FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

LEHIGH ACRES MUNICIPAL SERVICES
IMPROVEMENT DISTRICT

SEPTEMBER 30, 2018

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AND
INDEPENDENT AUDITORS' REPORT

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IMPROVEMENT DISTRICT

SEPTEMBER 30, 2018

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Lehigh Acres Municipal Services Improvement District
Lehigh Acres, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lehigh Acres Municipal Services Improvement District (the District), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Board of Commissioners
Lehigh Acres Municipal Services Improvement District
Lehigh Acres, Florida

INDEPENDENT AUDITORS' REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of September 30, 2018, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Implementation of New Accounting Standard

As discussed in Note A to the financial statements, during the current year, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* These statements require for the first time, that employers report the total Other Postemployment Benefit Plan (OPEB) liability and related deferred inflows and outflows, on their statements of net position. In connection with the implementation of this standard, the District decreased its beginning net position by $98,167. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) and the required supplementary information other than MD&A, as listed in the table of contents (collectively, the required supplementary information), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Board of Commissioners
Lehigh Acres Municipal Services Improvement District
Lehigh Acres, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Purvis, Gray and Company, LLP

February 14, 2019
Sarasota, Florida

MANAGEMENT’S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Lehigh Acres Municipal Services Improvement District's (the District) discussion and analysis is designed to offer readers of the District's financial statements a narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2018. Readers are encouraged to read the Management's Discussion and Analysis in conjunction with the District's financial statements, which begin on page 13.

The District was created on June 10, 2015, by an act of the Florida Legislature. The act dissolved the East County Water Control District (the predecessor entity) and essentially transferred all assets, obligations, and rights, etc., of that entity to the new District.

Financial Highlights

* The assets (plus deferred outflows) of the District exceeded its liabilities (plus deferred inflows) at the close of the most recent fiscal year by $29,631,607 (*net position*). Of this amount, $5,440,460 (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors.

* The District's net position increased by $784,353 for fiscal year ended 9/30/2018. Ending net position for the year ended 9/30/2017, decreased by $98,167 due to the implementation of OPEB which resulted in a total net position increase of $686,186.

* As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $7,199,463, an increase of $1,329,477 from the previous fiscal year. The total amount of fund balance is *available for spending* at the District's discretion (*assigned and unassigned fund balance*).

* At the end of the current fiscal year, fund balance for the general fund was $3,992,024.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements report only functions of the District that are principally supported by non-ad valorem assessments and intergovernmental revenues (*governmental activities*). The governmental activity of the District is water control. The District has no business-type activities.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the major funds.

The District adopts an annual appropriated budget for all funds. To demonstrate compliance with the adopted budget, a budgetary comparison statement has been provided for the general fund as *required supplementary information* which can be found on pages 49 through 53 of this report.

The combining balance sheet and combining statement of revenues, expenditures and changes in fund balance for all nonmajor governmental funds have been provided as other supplementary information and can be found on pages 54 through 55 of this report.

The basic governmental fund financial statements can be found on pages 15 and 17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 48 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets (plus deferred outflows) exceeded liabilities (plus deferred inflows) by $29,631,607 at the close of the most recent fiscal year.

The following schedule is a summary of the statement of net position found on page 13 of this report, with comparisons to the prior year.

Lehigh Acres Municipal Services Improvement District's Net Position

	Governmental Activities 2018	Governmental Activities 2017
Assets:		
Current and other assets	$ 7,419,435	$ 7,799,493
Capital assets	32,242,709	32,156,886
	39,662,144	39,956,379
Deferred Outflows of Resources:	746,155	681,227
Liabilities:		
Current and other liabilities	1,173,080	1,597,363
Noncurrent liabilities	9,402,617	9,961,566
	10,575,697	11,558,929
Deferred Inflows of Resources:	200,995	133,256
Net Position:		
Net investment in capital assets	24,191,147	23,356,561
Unrestricted	5,440,460	5,588,860
Total net position	$ 29,631,607	$ 28,945,421

Total liabilities decreased by ($983,232) in FY 2018 vs. FY 2017 primarily due payments on outstanding debt.

By far, the largest portion of the District's net position (81.6%) reflects its investment in capital assets (e.g., land, buildings, improvements, equipment, intangible assets and construction in progress) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to carry out its statutory responsibilities; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Due to the fact that none of the District's net position is subject to external restrictions on how they may be used, $5,440,460 is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors.

When compared to last fiscal year, there was a decrease of $148,400 in the unrestricted net position in connection with the District's governmental activities. This decrease was mainly due to the addition of capital assets.

During fiscal year 2018 the District's total net position increased by $686,186. There was an decrease of $2,958,134 in intergovernmental revenues compared to fiscal year 2017, which is mainly attributed to recognizable grant funds in fiscal year 2017 in the amount of $3,769,800 related to the agreement with the Florida Department of Transportation for the widening of State Road 82 and the agreement with Florida Department of Environmental Protection for the aquifer benefit and storage for Orange River Basin. The following table is a comparison of the current and prior fiscal years:

Lehigh Acres Municipal Services Improvement District's Changes in Net Position

		Governmental Activities 2018		Governmental Activities 2017
Revenues:				
Program revenues:				
Charges for services – permit fees	$	47,820	$	29,630
Intergovernmental revenue		811,666		3,769,800
General revenues:				
Non-ad valorem assessments		5,549,718		4,927,691
Other		160,492		54,313
Total revenues		6,569,696		8,781,434
Expenses:				
Water control		5,785,343		5,594,591
Total expenses		5,785,343		5,594,591
Change in net position		784,353		3,186,843
Net position – beginning		28,945,421		25,758,578
Prior Period Adjustment*		(98,167)		-
Net position – ending	$	29,631,607	$	28,945,421

*Prior period adjustment is due to the implementation of GASB Statement No. 75.

Explanation of significant variances:

* Permit fees increased by $18,190 (61%) from fiscal year 2017, due to an increase in construction right-of-way permits in fiscal year 2018.

* In fiscal year 2018 the Capital Projects Fund recorded $2,036,466 in intergovernmental revenue which was received from the following agencies: FDOT $800,000, FDEP $1,224,800 and FEMA $11,666.

* Non-ad valorem assessments increased by $622,027 (12.62%) compared to fiscal year 2017, which is primarily due to an increase in the non-ad valorem assessment rate from $105.15 in fiscal year 2017 to $120.15 in fiscal year 2018.

* Other revenues increased by $51,357 (100.99%) during fiscal year 2018 compared to fiscal year 2017 due to a decrease in donations ($1,446), sale of surplus materials & scrap ($625), miscellaneous revenue ($278) and reimbursed expense ($5,577), offset by an increase in interest earnings $59,165 and rental income $118.

* Total expenses decreased by $1,395,124 in fiscal year 2018 over fiscal year 2017 due to a decrease in capital outlay ($1,506,695), interest and physical charges ($360,262) offset by an increase in personnel services $127,664, operating expenditures $213,442 and principal $130,727.

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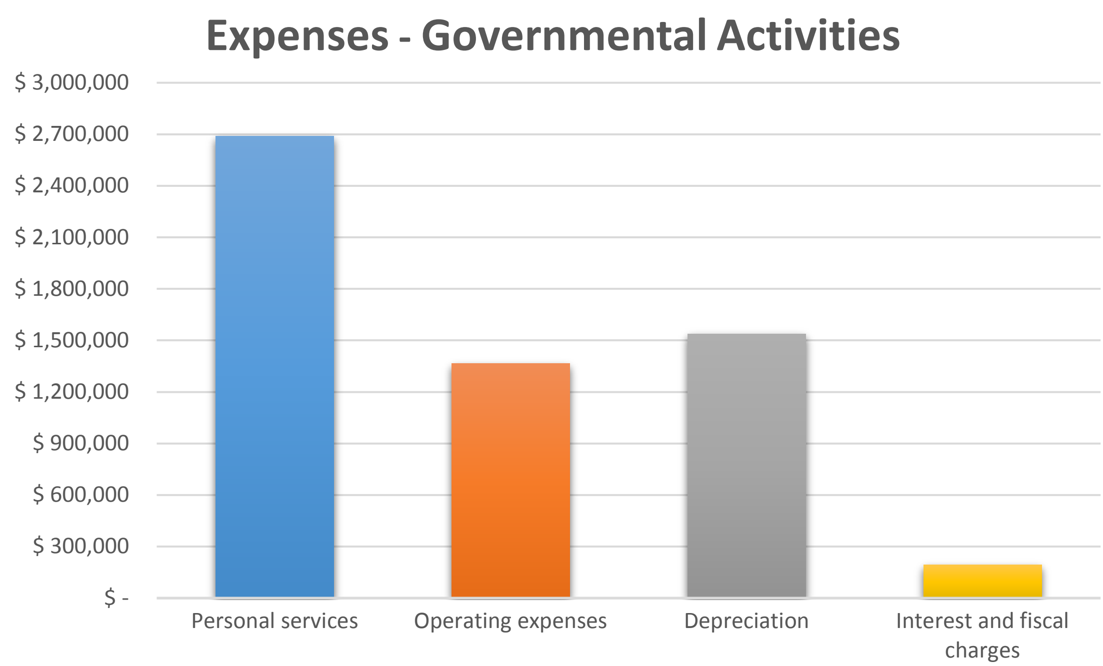
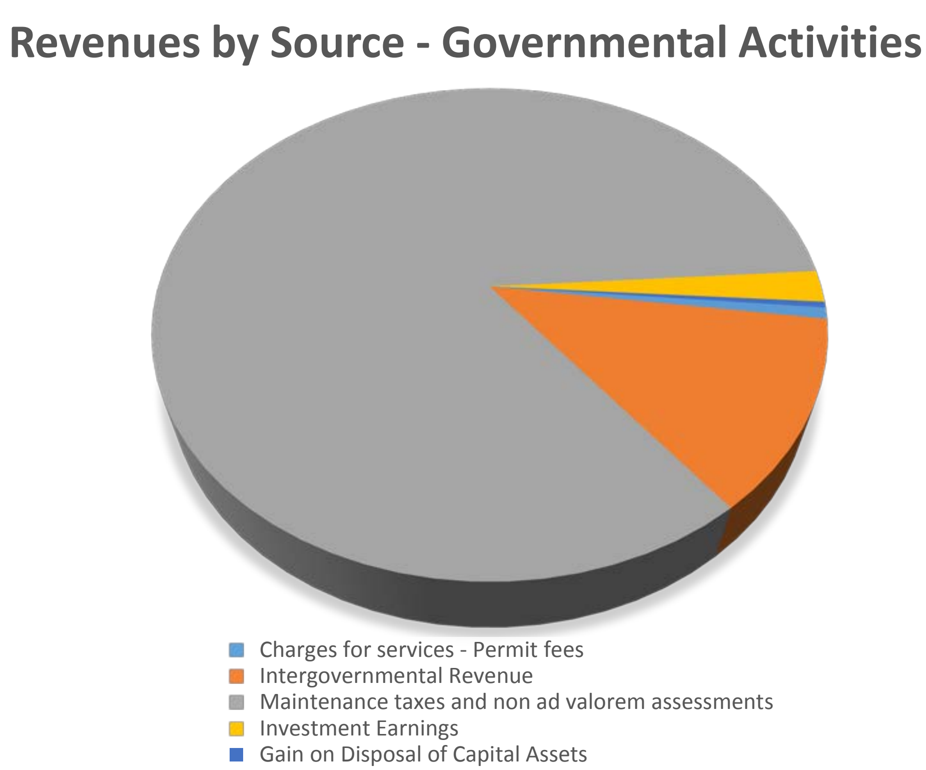
Shown below are graphs of 2018 expenses and revenues:





Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At September 30, 2018, the District's governmental funds reported combined ending fund balances of $7,199,463 an increase of $1,329,477 in fiscal year 2018 compared to fiscal year 2017. Of the year-end balance, $1,300 is non spendable and $3,207,439 is assigned for various purposes. Approximately $3,990,724 (55.4%) of the year-end balance constitutes *unassigned fund balance* and is available for spending at the District's discretion.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was $3,990,724, an increase of $928,504 when compared to fiscal year 2017. In addition, the general fund had a total fund balance of $3,992,024 which was an increase of $357,070 (9.8%) from fiscal year 2017.

The debt service fund has a total fund balance of $1,156,726 at year-end, of which is all assigned. There was a decrease of ($228) in the debt service fund balance during the current year due to an increase in principal, interest and fiscal charges.

The District maintains three capital projects funds that have a combined total fund balance of $2,050,713 in fiscal year 2018 and resulted in a $972,635 (90.2%) increase in fund balance compared to fiscal year 2017.

General Fund Budgetary Highlights

During the current fiscal year there was a net increase in appropriations of $134,147 between the original and final amended budget. Following are the major components of the increase:

* $93,144 appropriation increase in other financing sources (uses)
* ($293,482) appropriation decrease for personnel services
* $214,088 increase in appropriation for operating expenditures
* $120,397 net increase in budgeted contingency

Capital Asset and Debt Administration

Capital assets. The District's capital assets, as of September 30, 2018, amount to $32,242,709 (net of accumulated depreciation), which includes land, land improvements, buildings, equipment, intangible assets (easements and computer software), and construction in progress. There was an increase of $85,823 in the District's capital assets in fiscal year 2018 vs. fiscal year 2017.

Major capital asset events during the current fiscal year included the following:

* Construction in progress had a net decrease of $2,291,314.

* Construction related to the replacement of 25 weirs in the Southwest Lehigh Groundwater Project (ABSORB) was completed which had a total capitalized cost of $3,365,130.

* Equipment purchases for the year totaled $348,713 and Equipment disposals for the year totaled $221,150.

* Land purchases for the year cost $224,087.

The schedule below shows the District's capital asset balances (book value) at the end of the current and prior year:

Lehigh Acres Municipal Services Improvement District's Capital Assets
(net of depreciation)

		Governmental Activities 2018		Governmental Activities 2017
Land	$	3,290,885	$	3,066,798
Intangibles - easements		1,297		1,297
Buildings, net		1,689,442		1,730,522
Infrastructure, net		23,125,569		20,938,731
Equipment, net		1,878,711		1,871,856
Intangibles – software		5,159		4,722
Construction in Progress		2,251,646		4,542,960
Total assets	$	32,242,709	$	32,156,886

Additional information on the District's capital assets can be found in Note E on pages 31 and 32 of this report.

Long-term debt. At the end of the current fiscal year, the District had total notes payable outstanding of $8,051,562, including installment purchase obligations of $53,530.

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Lehigh Acres Municipal Services Improvement District
Long-term Debt

		Governmental Activities 2018		Governmental Activities 2017
Notes payable	$	7,998,032	$	8,721,177
Installment purchase obligations		53,530		79,149
Total	$	8,051,562	$	8,800,326

The District's total debt saw a net decrease of ($594,558) (5.8%) during the current fiscal year as a result of scheduled principal retirement.

Additional information on the District's long-term debt can be found in Note F on pages 32 through 34 of this report.

Economic Factors and Next Year's Budgets and Rates

The area in which Lehigh Municipal Services Improvement District operates shows signs of rapid population growth. During fiscal year 2018, with an estimated population of 112,279, Lehigh Acres was ranked as one of the fastest growing communities in the country, by population.

The District's primary source of funding is non-ad valorem assessments. The assessment rate for fiscal year 2018 (tax year 2017) was increased from $105.15 to $120.15 per acre. This $15 per acre increase was the first increase in nine years. The majority of the landowners own one-quarter or one-half acres lots bringing the annual increase to $3.75 and $7.50 per acre, respectively. The uncollectible rate remains at 3% of the total non-ad valorem assessed.

Unassigned fund balance continues to be budgeted at a minimum of 25% of budgeted operating expenditures.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District Manager, 601 East County Lane, Lehigh Acres, Florida 33936.

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FINANCIAL STATEMENTS

LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

		Governmental Activities
Assets		
Cash and Cash Equivalents	$	7,380,864
Due from Other Governments		36,383
Accounts Receivable, Net		888
Prepaid Items		300
Utility Deposits		1,000
Capital Assets:		
Non-depreciable Land, Construction in Progress, Easements, Depreciable Buildings, Land Improvements, Furniture and Fixtures, and Equipment (Net of ($34,130,465) Accumulated Depreciation)		32,242,709
Total Assets		39,662,144
Deferred Outflows of Resources		
Pension - Contributions		42,644
Pension - Investments		348
Pension - Other		703,163
Total Deferred Outflows of Resources		746,155
Total Assets and Deferred Outflows of Resources		40,408,299
Liabilities		
Accounts and Contracts Payable, Including Retainages		171,400
Deposits		6,017
Accrued Liabilities		42,555
Accrued Interest on Long-term Obligations		19,461
Noncurrent Liabilities:		
Due Within One Year		933,647
Due in More than One Year		9,402,617
Total Liabilities		10,575,697
Deferred Inflows of Resources		
Pension - Investments		96,036
Pension - Other		104,959
Total Deferred Inflows of Resources		200,995
Total Liabilities and Deferred Inflows of Resources		10,776,692
Net Position		
Net Investment in Capital Assets		24,191,147
Unrestricted		5,440,460
Total Net Position	$	29,631,607

See accompanying notes to financial statements.

LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018

		Governmental Activities
Expenses		
Water Control:		
Personnel Services	$	2,687,913
Operating Expenses		1,365,071
Depreciation		1,537,825
Interest and Fiscal Charges		194,534
Total Expenses		5,785,343
Program Revenue		
Charges for Services - Permit Fees		47,820
Intergovernmental Revenue		811,666
Total Program Revenue		859,486
Net Program Expenses		(4,925,857)
General Revenues		
Maintenance Taxes and Non Ad-Valorem Assessments		5,549,718
Interest Earnings and Miscellaneous		135,571
Gain on Disposal of Capital Assets		24,921
Total General Revenues		5,710,210
Change in Net Position		784,353
Net Position, Beginning of Year		28,945,421
Prior Period Adjustment*		(98,167)
Net Position, Beginning of Year, as Restated		28,847,254
Net Position, End of Year	$	29,631,607

*Prior Period Adjustment is Due to the Implementation of GASB Statement No. 75. See Note N for Further Information.

See accompanying notes to financial statements.

LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

ASSETS

	Major Funds				
	General	Debt Service	Capital Infrastructure Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	$ 6,215,995	$ 1,164,869	$ 0	$ 0	$ 7,380,864
Due from Other Governments	24,717	0	11,666	0	36,383
Due from Other Funds	8,143	0	1,694,343	411,385	2,113,871
Accounts Receivable, Net	888	0	0	0	888
Prepaid Items	300	0	0	0	300
Utility Deposits	1,000	0	0	0	1,000
Total Assets	6,251,043	1,164,869	1,706,009	411,385	9,533,306

LIABILITIES AND FUND BALANCE

	General	Debt Service	Capital Infrastructure Projects	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities					
Accounts and Contracts Payable	104,719	0	66,230	451	171,400
Due to Other Funds	2,105,728	8,143	0	0	2,113,871
Deposits	6,017	0	0	0	6,017
Accrued Liabilities	42,555	0	0	0	42,555
Total Liabilities	2,259,019	8,143	66,230	451	2,333,843
Fund Balance					
Nonspendable:					
Prepaid Items and Deposits	1,300	0	0	0	1,300
Assigned for:					
Debt Service	0	1,156,726	0	0	1,156,726
Capital Expenditures	0	0	1,639,779	0	1,639,779
Equipment Replacement	0	0	0	410,934	410,934
Unassigned	3,990,724	0	0	0	3,990,724
Total Fund Balance	3,992,024	1,156,726	1,639,779	410,934	7,199,463
Total Liabilities and Fund Balance	$ 6,251,043	$ 1,164,869	$ 1,706,009	$ 411,385	$ 9,533,306

See accompanying notes to financial statements.

LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

Total Fund Balances for Governmental Funds		$ 7,199,463
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the governmental funds:		
Land	$ 3,290,885	
Intangibles - Easements	1,297	
Construction in Progress	2,251,646	
Building, Infrastructure, Equipment, and Intangibles	60,829,346	
(Less Accumulated Depreciation)	(34,130,465)	
		32,242,709
Long-term Liabilities are not due and payable in the current period and, therefore are not reported in the funds:		
Notes Payable	(7,998,032)	
Installment Lease Purchases	(53,530)	
Accrued Interest	(19,461)	
Compensated Absences	(308,913)	
		(8,379,936)
The net pension liability and related deferred outflows and inflows of resources are not recorded in the fund financial statements because they do not utilize current resources:		
Net Pension Liability	(1,818,678)	
Deferred Outflows of Resources	746,155	
Deferred Inflows of Resources	(200,995)	
		(1,273,518)
The other post-employment benefits liability is not recorded in the fund financial statements because it does not utilize current resources:		
Other Post-employment Benefit Liability	(157,111)	
		(157,111)
Total Net Position of Governmental Activities		$ 29,631,607

See accompanying notes to financial statements.

LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Major Funds				
	General	Debt Service	Capital Infrastructure Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Non-ad Valorem Assessments	$ 5,549,718	$ 0	$ 0	$ 0	$ 5,549,718
Permits	0	0	0	47,820	47,820
Intergovernmental	0	0	2,036,466	0	2,036,466
Miscellaneous Revenue	10,843	0	0	19,440	30,283
Interest Income	64,013	7,915	0	0	71,928
Total Revenues	5,624,574	7,915	2,036,466	67,260	7,736,215
Expenditures					
Current:					
Physical Environment:					
Personnel Services	2,530,577	0	320	0	2,530,897
Operating Expenditures	1,156,652	0	0	6,030	1,162,682
Capital Outlay	0	0	1,239,215	610,890	1,850,105
Debt Service:					
Principal	0	723,145	0	25,618	748,763
Interest and Physical Charges	0	194,305	0	2,335	196,640
Total Expenditures	3,687,229	917,450	1,239,535	644,873	6,489,087
Excess of Revenues Over (Under) Expenditures	1,937,345	(909,535)	796,931	(577,613)	1,247,128
Other Financing Sources (Uses)					
Transfers in	114,281	917,221	571,486	217,418	1,820,406
Transfers (out)	(1,706,126)	(7,914)	(106,366)	0	(1,820,406)
Proceeds from Insurance Recoveries	11,570	0	21,790	0	33,360
Proceeds from the Sale of Capital Assets	0	0	0	48,989	48,989
Total Other Financing Sources (Uses)	(1,580,275)	909,307	486,910	266,407	82,349
Net Change in Fund Balance	357,070	(228)	1,283,841	(311,206)	1,329,477
Fund Balance - Beginning of Year	3,634,954	1,156,954	355,938	722,140	5,869,986
Fund Balance - End of Year	$ 3,992,024	$ 1,156,726	$ 1,639,779	$ 410,934	$ 7,199,463

See accompanying notes to financial statements.

LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2018

Net Change in Fund Balance - Total Governmental Funds		$ 1,329,477
The increase (change) in net position reported for governmental activities in the statement of activities is different because:		
Under the modified accrual basis of accounting used in governmental funds, revenues are recognized when they are earned, measurable, and available. In the statement of activities, however, which is presented on the accrual basis, revenues are recognized when they are earned and measurable.		(1,224,800)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets acquired is depreciated over their estimated useful lives and reported as depreciation expense:		
Expenditures for Capital Assets	$ 1,706,465	
Proceeds from the Sale of Capital Assets	(24,068)	
(Less Disposals)	(58,749)	
(Less Current Year Depreciation)	(1,537,825)	
		85,823
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. In addition, principal payments are recorded as expenditures in the fund statements, and proceeds from debt issuances are recorded as other financing sources.		
Principal Payments	748,763	
		748,763
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. Adjustments are as follows:		
Accrued Interest	2,106	
Compensated Absences	(31,195)	
		(29,089)
Change in the other post-employment liability does not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds.		3,840
Changes in the net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(129,661)
Change in Net Position of Governmental Activities		$ 784,353

See accompanying notes to financial statements.

Note A - Summary of Significant Accounting Policies

Organization

The Lehigh Acres Municipal Services Improvement District (the District) is an independent special district in Lee and Hendry Counties created June 10, 2015, under Chapter 2015-202, Laws of Florida, and Chapter 2017-216, Laws of Florida. The District is organized and exists for all purposes and shall hold all powers set forth in its charter and chapters 189 and 197, Florida Statutes. The District charter may be amended only by special act of the Legislature. The District has the power to provide signage, drainage and water control, public improvements and community facilities; to designate, create, implement, and maintain conservation, mitigation, and wildlife habitats; to fund, plan, establish, acquire, construct or reconstruct, enlarge or extend, equip, operate, and maintain systems, facilities, and basic infrastructure for conservation areas, mitigation areas, and wildlife habitat, including the maintenance of any plant or animal species, and any related interest in real or personal property.

This District is governed by an at-large elected five (5) member Board of Commissioners serving staggered four (4) year terms.

Predecessor Entity

Prior to June 10, 2015, the District was known as the East County Water Control District (ECWCD), an independent special taxing district originally created pursuant to a decree of the Twelfth (12th) Circuit Court, Lee County, entered in Chancery Number 12,429 on May 5, 1958. Laws of Florida, Chapter 63-1549 reaffirmed the ECWCD's creation and provided authorization to levy and enforce the ECWCD's taxation power in July of 1963, as amended under the provisions of Florida Statutes, Chapter 298. The enabling legislation was repealed, reenacted, and codified by Laws of Florida, Chapter 2000-423, effective July 3, 2000. The ECWCD subsequently amended its codification via Laws of Florida (LOF) Chapter 2003-315, 2005-308, 2006-319, 2009-260, and 2012-254.

The ECWCD had been formed for the purpose of preserving and protecting water resources by drainage, reclamation, conservation, mitigation, irrigation, and water management in the eastern portion of Lee County and the western portion of Hendry County. The ECWCD also had authority under Laws of Florida, Chapter 67-901 to construct, maintain, and regulate navigational and boating facilities within the District. As a result of the codification (LOF, Chapter 2000-423), the ECWCD also had the authority to operate and maintain certain recreational parks within the District.

On June 10, 2015, the Legislature of the State of Florida passed an act, Chapter 2015-202, which dissolved ECWCD and created the District, primarily for the purpose of expanding the potential powers of the predecessor entity. According to the act, "As of the effective date of this act, all property, whether real, personal, or mixed, that is owned, possessed, or controlled by the ECWCD and all other assets, contracts, obligations, and liabilities of the ECWCD are hereby transferred and vested in the Lehigh Acres Municipal Services Improvement District. All contracts and obligations of the ECWCD existing on the effective date of this act shall remain in full force and effect, and this act shall in no way affect the validity of such contracts or obligations." Also, according to the Act, "the members of the former Board of Commissioners of the ECWCD shall constitute the five-member Board of District Commissioners of the Lehigh Acres Municipal Services Improvement District, with existing 4-year terms of office to remain intact." On June 6, 2017, the Florida Legislature amended Chapter 2015-202, Laws of Florida, by enacting Chapter 2017-216, Laws of Florida, to expand the District boundaries.

Note A - Summary of Significant Accounting Policies *(Continued)*

Predecessor Entity *(Concluded)*

Reporting Entity

The District's financial statements were prepared in accordance with Governmental Accounting Standards Board (GASB) Statements related to *The Financial Reporting Entity*, which establishes standards for defining and reporting on the financial reporting entity. The financial reporting entity is defined as the District, organizations for which the District is financially accountable, and other organizations for which the nature and significance of the relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. Based on criteria established by GASB Statements, there are no potential component units required to be included in the District's financial statements.

Government-wide and Fund Financial Statements

The basic financial statements consist of the government-wide financial statements, the fund financial statements, and the notes to the financial statements. The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. These activities are supported by general governmental and intergovernmental revenues.

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. 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 requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds with the major individual funds reported in separate columns.

Measurement Focus and Basis of Accounting

Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to reconcile the fund based financial statements to the governmental activities column of the government-wide presentation.

Note A - Summary of Significant Accounting Policies *(Continued)*

Measurement Focus and Basis of Accounting *(Continued)*

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 non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions* (GASB Statement No. 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-ad valorem assessments 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
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, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Exceptions to this general rule include principal and interest on long-term debt, as well as expenditures related to compensated absences, which are recognized when due.

Revenues susceptible to accrual are assessments, expenditure reimbursements, and intergovernmental revenues. These have been recognized as revenues in the period they meet the availability criteria. In addition, revenue from Federal and State reimbursement type grants for which eligibility requirements have been met have been accrued and recognized as revenues of the period. All other revenue items are considered to be measurable and available only when the District receives cash.

Major Funds and Basis of Presentation
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 balance, 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.

Note A - Summary of Significant Accounting Policies *(Continued)*

Measurement Focus and Basis of Accounting *(Concluded)*

Major Funds and Basis of Presentation (Concluded)
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 No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* (GASB Statement No. 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.

The District reports the following major governmental funds:

- ***General Fund—***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.

- ***Debt Service Fund—***The Debt Service fund is used to account for the accumulation of resources for the payment of long-term debt principal, interest, and related costs.

- ***Capital Infrastructure Projects—***to account for financial resources to be used for the acquisition, construction, or improvement of major capital facilities or infrastructure.

Additionally, the District reports the following non-major funds:

- ***Capital Equipment Fund—***to account for the accumulation of resources for capital equipment expenditure, maintenance, and replacement.

- ***Land Acquisition—***to account for the accumulation of resources for the purchase of land, and related costs, that will be used for water quality and storage capacity.

The effect of all interfund activity (transfers in/out) between governmental funds has been removed from the government-wide financial statements.

Amounts reported as program revenues include: 1) revenues generated by fees charged for permits that allow drainage into the District systems or for the use of District rights-of-way, 2) operating grants and contributions, and, 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all assessments.

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, unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District would first use committed fund balance, followed by assigned fund balance, and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note A - Summary of Significant Accounting Policies *(Continued)*

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

Cash and Cash Equivalents
The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and investments. The District's investments consist of the Florida State Board of Administration's (SBA) Florida PRIME (formerly known as the Local Government Surplus Funds Trust Fund Pooled Investment Account). The PRIME Fund is an external investment pool reported at amortized cost, which approximates fair value.

Interfund Receivables and Payables
During the course of its operations, the District has numerous transactions between funds to construct or acquire assets and service debt. Transactions between funds that were not paid for or received as of September 30, 2018, have been recorded as due from and due to other funds in the fund financial statements.

Receivables
Accounts receivable are shown net of an allowance for uncollectibles, when appropriate. Receivables, including due from other governments, are reported at the net realizable value.

Prepaid Items
Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets
Certain assets of governmental funds are restricted as to use. Such assets, consisting primarily of cash and receivables, may include debt proceeds, state and federal grants, and amounts held for debt service.

Capital Assets
Capital assets, which include land, easements, buildings, infrastructure, and equipment are reported in the government-wide financial statements in the statement of net position.

The District has adopted a minimum capitalization threshold for capital expenditures of $1,000. Assets purchased with a cost of less than $1,000 are included as operating expenditures in the appropriate fund.

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. The costs of substantially all capital assets acquired or constructed prior to 1998 have been estimated. 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 buildings, including canals, curbs, culverts, and excavations are capitalized.

Note A - Summary of Significant Accounting Policies *(Continued)*

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position *(Continued)*

Capital Assets (Concluded)
The District has segregated the cost of land under and surrounding its canals into the "land" category of capital assets, and as such, it is not depreciated. The cost of excavation of those canals is categorized as "Infrastructure". The District continually maintains its canals and drainage system, and has elected to depreciate such system improvements over periods ranging 10-50 years. No debt-related interest expense is capitalized as part of capital assets in accordance with GASB Statement No. 34.

Maintenance, repairs, and minor renovations are not capitalized. The acquisition of land and construction projects utilizing resources received from Federal and State agencies are 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 capitalized and depreciated.

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

Assets	Years
Buildings	10-50
Infrastructure	10-50
Equipment	4-25

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, sick leave benefits, personal time, and compensatory time if certain criteria are met. The costs of vacation, sick leave benefits, personal time, and compensatory time (compensated absences) are expended in the respective operating funds when payments are made, but are accrued as incurred in the government-wide financial statements – statement of net position as noncurrent liabilities.

Long-term Obligations
In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position, increased, or reduced, by related unamortized premiums or discounts. In the fund financial statements the face amount of debt issued, plus any premium or net of any discount, is reported as other financing sources in the year of issuance.

Issuance costs are reported as debt service expenditures in the year of issuance.

Note A - Summary of Significant Accounting Policies *(Continued)*

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position *(Continued)*

Fund Balance
The District implemented the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* (GASB Statement No. 54) during the fiscal year ended September 30, 2011, as required. The purpose of GASB Statement No. 54 was to improve the consistency and usefulness of fund balance information to the financial statement user. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the organization is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Based on the extent to which these external or internal constraints have on the spending of fund balances, they are classified as the following:

- ***Non-spendable Fund Balance—***Amounts that are 1) not in spendable form or 2) legally or contractually required to be maintained intact.

- ***Restricted Fund Balance—***Amounts that have externally enforceable limitations on use.

- ***Committed Fund Balance—***Amounts that have self-imposed limitations (via Board of Commissioners Resolution) set in place prior to the end of the reporting period.

- ***Assigned Fund Balance—***Pursuant to Resolution 2011-08 adopted by the Board of Commissioners (the Board) on July 18, 2011, assigned fund balances include "spendable fund balance amounts established by management of the District that are intended to be used for specific purposes and are neither considered restricted or committed." In addition, residual balances in the capital projects and debt service funds are considered assigned for the general purpose of the respective fund.

- ***Unassigned Fund Balance—***The residual net resources for the general fund in excess of non-spendable, restricted, committed, and assigned fund balance (i.e., surplus). Unassigned fund balance may also include negative balances if expenditures exceed amounts restricted, committed, or assigned (i.e., deficit).

Minimum Level of Unassigned Fund Balance
Board Resolution 2011-08 adopted July 18, 2011, also specified certain actions to be taken when unassigned fund balance in the general fund fell below certain minimum levels. If, after the annual audit, prior committed or assigned fund balance causes the unassigned fund balance to fall below 25% of general fund operating expenditures, the District Manager will so advise the Board of Commissioners in order for the necessary action to be taken to restore the unassigned fund balance to 25% of General Fund operating expenditures. The District Manager will prepare and submit a plan for committed and/or assigned fund balance reductions, expenditure reductions, and/or revenue increases to the Board. The District shall take action necessary to restore the unassigned fund balance to acceptable levels within two years.

Note A - <u>Summary of Significant Accounting Policies</u> *(Continued)*

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position *(Concluded)*

<u>Net Position</u>
Equity in the government-wide statement of net position is displayed in three categories: 1) net investment in capital assets, 2) restricted, or 3) unrestricted. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation reduced by the outstanding debt incurred to acquire, construct, or improve those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of capital assets or related debt are also included in this component of net position. The restricted component of net position consist of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The unrestricted component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

<u>Encumbrances</u>
Encumbrances accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded as reservations of budget, is not employed by the District because presently, it's not necessary to assure effective budgetary or cash planning control.

Other Policies

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

<u>Non-Ad Valorem Maintenance and Benefit Assessments</u>
Maintenance assessments, Florida Statute 298.54, and benefit assessments, Florida Statute 298.36, are levied each November 1 after formal adoption of the District's budget and become due and payable upon receipt of the Notice of Levy. Non-ad valorem assessments are based on the size of real property parcels that are provided by the Lee County and Hendry County Property Appraisers. The current year's levy is based on 46,970.34 acres. Discounts are allowed for payment of the assessments prior to March 1 of the following year. Assessments become delinquent on April 1 and are subject to the issuance of tax sale certificates if unpaid by June 1.

The billing and collection of all maintenance and benefit assessments is performed for the District by the Tax Collectors for Lee and Hendry Counties. These non-ad valorem assessments are recognized as revenue when received from the Tax Collectors.

Note A - Summary of Significant Accounting Policies *(Concluded)*

Other Policies *(Concluded)*

Non-Ad Valorem Maintenance and Benefit Assessments *(Concluded)*
Under the provisions of Chapter 2015-202, Laws of Florida, and applicable provisions of Chapter 298 of the Florida Statutes, the Board of Commissioners of the District levied a uniform maintenance tax of approximately $120.15 per acre of land within Lee County and $120.15 per acre of land within Hendry County. The maintenance assessment proceeds are used by the District to pay the operating costs for the year ended September 30, 2018. These costs include stormwater operations, surveys, engineering, legal and accounting fees, and other expenses as judged necessary by the Board.

There were no non-ad valorem assessments levied under the provisions of Chapter 298.36, Florida Statutes, for the fiscal year ended September 30, 2018; instead, maintenance assessments are used to pay debt service for replacement of existing infrastructure.

Governmental Accounting Standards Board (GASB) Statements Nos. 68 and 71
The District participates in the Florida Retirement System (FRS) defined benefit pension plan and the Health Insurance Subsidy (HIS) defined benefit plan administered by Florida Division of Retirement. As a participating employer, the District implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB Statement No. 68), and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* (GASB Statement No. 71), as required during the fiscal year ended September 30, 2015. GASB Statement No. 68 requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. GASB Statement No. 71 requires employers to defer pension contributions made after the "measurement date". The District's proportionate share of the net pension liabilities at June 30, 2018, was $1,818,678.

Adoption of New Accounting Pronouncement
During the year ended September 30, 2018, the District implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multi-Employer Plans*, for Other Post-Employment Benefits (OPEB). This Statement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, including the recognition and measurement of liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For each qualifying plan providing postemployment benefits other than pensions, employers are required to report the difference between the actuarial OPEB liability and the related plan's fiduciary net position as the net OPEB liability on the statement of net position. Previously, a liability was recognized only to the extent that contributions made to each plan were exceeded by the actuarially calculated contributions for those plans. Additionally, GASB Statement No. 75 sets forth note disclosure and required supplementary disclosure requirements for defined contribution OPEB.

Note B - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are legally adopted for the General Fund and the Debt Service Fund. The adoption of the annual budget also includes Capital Project Funds, for the respective year, along with approval of the five-year Capital Improvement Plan.

Reports that compare the budget to actual results for all funds of the District are prepared and presented to the Board of Commissioners on a monthly basis to ensure control through fund management.

Budgets for all funds are prepared on a modified accrual basis of accounting. This means that revenues are recognized when they become measurable and available and expenditures are recognized when they are incurred. Presentation of budget versus actual results is contained in the Budgetary Comparison Schedules.

The District follows these procedures in establishing budgetary data for the General Fund, Debt Service Fund, and Capital Project Funds.

- During the summer of each year, District management submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain public comments.
- The budget is adopted by resolution of the Board of Commissioners.
- Budgets for all funds are prepared on a basis consistent with accounting principles generally accepted in the United States of America.
- Budget transfers can be made throughout the year between expenditure accounts by approval of the Board of Commissioners. The level of control for appropriations is exercised at the fund level.
- Budget amounts, as shown in these basic financial statements, are as originally adopted or as amended by the Board of Commissioners.
- Appropriations lapse at year-end.
- Supplemental appropriations made during the fiscal year are included in the "Final Budget" columns on the budgetary comparison schedules for all governmental funds. Supplemental budgetary appropriations made during the year included the following:

  a) General Fund final budget increased by $13,750 from the original budget of $5,610,824, which is primarily due to a net increase of $93,144 in other financing sources (uses) and offset by a net decrease of ($79,394) in operating expenditures.

Note C - Cash and Investments

At September 30, 2018, unrestricted cash was $2,492,051 (including cash on hand of $250). Other cash and investments at September 30, 2018, include investments in local government investment pools of $4,888,813.

Deposits
At September 30, 2018, the carrying amount of the District's deposits was $7,380,864, and the bank balances were $7,742,481. The difference is due to cash on hand and checks that had been written but not yet paid by the bank.

Investments
The District has adopted an investment policy in accordance with Chapter 218.415, Florida Statutes, to establish guidelines for the efficient management of its cash reserves. The District is authorized to invest in: any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts in qualified public depositories; direct obligations of the U.S. Treasury; and any other investments authorized by law or by resolution of the District.

The District's investments at year-end are listed below. The District held no other types of investments during the year ended September 30, 2018.

General Fund	Market/Carrying Amount	Cost
Local Government		
Surplus Funds:		
Trust Fund (SBA):		
Florida PRIME	$ 4,888,813	$ 4,888,813
Total Investments	$ 4,888,813	$ 4,888,813

The Local Government Surplus Funds Trust Fund (the State Pool) is an external investment pool. The State Pool is administered by the Florida State Board of Administration (SBA), who provides regulatory oversight. The Trust was created in December 1991 to provide a means for public entities to pool surplus funds to maximize net earnings. The Trust invests in money market, U.S. treasury notes, collateralized mortgage obligations, asset backed securities, agency notes, agency ARM pass-through, corporate bonds, government related securities, and certificates of deposit. The Trust reports all share information at net asset value. Financial Statements for SBA can be found at sbafl.com.

As a Florida PRIME participant, the District invests in a pool of investments whereby the District owns a share of the respective pool, not the underlying securities.

The District’s investment in Florida PRIME is reported at amortized cost. The fair value of the position in the pool is equal to the value of the pool shares.

The District’s investment in the State Pool exposes it to credit risk and interest rate risk, as defined below:

Note C - Cash and Investments *(Concluded)*

Investments *(Concluded)*

- *Credit Risk*—The risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy limits the maximum percentage that may be invested in any one entity or instrument at any one time.

- *Interest Rate Risk*—The risk that changes in interest rates will adversely affect the fair value of an investment.

Florida PRIME is considered a stable value investment pool. The account balances approximate fair value, and balances are available for immediate withdrawal. The weighted average maturity (WAM) of Florida PRIME at September 30, 2018, is 33 days. The weighted average life (WAL) of Florida PRIME at September 30, 2018, is 72 days. Florida PRIME has a Standard & Poor's rating of AAAm. Neither fund was exposed to foreign currency risk during the fiscal year ended September 30, 2018.

Reconciliation of Cash and Investments to the Fund Financial Statements

Cash and Investments, per Note C		**Amount**
Cash on Hand	$	250
Cash in Bank		2,491,801
Investments		4,888,813
Total Cash and Investments	$	7,380,864

Cash and Investments, per Balance Sheet		**Amount**
Unrestricted:		
Cash and Cash Equivalents	$	7,380,864
Total Cash and Investments	$	7,380,864

Note D - Receivables and Accrued Liabilities

Receivables as of September 30, 2018, for the District's governmental activities are as follows:

		Governmental Funds
Receivables		
Intergovernmental	$	36,383
Accounts Receivable		888
Net Total Receivables	$	37,271

Accrued liabilities at September 30, 2018, were as follows:

		General Fund
Accrued Liabilities		
Payroll	$	41,632
Other		923
Total Accrued Liabilities	$	42,555

Note E - Capital Assets

The following is a summary of changes in capital asset activity for the year ended September 30, 2018:

	Balance at October 1, 2017	Additions	Deletions	Adjustments	Balance at September 30, 2018
Capital Assets not Being Depreciated					
Land (Including Canals)	$ 3,066,798	$ 224,087	$ 0	$ 0	$ 3,290,885
Intangibles - Easements [1]	1,297	0	0	0	1,297
Construction in Progress	4,542,960	1,132,565	(3,365,130)	(58,749)	2,251,646
Total Capital Assets not Being Depreciated	7,611,055	1,356,652	(3,365,130)	(58,749)	5,543,828
Capital Assets Being Depreciated					
Buildings	2,062,036	0	0	0	2,062,036
Land Improvements	50,614,029	3,365,130	0	0	53,979,159
Equipment	4,604,955	348,713	(221,150)	0	4,732,518
Intangibles - Software [1]	54,533	1,100	0	0	55,633
Total Capital Assets Being Depreciated	57,335,553	3,714,943	(221,150)	0	60,829,346
Less Accumulated Depreciation					
Buildings	(331,514)	(41,080)	0	0	(372,594)
Land Improvements	(29,675,298)	(1,178,292)	0	0	(30,853,590)
Equipment	(2,733,099)	(317,790)	197,082	0	(2,853,807)
Intangibles - Software	(49,811)	(663)	0	0	(50,474)
Total Accumulated Depreciation	(32,789,722)	(1,537,825)	197,082	0	(34,130,465)
Total Capital Assets Being Depreciated, Net	24,545,831	2,177,118	(24,068)	0	26,698,881
Capital Assets, Net	$ 32,156,886	$ 3,533,770	$ (3,389,198)	$ (58,749)	$ 32,242,709

(1) Governmental Accounting Standards Board Statement No. 51 (GASB Statement No. 51), *Accounting and Financial Reporting for Intangible Assets*, states that retroactive reporting of intangible assets considered to have indefinite useful lives as of the effective date of the Statement is not required but should be permitted. GASB Statement No. 51 also states that retroactive reporting of internally generated intangible assets is not required. The District chose not to apply GASB Statement No. 51 retroactively; however, the District did reclassify easements and internally generated software as intangible assets that had been capitalized in the Land and Equipment classifications.

Depreciation expense in the amount of $1,537,825, was reported as a separate line item in Statement of Activities.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT
(Continued)

Note E - Capital Assets *(Concluded)*

Construction Commitments

The District has several construction projects in progress as of September 30, 2018. The District's commitments at year-end are as follows:

	Expended - to-Date	Remaining Commitment
Construction Projects		
Blackstone Preserve		
Stormwater Improvements	$ 134,184	$ 27,300
Hendry Canal Extension Widening	192,037	21,000
West Marsh Design	381,663	54,199
Buckingham Park	43,000	401,544
Lehigh Southwest Weirs Design	62,060	16,965
Lehigh Southwest Weirs Construction	0	698,889
Total Construction Projects	$ 812,944	$ 1,219,897

Note F - Long-term Debt

Notes payable outstanding at September 30, 2018, consists of the following for governmental activities:

	Collateral(1)	Purpose of Issue	Amount Issued	Amount Outstanding	Interest Rate	Maximum Annual Debt Service
FDEP ECARP 2.2 SW109010	Lien on Maintenance Taxes	Construction	$ 182,418	$ 62,594	2.96% - 3.09%	$ 12,426
FDEP ECARP 2.3 SW109020	Lien on Maintenance Taxes	Construction	348,830	118,931	2.86% - 3.09%	21,727
FDEP 2005 SW10903P	Lien on Maintenance Taxes	Construction	318,023	196,673	2.34%	20,383
FDEP 2005 SW109030	Lien on Maintenance Taxes	Construction	2,146,951	1,332,705	2.94%	142,681
FDEP SW109040	Lien on Maintenance Taxes	Construction	212,976	134,710	2.68%	13,689
FDEP SW109041	Lien on Maintenance Taxes	Construction	1,913,708	1,213,181	2.68%	123,284
Series 2017	Lien on Maintenance Taxes	Construction	5,457,854	4,939,238	2.00%	583,260
Total			$ 10,580,760	$ 7,998,032		

(1) All notes are secured by a lien on maintenance taxes.

Note F - Long-term Debt *(Continued)*

The following is a summary of changes in long-term debt for the fiscal year ended September 30, 2018:

	Balance October 1, 2017	Additions	Reductions	Balance September 30, 2018	Amounts Due Within One Year
Notes Payable	$ 8,721,177	$ 0	$ (723,145)	$ 7,998,032	$ 739,681
Installment Purchase	79,148	0	(25,618)	53,530	26,374
Compensated Absences	277,718	31,195	0	308,913	153,492
Net Pension Liability	1,691,828	126,850	0	1,818,678	14,100
Other Post-Employment Benefits*	160,951	0	(3,840)	157,111	0
	$ 10,930,822	$ 158,045	$ (752,603)	$ 10,336,264	$ 933,647

*Due to the implementation of GASB Statement No. 75 in fiscal year ended September 30, 2018, the beginning balance for Other Post-employment Benefits increased by $98,167. See Note N for further information.

The following are the annual requirements to service the notes payable outstanding at September 30, 2018:

Year Ending September 30,	Principal	Interest	Total
2019	$ 739,680	$ 177,770	$ 917,450
2020	756,543	160,907	917,450
2021	773,981	143,469	917,450
2022	791,660	125,790	917,450
2023	809,810	107,640	917,450
2024-2028	3,766,659	261,241	4,027,900
2029-2033	359,699	8,823	368,522
Total	$ 7,998,032	$ 985,640	$ 8,983,672

Installment Purchases

In fiscal year ended September 30, 2016, the District entered into a lease-purchase agreement with Caterpillar Financial Services Corporation for financing the acquisition of a bulldozer for stormwater operations. Payment is $27,953 annually, including interest at 2.95001%.

The assets acquired through the Caterpillar Financial Services Corporation installment purchase agreement, and listed as collateral on the obligations, is reported at the following balance at September 30, 2018:

	Governmental Activities
Asset	
Equipment	$ 131,983
(Less Accumulated Depreciation)	(22,914)
Total	$ 109,069

Note F - Long-term Debt *(Concluded)*

Installment Purchases *(Concluded)*

The following are the annual requirements to service the installment notes outstanding at September 30, 2018:

Year Ending September 30,	Principal	Interest	Total
2019	$ 26,374	$ 1,579	$ 27,953
2020	27,154	801	27,955
2021	1	0	1
Total	$ 53,529	$ 2,380	$ 55,909

Note G - Interfund Transfers

Interfund transfers at September 30, 2018, are as follows:

	Transfer-In Funds				
Transfer-Out Fund	**Debt Service Fund**	**Capital Infrastructure Projects Fund**	**Land Acquisition Fund**	**Capital Equipment Fund**	**Total**
General	$ 917,221	$ 571,486	$ 106,366	$ 111,052	$ 1,706,125
Total Transfers	$ 917,221	$ 571,486	$ 106,366	$ 111,052	$ 1,706,125

	Transfer-Out Funds		
Transfer-In Fund	**Debt Service Fund**	**Capital Infrastructure Projects Fund**	**Total**
General	$ 7,914	$ 106,366	$ 114,280
Total Transfers	$ 7,914	$ 106,366	$ 114,280

Transfers are used to: 1) move revenues from the fund with collection authorization to the debt service fund for future debt service principal and interest payments, or 2) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

Note H - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance.

The District has also purchased commercial excess coverage for workers' compensation which covers claims as presented below:

	Amount
Each Accident	$ 1,000,000
Each Employee	$ 1,000,000
Policy Limit	$ 1,000,000

Note I - Commitments and Contingencies

Litigation, Claims, and Assessments

The District is involved from time to time in certain routine litigation, the substance of which, either as liabilities or recoveries, would not materially affect the financial position of the District. Although the final outcome of the lawsuits and claims or the exact amount of costs and/or potential recovery is not presently determinable, in the opinion of the District's legal counsel, the resolution of these matters will not have a materially adverse effect on the financial condition of the District. The District plans to contest these matters unless first settled. Potential losses, if any, may be recovered through third-party insurance.

Grants

On March 23, 2015, the District entered into a grant agreement with the State of Florida Department of Environmental Protection for the reimbursement of 48.3% of construction costs up to a maximum of $1,224,800 for construction of 27 weirs (water control structures) in the SW Lehigh Acres area. A cash and in-kind match of 51.63% is required. The reimbursement is on a cost reimbursement basis for all eligible costs upon completion, submittal, and approval of deliverables. The grant period started March 23, 2015, and will remain in effect for forty-eight (48) months, inclusive. The District received 100% compensation ($1,224,800) in fiscal year ended September 30, 2018.

On November 14, 2016, the District entered into a Joint Use Stormwater Management System Agreement with the Florida Department of Transportation (FDOT). The FDOT agreed to compensate the District for certain perpetual easement rights, and a maximum of 800,000 cubic yards of soil/fill material from the District's Hendry Extension Canal Widening Phase 1 Project to be used for the FDOT's State Road 82 widening projects, Segments 3 and 4. FDOT subsequently chose to obtain its soil/fill material from Lee County's West Marsh Preserve. As of September 30, 2018, $0 was received.

Amounts received from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Note J - Employee Retirement Plan

General Information about the Florida Retirement System (FRS)

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112 Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer defined-benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' web site (www.dms.myflorida.com).

The District's contributions totaled $166,333 for the fiscal year ended September 30, 2018, (all plans).

Payables to the Pension Plan

The District reported a payable of $17,961 for the outstanding amount of contributions to the Plan required for the fiscal year ended September 30, 2018.

FRS Pension Plan

Plan Description

The FRS Pension Plan (Plan) is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The general classes of membership applicable to the District are as follows:

- *Regular Class*–Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class* (SMSC)–Members in senior management level positions.
- *Elected Officers Class* (EOC)–Elected Officers

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of the Plan may include up to four years of credit for military service toward creditable service.

Note J - Employee Retirement Plan *(Continued)*

FRS Pension Plan *(Continued)*

Plan Description (Concluded)
The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided
Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

Class, Initial Enrollment, and Retirement Age/Years of Service	Percent Value
Regular Class Members Initially Enrolled Before July 1, 2011:	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class Members Initially Enrolled on or After July 1, 2011:	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Senior Management Service Class	2.00
Elected Officers Class – Others	3.00

Note J - Employee Retirement Plan *(Continued)*

FRS Pension Plan *(Continued)*

Benefits Provided (Concluded)
As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions
The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the District's 2017-18 fiscal year were as follows:

	Year Ended June 30, 2018 Percent of Gross Salary		Year Ended June 30, 2019 Percent of Gross Salary	
Class	**Employee**	**Employer**	**Employee**	**Employer**
FRS, Regular	3.00	6.20	3.00	6.54
FRS, Senior Management Services	3.00	20.99	3.00	22.34
Elected Officers	3.00	43.78	3.00	46.78
DROP – Applicable to Members from All of the Above Classes	0.00	11.60	0.00	12.37
FRS, Reemployment Retiree	(1)	(1)	(1)	(1)

Notes: (1) Contribution rates are dependent upon retirement class in which reemployed.

The District's contributions to the Plan totaled $119,538 for the fiscal year ended September 30, 2018. This excludes the HIS defined benefit pension plan contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At September 30, 2018, the District reported a liability of $1,242,982 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The District's proportionate share of the net pension liability was based on the District's 2017-18 fiscal year contributions relative to the fiscal year 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the District's proportion was .004126695%, which was an increase of .0000023045 from its proportion measured as of June 30, 2017.

For the year ended September 30, 2018, the District recognized pension expense of $229,207 related to the Plan. At September 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Note J - Employee Retirement Plan *(Continued)*

FRS Pension Plan *(Continued)*

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded)

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer Contributions after Measurement Date	$ 34,351	$ 0
Difference Between Expected and Actual Experience	105,299	3,822
Changes of Assumptions	406,146	0
Changes in Proportion and Difference Between District Contributions and Proportionate Share of Contributions	67,553	26,209
Net Difference between Projected and Actual Earnings on Pension Plan Investments	0	96,036
Total	$ 613,349	$ 126,067

The deferred outflows of resources related to pensions, totaling $34,351, resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending	Amount
2019	$ 175,501
2020	120,234
2021	17,204
2022	75,556
2023	54,671
Thereafter	9,765
Total	$ 452,931

Actuarial Assumptions
The total pension liability in the July 1, 2018, actuarial valuation was determined using the individual entry age cost method, and the following actuarial assumptions:

Inflation	2.60%
Salary Increases	3.25% Average, Including Inflation
Discount Rate	7.00%
Long-term Expected Rate of Return, Net of Investment Expense	7.00%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

Note J - Employee Retirement Plan *(Continued)*

FRS Pension Plan *(Continued)*

Actuarial Assumptions (Concluded)
The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption.

The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.9%	2.9%	1.8%
Fixed Income	18.0%	4.4%	4.3%	4.0%
Global Equity	54.0%	7.6%	6.3%	17.0%
Real Estate (Property)	11.0%	6.6%	6.0%	11.3%
Private Equity	10.0%	10.7%	7.8%	26.5%
Strategic Investments	6.0%	6.0%	5.7%	8.6%
Total	100.0%			
Assumed Inflation – Mean			2.6%	1.9%

Note: (1) As Outlined in the Plan's Investment Policy.

Discount Rate
The discount rate used to measure the total pension liability was 7.00%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate was 7.10% in the July 1, 2017, valuation.

Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate
The following presents the District's proportionate share of the net pension liability calculated using the discount rate of (7.00%), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

Note J - Employee Retirement Plan *(Continued)*

FRS Pension Plan *(Concluded)*

Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate (Concluded)

FRS – District:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's Proportionate Share of the Net Pension Liability	$ 2,268,494	$ 1,242,982	$ 391,233

Pension Plan Fiduciary Net Position
Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

HIS Pension Plan

Plan Description
The HIS Pension Plan (HIS Plan) is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The Florida Legislature established and amends the contribution requirements and benefit terms of the HIS program. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs.

Benefits Provided
For the fiscal year ended June 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by $5. The minimum payment is $30 and the maximum payment is $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under one of the State-administered retirement systems must provide proof of health insurance coverage, which may include Medicare.

Contributions
The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the Plan fiscal years ended June 30, 2018 and 2017, the contribution rates were 1.66% of payroll, pursuant to Section 112.363, Florida Statutes. The District contributed 100% of its statutorily required contributions for the current and preceding four years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation.

In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled $29,727 for the fiscal year ended September 30, 2018.

Note J - Employee Retirement Plan *(Continued)*

HIS Pension Plan *(Continued)*

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2018, the District reported a net pension liability of $575,696 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The District's proportionate share of the net pension liability was based on the District's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the District's proportionate share was .005439247%, which was an increase of .000003951 from its proportionate share measured as of June 30, 2017.

For the fiscal year ended September 30, 2018, the District recognized pension expense of $49,325 related to the HIS Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer Contributions after Measurement Date	$ 8,293	$ 0
Difference Between Expected and Actual Experience	8,814	978
Changes of Assumptions	64,025	60,867
Changes in Proportion and Difference between District Contributions and Proportionate Share of Contributions	51,326	13,083
Net Difference between Projected and Actual Earnings on Pension Plan Investments	348	0
Total	$ 132,806	$ 74,928

The deferred outflows of resources related to pensions, totaling $8,293, resulting from District contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending	Amount
2019	$ 14,409
2020	14,380
2021	13,000
2022	6,073
2023	(1,621)
Thereafter	3,344
Total	$ 49,585

Note J - Employee Retirement Plan *(Continued)*

HIS Pension Plan *(Concluded)*

Actuarial Assumptions
The total pension liability in the July 1, 2018, actuarial valuation was determined using the individual entry age cost method, and the following actuarial assumptions:

Inflation	2.60%
Salary Increases	3.25% Average, Including Inflation
Discount Rate	3.87%
Municipal Bond Index	3.87%

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Discount Rate
The discount rate used to measure the total pension liability was 3.87%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following presents the District's proportionate share of the net pension liability calculated using the discount rate of (3.87%), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or percentage-point higher (4.87%) than the 1- current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
District's Proportionate Share of the Net Pension Liability	$ 655,684	$ 575,696	$ 509,021

Pension Plan Fiduciary Net Position
Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Note J - Employee Retirement Plan *(Continued)*

FRS – Defined Contribution Pension Plan

The District contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member's account upon retirement.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Allocations to the investment member's accounts during the 2017-18 fiscal year were as follows:

	Year Ended June 30, 2018 Percent of Gross Compensation		Year Ended June 30, 2019 Percent of Gross Compensation	
Class	**Employee**	**Employer**	**Employee**	**Employer**
FRS, Regular Class	3.00	3.30	3.00	3.30
FRS, Senior Management Service Class	3.00	4.67	3.00	4.67
FRS, Elected County Officers	3.00	8.34	3.00	8.34

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through employer contributions of 0.06% of payroll and by forfeit benefits of Investment Plan members. For the fiscal year ended September 30, 2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

Note J - Employee Retirement Plan *(Concluded)*

FRS – Defined Contribution Pension Plan *(Concluded)*

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The District's Investment Plan contributions totaled $17,068 for the fiscal year ended September 30, 2018.

Note K - Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Service (IRS) Code Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or hardship distribution criteria as defined in IRS Code Section 457. Because the assets of the plan are held in trust and are the sole property of the participants, no balances or financial information relative to the plan is reported in the basic financial statements.

Note L - Other Post-Employment Benefits

Plan Description

The District's Retiree Health Care Plan (Plan) is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the District. Under the provisions of the Plan, which was established by practice, is administered by the District and allows employees who retire and meet retirement eligibility requirements under one of the District's retirement plans to continue medical insurance coverage as a participant in the District's Plan. The Plan does not issue a stand-alone report.

Participant data as of the most recent actuarial valuation date is shown below:

	October 1, 2016
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	1
Active Employees	37
Total	38

Benefits Provided

The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All employees of the District are eligible to receive postemployment health care benefits. The retiree is responsible for paying the entire monthly premium for healthcare coverage and that of any covered spouse or eligible dependents.

Note L - <u>Other Post-Employment Benefits</u> *(Continued)*

Funding Policy

For the OPEB Plan, contribution requirements of the District are established and may be amended through action from the Board of District Commissioners. Currently the District's OPEB Benefits are unfunded. The required contributions are based on pay-as-you-go financing requirements. There is no separate Trust Fund or equivalent arrangement into which the District would make contributions to advance-fund the obligation, as it does for its pension plan, the FRS. Therefore, ultimate subsidies which are provided over time are financed directly by general assets of the District, which are invested in very short-term income instruments.

Actuarial Methods and Assumptions

In any long-term actuarial valuation, certain demographic, economic, and behavioral assumptions are made concerning the population, the investment discount rates and the benefits provided. These actuarial assumptions form the basis for the actuarial model which is used to project the future population, the future benefits provided, and the contributions collected. Then the investment discount rate assumption is used to discount those projected net OPEB benefits to a present value. This and other related present values are used to calculate the annual OPEB cost.

The Total OPEB Liability was determined by an actuarial valuation as of October 1, 2016, updated to September 30, 2017, using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	2.50%
Discount Rate	3.64%
Initial Trend Rate	8.75%
Ultimate Trend Rate	4.00%
Years to Ultimate	57

For all lives, mortality rates were RP-2000 Combined Healthy Mortality Tables.

Given the District's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 3.64%. The high-quality municipal bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-BondIndex as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

Total OPEB Liability

The District's total OPEB liability was measured as of September 30, 2017, and was determined by an actuarial valuation as of October 1, 2016. The census information used in the October 1, 2016, valuation was based on information provided by the District on October 1, 2016.

The District's annual (OPEB) expense pursuant to GASB Statement No. 75 is based on the change in the annual total OPEB liability. The District has elected to calculate the total OPEB liability and related information using the alternative measurement method permitted by GASB Statement No. 75 for employers in plans with fewer than one hundred plan participants. The total OPEB liability represents the total actuarial calculation as of September 30, 2018. The following table shows the change in the District's OPEB liability:

Note L - Other Post-Employment Benefits *(Continued)*

Total OPEB Liability *(Concluded)*

	Total OPEB Liability
Balance at September 30, 2017	$ 160,951
Changes for the Year	
Service Cost	11,585
Interest	5,175
Changes of Assumptions	(13,781)
Benefit Payments	(6,819)
Net Changes	(3,840)
Balance at September 30, 2018	$ 157,111

Changes in assumptions reflect a change in the discount rate from 3.06% for the reporting period ended September 30, 2017, to 3.64% for the reporting period ended September 30, 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64%) or 1-percentage-point higher (4.64%) than the current discount rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total OPEB Liability	$ 181,927	$ 157,111	$ 136,718

Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rates

The following presents the total OPEB liability for the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower (7.75% decreasing to 3.00%) or 1-percentage-point higher (9.75% decreasing to 5.00%) than the current healthcare cost trend rates:

	1% Decrease (7.75% Decreasing to 3.00%)	Healthcare Cost Trend Rates (8.75% Decreasing to 4.00%)	1% Increase (9.75% Decreasing to 5.00%)
Total OPEB Liability	$ 133,298	$ 157,111	$ 186,556

OPEB Expense

Under GASB Statement No. 75, as it applies to plans that qualify for the Alternative Measurement Method, changes in the total OPEB liability are not permitted to be included in deferred outflows of resources or deferred inflows of resources related to OPEB. These changes will be immediately recognized through OPEB expense. For the year ended September 30, 2018, the District recognized OPEB expense of $4,979.

Note L - Other Post-Employment Benefits *(Concluded)*

Funding Status and Funding Progress
As of September 30, 2018, the most recent actuarial valuation date, the Plan was unfunded. The actuarial accrued liability for benefits was $157,111, and the actuarial value of the assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $157,111. The covered payroll (annual payroll of active employees covered by the Plan) was $1,583,812, and the ratio of the UAAL to the covered payroll was 9.92%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, termination, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and annual required contributions of the employer are subject to continual revision, and actual results are compared with past expectations and new estimates are made about the future.

Note M - Federal Awards and State Financial Assistance

For the fiscal year ended September 30, 2018, the District did not expend greater than $750,000 in federal awards or state financial assistance, therefore an audit in accordance with Title 2 (Uniform Guidance) U.S. Code of Federal Regulation (CFR) Part 200 and the *Florida Single Audit Act* was not required.

Note N - Restatement

For the fiscal year ended September 30, 2018, the District implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Accordingly, beginning net position was restated to reflect the change in accounting principles by decreasing the previously reported net position to reflect the increase in the OPEB obligation as calculated under GASB Statement No. 75 as follows:

	Net Position, September 30, 2017 as Previously Reported	Restatement	Net Position, September 30, 2017 as Restated
Government-Wide			
Governmental Activities	$ 28,945,421	$ (98,167)	$ 28,847,254

Note O - Subsequent Events

The District has evaluated subsequent events from October 1, 2018, through February 14, 2019, in connection with the preparation of these financial statements, which is the date the financial statements were dated. No subsequent events occurred which would have a material impact on the District's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Non-ad Valorem Assessments	$ 5,485,927	$ 5,549,718	$ 5,549,718	$ 0
Miscellaneous Revenue	2,000	10,843	10,843	0
Interest Income	2,500	64,013	64,013	0
Total Revenues	5,490,427	5,624,574	5,624,574	0
Expenditures				
Current:				
Physical Environment:				
Personnel Services	2,824,059	2,530,577	2,530,577	0
Operating Expenditures	1,299,634	1,513,722	1,156,652	357,070
Total Expenditures	4,123,693	4,044,299	3,687,229	357,070
Excess of Revenues Over Expenditures	1,366,734	1,580,275	1,937,345	(357,070)
Other Financing Sources (Uses)				
Transfers in	0	114,281	114,281	0
Transfers (out)	(1,487,131)	(1,706,126)	(1,706,126)	0
Proceeds from Insurance Recoveries	0	11,570	11,570	0
Total Other Financing Sources (Uses)	(1,487,131)	(1,580,275)	(1,580,275)	0
Net Change in Fund Balance	(120,397)	0	357,070	357,070
Fund Balance - Beginning of Year	3,266,440	3,266,440	3,634,954	368,514
Fund Balance - End of Year	$ 3,146,043	$ 3,266,440	$ 3,992,024	$ 725,584

LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL
OTHER POST-EMPLOYMENT BENEFITS LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS*

Total OPEB Liability		**2018**
Service Cost	$	11,585
Interest		5,175
Changes of Assumptions or other Inputs		(13,781)
Benefit Payments		(6,819)
Net Change in Total OPEB Liability		(3,840)
Total OPEB - Liability Beginning, as Restated		160,951
Total OPEB Liability - Ending	$	157,111
Covered - Employee Payroll	$	1,583,812
Total OPEB Liability as a Percentage of Covered-Employee Payroll		9.92%

*The District implemented GASB Statement No.75 for the fiscal year ended September 30, 2018.
As a result, this schedule will present 10 years as information is available.

LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PENSION PLANS
LAST 10 FISCAL YEARS

FLORIDA RETIREMENT SYSTEM PENSION PLAN

Year Ended June 30,	District's Proportion of the FRS Net Pension Plan	District's Proportion Share of the FRS Net Pension Plan Liability	District's Covered-Employee Payroll (FYE June 30)	District's Proportionate Share of the FRS Net Pension Liability as a Percentage of its Covered-Employee Payroll	FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.003811159%	$ 232,537	$ 1,447,143	16.07%	96.09%
2015	0.004237539%	547,335	1,565,135	34.97%	92.00%
2016	0.003917377%	989,141	1,550,321	63.80%	84.88%
2017	0.003896250%	1,152,485	1,607,812	71.68%	83.89%
2018	0.004126695%	1,242,982	1,776,565	69.97%	84.26%

HEALTH INSURANCE SUBSIDY PENSION PLAN

Year Ended June 30,	District's Proportion of the HIS Net Pension Plan	District's Proportion Share of the HIS Net Pension Liability	District's Covered-Employee Payroll (FYE June 30)	District's Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered-Employee Payroll	HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.004870627%	$ 455,416	$ 1,447,143	31.47%	0.99%
2015	0.005158911%	526,128	1,565,135	33.62%	0.50%
2016	0.004969450%	579,169	1,550,321	37.36%	0.97%
2017	0.004969945%	539,343	1,607,812	33.55%	1.64%
2018	0.005439247%	575,696	1,776,565	32.41%	2.15%

Note:

Additional information will be provided annually until ten years' data is presented.

LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PENSION PLANS
LAST 10 FISCAL YEARS

FLORIDA RETIREMENT SYSTEM PENSION PLAN

Year Ended September 30,	Contractually Required Contribution	FRS Contribution in Relation to the Contractually Required Contribution	FRS Contribution Deficiency (Excess)	District's Covered-Employee Payroll (FYE September 30)	FRS Contributions as a Percentage of Covered-Employee Payroll
2014	$ 103,315	$ (103,315)	$ 0	$ 1,455,319	7.10%
2015	103,130	(103,130)	0	1,584,448	6.51%
2016	101,827	(101,827)	0	1,584,071	6.43%
2017	104,759	(104,759)	0	1,693,445	6.19%
2018	119,538	(119,538)	0	1,790,432	6.68%

HEALTH INSURANCE SUBSIDY PENSION PLAN

Year Ended September 30,	Contractually Required Contribution	HIS Contribution in Relation to the Contractually Required Contribution	HIS Contribution Deficiency (Excess)	District's Covered-Employee Payroll (FYE September 30)	HIS Contributions as a Percentage of Covered-Employee Payroll
2014	$ 19,721	$ (19,721)	$ 0	$ 1,455,319	1.36%
2015	21,430	(21,430)	0	1,584,448	1.35%
2016	26,033	(26,033)	0	1,584,071	1.64%
2017	28,117	(28,117)	0	1,693,445	1.66%
2018	29,727	(29,727)	0	1,790,432	1.66%

Note:

Additional information will be provided annually until ten years' data is presented.

Changes in Benefit Terms and Assumptions

Changes in Benefit Terms:

No significant changes.

Changes in Assumptions:

- **FRS—**The long-term expected rate of return was decreased from 7.10% to 7.00%, and the active member mortality assumption was updated.

- **HIS—**The municipal rate used to determine total pension liability was increased from 3.58% to 3.87%.

OTHER SUPPLEMENTARY INFORMATION

LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

ASSETS

	Capital Equipment Fund	Land Acquisition Fund	Total Nonmajor Governmental Funds
Assets			
Due from Other Funds	$ 410,934	$ 451	$ 411,385
Total Assets	410,934	451	411,385

LIABILITIES AND FUND BALANCE

Liabilities			
Accounts and Contracts Payable	0	451	451
Total Liabilities	0	451	451
Fund Balance			
Assigned for:			
Equipment Replacement	410,934	0	410,934
Total Fund Balance	410,934	0	410,934
Total Liabilities and Fund Balance	$ 410,934	$ 451	$ 411,385

LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
ALL NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Capital Equipment Fund	Land Acquisition Fund	Total Nonmajor Governmental Funds
Revenues			
Permits	$ 47,820	$ 0	$ 47,820
Miscellaneous Revenue	19,440	0	19,440
Total Revenues	67,260	0	67,260
Expenditures			
Current:			
Physical Environment:			
Operating Expenditures	0	6,030	6,030
Capital Outlay	388,323	222,567	610,890
Debt Service:			
Principal	25,618	0	25,618
Interest and Physical Charges	2,335	0	2,335
Total Expenditures	416,276	228,597	644,873
(Deficiency) of Revenues (Under) Expenditures	(349,016)	(228,597)	(577,613)
Other Financing Sources (Uses)			
Transfers in	111,052	106,366	217,418
Proceeds from the Sale of Capital Assets	48,989	0	48,989
Total Other Financing Sources (Uses)	160,041	106,366	266,407
Net Change in Fund Balance	(188,975)	(122,231)	(311,206)
Fund Balance - Beginning of Year	599,909	122,231	722,140
Fund Balance - End of Year	$ 410,934	$ 0	$ 410,934

OTHER REPORTS

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

Board of Commissioners
Lehigh Acres Municipal Services Improvement District
Lehigh Acres, Florida

We have audited, in accordance with the 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, the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lehigh Acres Municipal Services Improvement District (the District), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 14, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Board of Commissioners
Lehigh Acres Municipal Services Improvement District
Lehigh Acres, Florida

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Concluded)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Purvis, Gray and Company, LLP

February 14, 2019
Sarasota, Florida

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH FLORIDA STATUTES SECTION 218.415 – INVESTMENTS OF PUBLIC FUNDS

Board of Commissioners
Lehigh Acres Municipal Services Improvement District
Lehigh Acres, Florida

We have examined the Lehigh Acres Municipal Services Improvement District's (the District) compliance with Section 218.415, Florida Statutes during the fiscal year ended September 30, 2018. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

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

Purvis, Gray and Company, LLP

February 14, 2019
Sarasota, Florida

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Purvis Gray & Company

MANAGEMENT LETTER

Board of Commissioners
Lehigh Acres Municipal Services Improvement District
Lehigh Acres, Florida

Report on the Financial Statements
We have audited the financial statements of the Lehigh Acres Municipal Services Improvement District (the District), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated February 14, 2019.

Auditors' Responsibility
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General.*

Other Reporting Requirements
We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards;* and Independent Auditors' Report on an examination conducted in accordance with AICPA *Professional Standards,* AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General.* Disclosures in those reports and schedule, which are dated February 14, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings
Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority
Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. See Note A of the District's financial statements for this information. There are no component units related to the District.

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Board of Commissioners
Lehigh Acres Municipal Services Improvement District
Lehigh Acres, Florida

MANAGEMENT LETTER
(Concluded)

Financial Condition and Management
Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters
Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter
Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Commissioners of the District, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

Purvis, Gray and Company, LLP

February 14, 2019
Sarasota, Florida