,772</b>	<b>28,972,426</b>	<b>19,130,230</b>	<b>(9,842,196)</b>
<b>EXPENDITURES</b>				
Current				
Public safety				
<b>PERSONAL SERVICES</b>				
Salaries				
Elected officials	30,000	30,000	25,000	5,000
Administrative	1,084,534	1,084,534	857,884	226,650
Regular	9,000,848	9,000,848	7,740,314	1,260,534
Holidays	436,892	436,892	299,716	137,176
Overtime	300,000	300,000	169,907	130,093
Sick time liability	123,000	123,000	-	123,000
Annual sick time pay	67,110	67,110	23,008	44,102
Subtotal - Salaries	<u>11,042,384</u>	<u>11,042,384</u>	<u>9,115,829</u>	<u>1,926,555</u>
Benefits				
Payroll taxes	773,832	773,832	684,963	88,869
Retirement	2,133,875	2,133,875	1,817,965	315,910
Retirement liability	77,150	77,150	53,274	23,876
Group insurance	2,292,203	2,292,203	1,782,462	509,741
Workers compensation	450,000	450,000	362,994	87,006
Unemployment compensation	2,500	2,500	18,944	(16,444)
Subtotal - Benefits	<u>5,729,560</u>	<u>5,729,560</u>	<u>4,720,602</u>	<u>1,008,958</u>
Personnel reserve contingencies				
Personnel reserves	346,827	346,827	-	346,827
<b>SUBTOTAL - PERSONAL SERVICES</b>	<u>17,118,771</u>	<u>17,118,771</u>	<u>13,836,431</u>	<u>3,282,340</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, 2009**

	General Fund			Variance
	Original	Final	Actual	Favorable
	Budget	Budget		(Unfavorable)
<b>OPERATING</b>				
Professional services				
Property appraiser	150,000	150,000	122,981	27,019
Legal fees	200,000	200,000	115,564	84,436
Medical director	60,000	60,000	60,000	-
Physicals	76,850	76,850	64,915	11,935
Land taxes	4,000	4,000	2,337	1,663
Tax collector fees	873,570	873,570	340,468	533,102
Actuarial study	15,000	15,000	7,000	8,000
Miscellaneous	1,000	1,000	7,858	(6,858)
Audit and accounting	25,000	25,000	28,320	(3,320)
Professional services	-	-	1,162	(1,162)
Contract services				
Outside maintenance contracts	2,000	2,000	1,525	475
Ambulance billing	91,000	91,000	52,987	38,013
Travel and per diem (commission)	1,000	1,000	-	1,000
Communications	115,400	115,400	99,202	16,198
Utilities				
Electricity	95,700	95,700	86,754	8,946
Water and garbage	30,336	30,336	21,725	8,611
Rentals and leases	16,000	16,000	6,220	9,780
Insurance (general)	150,000	150,000	150,834	(834)
Maintenance				
Buildings	37,200	37,200	40,571	(3,371)
Equipment	50,305	50,305	28,596	21,709
Vehicles	115,000	115,000	148,193	(33,193)
Maintenance contracts	159,731	159,731	112,483	47,248
Promotional	20,000	20,000	17,419	2,581
Other current charges and obligations				
Training (motel, per diem)	21,785	21,785	7,313	14,472
Training (instruction, etc)	86,690	86,690	40,335	46,355
Administrative (commission)	5,500	5,500	5,298	202
Administrative (election)	-	-	-	-
Administrative (office)	28,645	28,645	22,387	6,258
Contingencies	150,000	150,000	27,665	122,335
Office supplies	33,000	33,000	13,876	19,124
Operating supplies				
Department	99,379	99,379	59,451	39,928
Paramedic	180,000	180,000	177,091	2,909
Gas and oil	350,000	350,000	109,026	240,974
Uniforms	180,675	180,675	87,223	93,452
Propane	30,000	30,000	9,386	20,614
Computer supplies	34,551	34,551	17,079	17,472
Prevention supplies	-	-	-	-
Janitorial supplies	23,000	23,000	20,717	2,283
Training supplies	11,515	11,515	7,478	4,037
Shop supplies	7,000	7,000	5,279	1,721

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, 2009**

	General Fund			Variance Favorable (Unfavorable)
	Original	Final	Actual	
	Budget	Budget		
<b>OPERATING (continued)</b>				
Bad debt	635,000	635,000	715,023	(80,023)
Collection fees	10,000	10,000	8,344	1,656
Equipment < \$1,000	-	-	12,645	(12,645)
Equipment contract cancellation fee	-	-	29,000	(29,000)
Grants	-	-	1,171	(1,171)
Operating reserve contingencies				
Operating	1,000,000	2,980,654	-	2,980,654
Emergency disaster	1,000,000	1,000,000	-	1,000,000
<b>SUBTOTAL - OPERATING</b>	<u>6,175,832</u>	<u>8,156,486</u>	<u>2,892,901</u>	<u>5,263,585</u>
<b>CAPITAL OUTLAY</b>				
Buildings	-	-	-	-
Improvements other than buildings	-	-	-	-
Machinery and equipment	94,124	94,124	62,284	31,840
Computers	21,700	21,700	15,119	6,581
Future growth fund	25,000	25,000	-	25,000
Vehicles	556,345	556,345	-	556,345
Construction in progress	-	-	-	-
Capital reserve contingencies				
Capital reserves	3,000,000	3,000,000	-	3,000,000
<b>SUBTOTAL - CAPITAL OUTLAY</b>	<u>3,697,169</u>	<u>3,697,169</u>	<u>77,403</u>	<u>3,619,766</u>
<b>DEBT SERVICE</b>				
Principal retirement	-	-	-	-
Interest charges and fiscal	-	-	-	-
<b>SUBTOTAL - DEBT SERVICE</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>26,991,772</u>	<u>28,972,426</u>	<u>16,806,735</u>	<u>12,165,691</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>2,323,495</u>	<u>\$ 2,323,495</u>
FUND BALANCE, October 1, 2008			<u>13,886,659</u>	
FUND BALANCE, September 30, 2009			<u>\$ 16,210,154</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, 2009**

	Impact Fee Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Fees				
Impact fees	\$ -	\$ -	\$ 16,792	\$ 16,792
Miscellaneous				
Interest	-	-	538	538
Cash brought forward	-	-	-	-
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>17,330</u>	<u>17,330</u>
<b>EXPENDITURES</b>				
Current				
Public safety				
Operating				
Impact fee refunds	-	-	17,330	(17,330)
Subtotal - operating	<u>-</u>	<u>-</u>	<u>17,330</u>	<u>(17,330)</u>
Capital outlay	-	-	-	-
Debt service				
Principal reduction	-	-	-	-
Interest and fiscal charges	-	-	-	-
Subtotal - debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>17,330</u>	<u>(17,330)</u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>FUND BALANCE - Beginning</b>			<u>(2,659,280)</u>	
<b>FUND BALANCE (DEFICIT) - Ending</b>			<u>\$ (2,659,280)</u>	

The accompanying notes are an integral part of this statement.

**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, 2009, and have issued our report thereon dated February 16, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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 misstatements on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

INTEGRITY ..... SERVICE ..... EXPERIENCE

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 February 16, 2010.

#### 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 amount. 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 one instance of noncompliance that is required to be reported under Government Auditing Standards. This instance related to expenditures in excess of appropriations in the Impact Fee Fund. The District failed to budget for impact fee refunds.

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.  
Fort Myers, Florida  
February 16, 2010



**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 February 16, 2010. 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, 2009) 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. Operating Policies Should be Formally Adopted

During the audit, we noted the District does not have a Board-approved employee handbook. Therefore, we obtained summary memos of various internal controls from management, including cash disbursements, cash receipts, payroll procedures, and credit card use and approval.

We recommend the Board formally review and adopt comprehensive operating, accounting, and personnel policies for the District. These policies should include, at a minimum, travel, procurement (including bidding requirements), check signing authority, personnel, credit cards, deposits, inventory control, etc. Due to the size and nature of the District, such policies should be designed with the assistance of legal counsel. We provided management with a employee handbook example created by another fire district to provide suggestions and insight.

1. Operating Policies Should be Formally Adopted, continued  
September 30, 2008 addendum

We noted the District did not formally adopt a Board-approved operating procedures manual during the year ended September 30, 2008. However, we did note that subsequent to the year ended September 30, 2008, management did prepare an operating procedures manual in draft format that addresses the aforementioned procedures. The District intends to have the Board approve the manual during the year ended September 30, 2009.

September 30, 2009 addendum

We noted the District did not formally adopt a Board-approved operating procedures manual during the year ended September 30, 2009. However, we did note that subsequent to the year ended September 30, 2008, management did prepare an operating procedures manual in draft format that addresses the aforementioned procedures. The District intends to have the Board approve the manual during the year ended September 30, 2010.

2. 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.

3. 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.

3. Ambulance Fee Accounting and Reporting Should be Enhanced, continued  
September 30, 2009 addendum

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

4. Separate Trial Balances Should be Implemented

During the audit, we noted the General Fund and the Impact Fee Fund shares a common trial balance. Several adjustments were needed at year-end to segregate the amounts belonging to each fund.

September 30, 2008 addendum

We continue to recommend the District separate the Impact Fee Fund accounts into a separate trial balance. This will help to ensure that interfund receivable and payable balances are properly reflected in the District's internal financial records.

September 30, 2009 addendum

We continue to recommend the District separate the Impact Fee Fund accounts into a separate trial balance. This will help to ensure that interfund receivable and payable balances are properly reflected in the District's internal financial records.

5. Expenditures in excess of Budget

Florida Statue 189.418(3) prohibits actual expenditures in excess of budgeted expenditures. We, however, noted during the year ended September 30, 2008 the District did expend \$2,635,097 in excess of the approved Impact Fee Fund budget. We did note that the expenditures were approved by the Commissioners and that the budget was formally increased by an adequate amount in the General Fund rather than the Impact Fee Fund. We also understand that the actual expenses increased as a result of the September 2008 payoff of the \$8,000,000 construction note which the General Fund paid but which was Impact Fee Fund eligible.

September 30, 2009 addendum

We noted that no expense was budgeted for the Impact Fee Fund for the year ended September 30, 2009; however, the Impact Fee Fund incurred expenses totaling \$17,330 during the year.

6. 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.

6. Designation of Fund Balance, continued

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.

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.

**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.

A handwritten signature in cursive script that reads "Tuscany & Company, P.A.".

TUSCAN & COMPANY, P.A.  
Fort Myers, Florida  
February 16, 2010

**EXHIBIT**



## Lehigh Acres Fire Control and Rescue District

636 Thomas Sherwin Ave. S.  
Phone: (239) 344-1600

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

March 10, 2010

BOARD OF COMMISSIONERS

David Adams  
Seat #4

Julie A. Barrett  
Seat #2

Ralph B. Hemingway, Jr.  
Seat #5

Joel Guzman  
Seat #3

Jeffrey Berndt  
Seat #1

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 2008/2009 fiscal year ended September 30, 2009, by Tuscan & Company, P.A. Responses to the individual comments are addressed in the same order as presented in the Management letter dated February 16, 2010.

CHIEF OF DEPARTMENT

Donald R. Adams, Sr.

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

**1. Operating Policies Should be Formally Adopted**

The District currently has an operating and accounting policy manual in draft format that will be finalized and adopted by the Board during the current fiscal year. The manual will detail policies regarding receipts, payroll, disbursements, travel, credit cards, and inventory control procedures.

**2. Establishment of a Line of Credit Should be Considered**

The District obtained a \$1.5 million line of credit (LOC) for emergency purposes from a banking institution in October, 2010.

**3. 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. We encountered delays in reconciling outstanding receivable balances, etc. However, the District will work on implementing a policy for the ambulance billing process. During the current fiscal year the District will establish a trend analysis to better estimate allowance for doubtful accounts. This will be included in the operating policies and procedures manual.

**5. Separate Trail Balances Should be Implemented**

The District will continue to use the new accounts established that were designated specifically for the Impact Fee Fund and monitor the accounting activity. During the current fiscal year if any major issues arise from utilizing this method the District will consider setting up a separate trial balance for the Impact Fee Fund.

**6. Expenses in excess of Budget**

The District adopted an Impact Fee Fund budget for the 2008/2009 fiscal year. The budget reflected no anticipated capital purchases. However, the District incurred expenses totaling \$17,330 which were attributed to Impact Fee refunds to local residents. Current and future budgets will reflect budgeted amounts for Impact Fee refunds to local residents.

**7. Designation of Fund Balance**

The District had determined that \$8,588,398 was designated in the 2009-2010 fiscal year budget for operating, capital, 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 Districts current year amended budget for operations, future retiree liabilities, etc.

**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 blue ink that reads "Donald R. Adams, Sr." in a cursive style.

Donald R. Adams, Sr.  
Fire Chief