

2020

Lehigh Acres Municipal Services Improvement District

Financial Statements

and Independent Auditor's Report

September 30, 2020

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

**LEHIGH ACRES MUNICIPAL SERVICES
IMPROVEMENT DISTRICT**

SEPTEMBER 30, 2020

TABLE OF CONTENTS

Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-12
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position.....	13
Statement of Activities.....	14
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet - Governmental Funds	15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	16
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds.....	18
Notes to the Financial Statements.....	19-46
Required Supplementary Information	
Budget to Actual Comparison – General Fund:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund.....	47
Schedules of Pension and Other Postemployment Benefits:	
Schedule of Changes in the District's Total Other Postemployment Benefits Liability and Related Ratios	48
Schedule of the District's Proportionate Share of the Net Pension Liability.....	49
Schedule of District's Contributions.....	50
Notes to the Required Supplementary Information.....	51

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR’S REPORT**

**LEHIGH ACRES MUNICIPAL SERVICES
IMPROVEMENT DISTRICT**

SEPTEMBER 30, 2020

TABLE OF CONTENTS

Supplementary Information

Balance Sheet – Non-Major Governmental Funds	52
Schedule of Revenues, Expenditures, and Changes In Fund Balance – Non-Major Governmental Funds.....	53

Other Reports

Schedule of Expenditures of State Financial Assistance	54
Notes to the Schedule of Expenditures of State Financial Assistance	55
Independent Auditor’s Report on Compliance for each Major State Project and on Internal Control Over Compliance Required by Chapter 10.550, <i>Rules of the Auditor General</i>	56-57
Schedule of Findings and Questioned Costs of State Financial Assistance.....	58-59
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	60-61
Management Letter	62-63
Independent Accountant’s Report on Compliance with Florida Statute Section 218.415 - <i>Investments of Public Funds</i>	64

INDEPENDENT AUDITOR'S 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, 2020, 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.

Auditor's 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 auditor's 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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Board of Commissioners
Lehigh Acres Municipal Services Improvement District
Lehigh Acres, Florida

INDEPENDENT AUDITOR'S REPORT

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, 2020, 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.

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 schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Chapter 10.550, *Rules of the Auditor General*, and is also not a required part of the basic financial statements. The combining and individual non-major fund financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial schedules and the schedule of expenditures of state financial assistance 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 non-major fund schedules and the schedule of expenditures of state financial assistance 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 AUDITOR'S REPORT

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2021, 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.



April 15, 2021
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, 2020. 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 \$33,467,075 (*net position*). Of this amount, \$7,236,663 (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors.
- * The District's net position increased by \$1,268,320 for fiscal year ended September 30, 2020.
- * As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$7,504,427, a decrease of \$390,805 from the previous fiscal year. Other than the non-spendable fund balance of \$1,793, 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, unassigned fund balance for the general fund was \$4,534,790.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 schedule has been provided for the general fund as *required supplementary information* which can be found on pages 47 through 51 of this report. The basic governmental fund financial statements can be found on pages 15 and 18 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 46 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$33,467,075 at the close of the most recent fiscal year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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 2020	Governmental Activities 2019
Assets:		
Current and Other Assets	\$ 9,917,898	\$ 9,202,204
Capital Assets	33,146,712	32,571,606
	43,064,610	41,773,810
Deferred Outflows of Resources:	685,893	701,337
Liabilities:		
Current and Other Liabilities	1,638,018	1,180,544
Non-Current Liabilities	8,466,586	8,934,229
	10,104,604	10,114,773
Deferred Inflows of Resources:	178,824	161,619
Net Position:		
Net investment in Capital Assets	26,230,412	25,286,102
Unrestricted	7,236,663	6,912,653
Total Net Position	\$ 33,467,075	\$ 32,198,755

By far, the largest portion of the District's net position (78.4%) 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, \$7,236,663 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 an increase of \$324,010 in the unrestricted net position in connection with the District's governmental activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

During fiscal year 2020, the District's total net position increased by \$1,268,320. There was an increase of \$649,549 in intergovernmental receivables compared to fiscal year 2019, which is mainly attributed to recognizable grant funds due from various federal and local governmental agencies in fiscal year 2020. 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		Governmental Activities
	2020		2019
Revenues:			
Program Revenues:			
Charges for Services - Permit Fees	\$ 70,700	\$	40,900
Intergovernmental Revenue	1,291,523		2,945,528
General Revenues:			
Non-Ad Valorem Assessments	6,004,436		5,639,404
Other	180,404		204,121
Total Revenues	7,547,063		8,829,953
Expenses:			
Water Control	6,278,743		6,262,805
Total Expenses	6,278,743		6,262,805
Change in Net Position	1,268,320		2,567,148
Net Position – Beginning	32,198,755		29,631,607
Net Position – Ending	\$ 33,467,075	\$	32,198,755

Explanation of significant variances:

* Permit fees increased by \$29,800 from fiscal year 2019, due to an increase in construction right-of-way permits in fiscal year 2020.

In fiscal year 2020 intergovernmental revenue decreased by \$1,654,005 which was due to less earned and received grant money than in fiscal year 2019.

* Non-ad valorem assessments increased in fiscal year 2020 by \$365,032 compared to fiscal year 2019, which is primarily due to an increase in non-ad valorem assessment collections in fiscal year 2020.

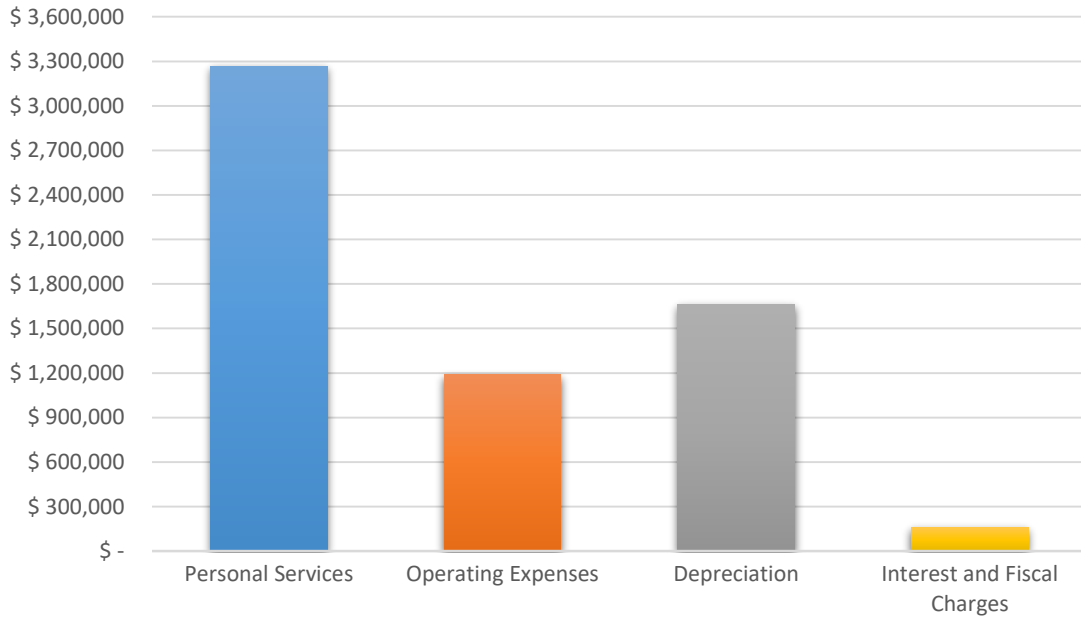
* Other revenues decreased by \$23,717 during fiscal year 2020 compared to fiscal year 2019 mainly due to an increase in gain on disposal of capital assets.

* Total expenses increased by \$15,938 in fiscal year 2020 vs. fiscal year 2019.

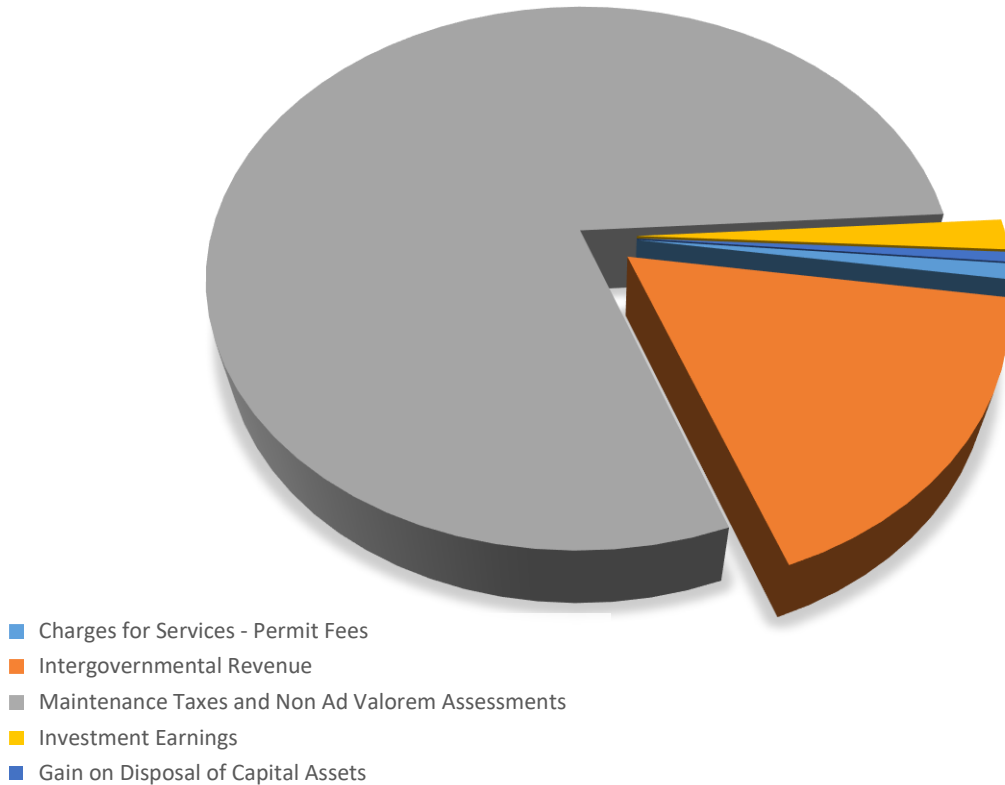
MANAGEMENT'S DISCUSSION AND ANALYSIS

Shown below are graphs of 2020 expenses and revenues:

Expenses - Governmental Activities



Revenues by Source - Governmental Activities



MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2020, the District's governmental funds reported combined ending fund balances of \$7,504,427 a decrease of (\$390,805) in fiscal year 2020 compared to fiscal year 2019. Of the year-end balance, \$1,793 is non-spendable and \$2,967,844 is assigned for various purposes. Approximately \$4,534,790 (60%) 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 \$4,534,790, an increase of \$397,228 when compared to fiscal year 2019. In addition, the general fund had a total fund balance of \$4,536,583 which was an increase of \$393,196 (9.49%) from fiscal year 2019.

The debt service fund has a total fund balance of \$1,167,907 at year-end, of which is all assigned.

The District maintains three capital project funds that have a combined total fund balance of \$1,799,937 in fiscal year 2020 which is a (\$795,182) (30.64%) decrease in fund balance compared to fiscal year 2019 mainly from using existing fund balance to cover capital project expenditures.

Capital Asset and Debt Administration

Capital Assets. The District's capital assets, as of September 30, 2020, amount to \$33,146,712 (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 \$575,106 in the District's capital assets in fiscal year 2020 vs. fiscal year 2019.

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

- * Construction in progress had a net increase of \$315,408.
- * Equipment purchases for the year totaled \$557,330 and the final payment was made on an equipment lease agreement in the amount of \$27,953.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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		Governmental Activities
	2020		2019
Land	\$ 3,290,885	\$	3,290,885
Intangibles - Easements	1,297		1,297
Buildings, Net	1,607,282		1,648,362
Infrastructure, Net	22,018,197		21,892,250
Equipment, Net	2,056,247		1,880,625
Intangibles – Software	3,577		4,368
Construction in Progress	4,169,227		3,853,819
Total Assets	\$ 33,146,712	\$	32,571,606

Additional information on the District's capital assets can be found in Note E on pages 30 and 31 of this report.

Long-term debt. At the end of the current fiscal year, the District had total notes payable outstanding of \$6,501,982.

Lehigh Acres Municipal Services Improvement District Long-Term Debt

	Governmental Activities		Governmental Activities
	2020		2019
Notes Payable	\$ 6,501,982	\$	7,258,351
Installment Purchase Obligations	-		27,153
Total	\$ 6,501,982	\$	7,285,504

The District's total debt saw a net decrease of (\$783,522) (10.75%) 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 31 through 32 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 2020, 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 2020 (tax year 2019) was \$130.15 per acre. In fiscal year 2019, there was a \$10 per acre non-ad valorem assessment rate increase, which was mainly for the purpose of starting and funding a bridge fund for future bridge infrastructure projects. The majority of the landowners own one-quarter or one-half acres lots. 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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BASIC FINANCIAL STATEMENTS

LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 8,174,698
Due from Other Governments	1,735,041
Other Receivables	6,366
Prepaid Items	118
Utility Deposits	1,675
Capital Assets:	
Non-Depreciable Land, Construction in Progress, Easements, Depreciable Buildings, Land Improvements, Furniture and Fixtures, and Equipment (Net of (\$37,168,415) Accumulated Depreciation)	33,146,712
Total Assets	43,064,610
 Deferred Outflows of Resources	
Deferred Outflows - Pension	685,893
Total Deferred Outflows of Resources	685,893
 Total Assets and Deferred Outflows of Resources	43,750,503
 Liabilities	
Accounts and Contracts Payable	482,640
Retainage Payable	124,327
Accrued Liabilities	91,308
Accrued Interest on Long-Term Obligations	15,848
Non-Current Liabilities:	
Due Within One Year	923,895
Due in More than One Year	8,466,586
Total Liabilities	10,104,604
 Deferred Inflows of Resources	
Deferred Inflows - Pensions	178,824
Total Deferred Inflows of Resources	178,824
 Total Liabilities and Deferred Inflows of Resources	10,283,428
 Net Position	
Net Investment in Capital Assets	26,230,412
Unrestricted	7,236,663
Total Net Position	\$ 33,467,075

See accompanying notes to financial statements.

**LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020**

	Governmental Activities
Expenses	
Water Control:	
Personnel Services	\$ 3,266,473
Operating Expenses	1,189,463
Depreciation	1,662,755
Interest and Fiscal Charges	160,052
Total Expenses	6,278,743
 Program Revenue	
Charges for Services - Permit Fees	70,700
Intergovernmental Revenue	1,291,523
Total Program Revenue	1,362,223
 Net Program Expenses	(4,916,520)
 General Revenues	
Maintenance Taxes and Non Ad-Valorem Assessments	6,004,436
Interest Earnings and Miscellaneous	135,883
Gain on Disposal of Capital Assets	44,521
Total General Revenues	6,184,840
 Change in Net Position	1,268,320
 Net Position, Beginning of Year	32,198,755
 Net Position, End of Year	\$ 33,467,075

See accompanying notes to financial statements.

LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

ASSETS

	Major Funds				Total Governmental Funds
	General	Debt Service	Capital Infrastructure Projects	Other Governmental Funds	
Assets					
Cash and Cash Equivalents	\$ 6,699,457	\$ 1,191,114	\$ -	\$ 284,127	\$ 8,174,698
Due from Other Governments	19,845	-	1,715,196	-	1,735,041
Due from Other Funds	23,207	-	1,815,414	114,714	1,953,335
Other Receivables	6,366	-	-	-	6,366
Prepaid Items	118	-	-	-	118
Utility Deposits	1,675	-	-	-	1,675
Total Assets	6,750,668	1,191,114	3,530,610	398,841	11,871,233

LIABILITIES AND FUND BALANCE

Liabilities					
Accounts and Contracts Payable	192,649	-	289,991	-	482,640
Retainage Payable	-	-	124,327	-	124,327
Due to Other Funds	1,930,128	23,207	-	-	1,953,335
Accrued Liabilities	91,308	-	-	-	91,308
Total Liabilities	2,214,085	23,207	414,318	-	2,651,610
Deferred Inflow of Resources					
Unavailable Revenue - Grants	-	-	1,715,196	-	1,715,196
Total Deferred Inflow	-	-	1,715,196	-	1,715,196
Fund Balance					
Non-Spendable:					
Prepaid Items and Deposits	1,793	-	-	-	1,793
Assigned for:					
Debt Service	-	1,167,907	-	-	1,167,907
Capital Expenditures	-	-	1,401,096	-	1,401,096
Equipment Replacement	-	-	-	114,714	114,714
Bridge Replacement	-	-	-	284,127	284,127
Unassigned	4,534,790	-	-	-	4,534,790
Total Fund Balance	4,536,583	1,167,907	1,401,096	398,841	7,504,427
Total Liabilities and Fund Balance	\$ 6,750,668	\$ 1,191,114	\$ 3,530,610	\$ 398,841	\$ 11,871,233

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, 2020**

Total Fund Balances for Governmental Funds \$ 7,504,427

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

Revenues are deferred in governmental funds when both the measurable and available criteria are not met under the modified accrual basis of accounting. Under the full accrual basis of accounting these revenues would be recognized when earned regardless of when they are received. 1,715,196

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	4,169,227	
Building, Infrastructure, Equipment, and Intangibles	62,853,718	
(Less Accumulated Depreciation)	<u>(37,168,415)</u>	33,146,712

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Notes Payable	(6,501,982)	
Accrued Interest	(15,848)	
Compensated Absences	<u>(406,738)</u>	(6,924,568)

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	(2,287,236)	
Deferred Outflows of Resources	685,893	
Deferred Inflows of Resources	<u>(178,824)</u>	(1,780,167)

The other postemployment benefits liability is not recorded in the fund financial statements because it does not utilize current resources:

Other Postemployment Benefit Liability		<u>(194,525)</u>
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Total Net Position of Governmental Activities \$ 33,467,075

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, 2020**

	Major Funds				Total Governmental Funds
	General	Debt Service	Capital Infrastructure Projects	Non-Major Capital Equipment	
Revenues					
Non Ad-Valorem Assessments	\$ 5,678,945	\$ -	\$ -	\$ 325,491	\$ 6,004,436
Permits	-	-	-	70,700	70,700
Intergovernmental	-	-	637,630	-	637,630
Miscellaneous Revenue	26,751	-	2,674	10,113	39,538
Interest Income	84,032	11,182	-	1,132	96,346
Total Revenues	5,789,728	11,182	640,304	407,436	6,848,650
Expenditures					
Current:					
Physical Environment:					
Personnel Services	2,911,249	-	-	-	2,911,249
Operating Expenditures	1,186,620	-	838	2,005	1,189,463
Capital Outlay	-	-	1,719,564	557,330	2,276,894
Debt Service:					
Principal	-	756,370	-	27,152	783,522
Interest and Physical Charges	-	161,080	-	801	161,881
Total Expenditures	4,097,869	917,450	1,720,402	587,288	7,323,009
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,691,859	(906,268)	(1,080,098)	(179,852)	(474,359)
Other Financing Sources (Uses)					
Transfers in	-	917,449	-	381,214	1,298,663
Transfers (out)	(1,298,663)	-	-	-	(1,298,663)
Proceeds from the Sale of Capital Assets	-	-	-	83,554	83,554
Total Other Financing Sources (Uses)	(1,298,663)	917,449	-	464,768	83,554
Net Change in Fund Balance	393,196	11,181	(1,080,098)	284,916	(390,805)
Fund Balance - Beginning of Year	4,143,387	1,156,726	2,481,194	113,925	7,895,232
Fund Balance - End of Year	\$ 4,536,583	\$ 1,167,907	\$ 1,401,096	\$ 398,841	\$ 7,504,427

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
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020**

Net Change in Fund Balance - Total Governmental Funds \$ (390,805)

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. 653,893

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	\$ 2,276,894	
Net Book Value of Capital Assets Disposed	(39,034)	
(Less Current Year Depreciation)	(1,662,755)	575,105

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 783,522

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	1,829	
Compensated Absences	(92,251)	(90,422)

Change in the other postemployment liability does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds. (25,831)

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. (237,142)

Change in Net Position of Governmental Activities \$ 1,268,320

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

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.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

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.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

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 are recognized as revenue when the availability and eligibility requirements have been met. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

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.
- **Bridge Renewal and Replacement Fund**—to account for the accumulation of resources for bridge renewal and replacement.

The effect of all interfund activity (transfers in/out and due from/due to) 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.

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) and the Florida Cooperative Liquid Assets Securities System (FLCLASS). PRIME Fund and FLCLASS are external investment pool reported at amortized cost, which approximates fair value.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

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, 2020, 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 uncollectible, 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 \$5,000. Assets purchased with a cost of less than \$5,000 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

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 non-current 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

- **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.

Net Position

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.

Encumbrances

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

Management Estimates

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.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

Non Ad-Valorem Maintenance and Benefit Assessments

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.

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 \$130.15 per acre of land within Lee County and Hendry County. The maintenance assessment proceeds are used by the District to pay the operating costs for the year ended September 30, 2020. 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, 2020; 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, 2020, was \$2,287,236.

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.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

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:

There was no change between the final and original budget

Note C - Cash and Investments

At September 30, 2020, unrestricted cash was \$2,728,413 (including cash on hand of \$7,305). Cash and Cash Equivalents at September 30, 2020, include investments in local government investment pools of \$5,446,285.

Deposits

At September 30, 2020, the carrying amount of the District’s deposits was \$8,174,698, and the bank balances were \$8,229,075. The difference is due to cash on hand and checks that had been written but not yet paid by the bank.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

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, 2020.

<u>General Fund</u>	<u>Market/Carrying Amount</u>	<u>Cost</u>
Local Government		
Surplus Funds:		
Trust Fund (SBA):		
Florida PRIME	\$ 1,706,362	\$ 1,706,362
Florida Cooperative		
Liquid Assets		
Securities System (FLCLASS)	<u>3,739,923</u>	<u>3,739,923</u>
Total Investments	<u>\$ 5,446,285</u>	<u>\$ 5,446,285</u>

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 Florida Cooperative Liquid Assets Securities System (FLCLASS), an independent local government investment pool designed to provide a safe and competitive investment alternative for Florida governmental entities. FLCLASS does not meet the requirements of GASB Statement No. 79 and is measured at NAV, which approximates fair value.

Following is a list of investments held at September 30, 2020 (Ratings from Standard & Poor's):

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

	Maturity	Fair Value	Rating
Investments			
Investment Pools:			
FLCLASS	51 days	\$ 3,739,923	AAAm
Florida PRIME Local Government Surplus Trust	48 days	1,706,362	AAAm
Total Investments		\$ 5,446,285	

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

- *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, 2020, is 48 days. The weighted average life (WAL) of Florida PRIME at September 30, 2019, is 63 days. Florida PRIME has a Standard & Poor’s rating of AAAm.

FLCLASS minimizes risk by managing the portfolio in a manner that emphasizes the preservation of principal. Portfolio maturity and duration parameters are established to provide for the liquidity need of the participants. The weighted average maturity (WAM) of FLCLASS at September 30, 2020, is 51 days. The weighted average life (WAL) of FLCLASS at September 30, 2020, is 82 days. FLCLASS has a Standard & Poor’s rating of AAAm.

Neither fund was exposed to foreign currency risk during the fiscal year ended September 30, 2020.

Reconciliation of Cash and Investments to the Fund Financial Statements

Cash and Investments, per Note C	Amount
Cash on Hand	\$ 7,305
Cash in Bank	2,721,108
Investments	5,446,285
Total Cash and Investments	\$ 8,174,698
 Cash and Investments, per Balance Sheet	
Unrestricted:	
Cash and Cash Equivalents	\$ 8,174,698
Total Cash and Investments	\$ 8,174,698

Fair Value Measurement

The District holds assets that are defined as short-term investments. The District investments are recorded at fair value unless the investment qualifies as an external investment pool under the guidance in GASB Statement No. 79. None of the investment are subject to a fair value hierarchy valuation.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

Note D - Receivables and Accrued Liabilities

Receivables as of September 30, 2020, for the District's governmental activities are as follows:

	Governmental Funds
Receivables	
Accounts Receivables	\$ 3,028
Due from Developer	3,339
Intergovernmental	<u>1,735,041</u>
Net Total Receivables	<u><u>\$ 1,741,408</u></u>

Accrued liabilities at September 30, 2020, were as follows:

	General Fund
Accrued Liabilities	
Payroll	\$ 91,308
Total Accrued Liabilities	<u><u>\$ 91,308</u></u>

Note E - Capital Assets

The following is a summary of changes in capital asset activity for the year ended September 30, 2020:

	Balance at October 1, 2019	Additions	Deletions	Balance at September 30, 2020
Capital Assets not Being Depreciated				
Land (Including Canals)	\$ 3,290,885	\$ -	\$ -	\$ 3,290,885
Intangibles - Easements ¹	1,297	-	-	1,297
Construction in Progress	<u>3,853,819</u>	<u>1,719,564</u>	<u>(1,404,156)</u>	<u>4,169,227</u>
Total Capital Assets not Being Depreciated	<u>7,146,001</u>	<u>1,719,564</u>	<u>(1,404,156)</u>	<u>7,461,409</u>
Capital Assets Being Depreciated				
Buildings	2,062,036	-	-	2,062,036
Land Improvements	53,979,159	1,404,156	-	55,383,315
Equipment	5,033,750	557,330	(238,346)	5,352,734
Intangibles - Software ¹	<u>55,633</u>	<u>-</u>	<u>-</u>	<u>55,633</u>
Total Capital Assets Being Depreciated	<u>61,130,578</u>	<u>1,961,486</u>	<u>(238,346)</u>	<u>62,853,718</u>
Less Accumulated Depreciation				
Buildings	(413,674)	(41,080)	-	(454,754)
Land Improvements	(32,086,909)	(1,278,209)	-	(33,365,118)
Equipment	(3,153,125)	(342,675)	199,313	(3,296,487)
Intangibles - Software	<u>(51,265)</u>	<u>(791)</u>	<u>-</u>	<u>(52,056)</u>
Total Accumulated Depreciation	<u>(35,704,973)</u>	<u>(1,662,755)</u>	<u>199,313</u>	<u>(37,168,415)</u>
Total Capital Assets Being Depreciated, Net	<u>25,425,605</u>	<u>298,731</u>	<u>(39,033)</u>	<u>25,685,303</u>
Capital Assets, Net	<u><u>\$ 32,571,606</u></u>	<u><u>\$ 2,018,295</u></u>	<u><u>\$ (1,443,189)</u></u>	<u><u>\$ 33,146,712</u></u>

⁽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.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

Depreciation expense in the amount of \$1,662,755, was reported as a separate line item in Statement of Activities.

Construction Commitments

The District has several construction projects in progress as of September 30, 2020. The District's commitments at year-end are as follows:

Construction Projects	Expended - To-Date	Remaining Commitment
C.R.E.S.T. Project	\$ 91,842	\$ 83,158
Hendry Canal Extension Widening	18,000	12,000
West Marsh Design	474,034	25,828
West Harns Marsh Phase III Project	1,243,275	1,085,314
GS-10 Land Management Plan	39,240	18,760
Panther Canal	10,393	34,188
Total Construction Projects	<u>\$ 1,876,784</u>	<u>\$ 1,259,248</u>

Note F - Long-Term Debt

All of the District's notes payable as of September 30, 2020, arose through direct borrowings.

Notes payable outstanding at September 30, 2020, consist 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					
Direct Borrowing	Maintenance Taxes	Construction	\$ 182,418	\$ 41,004	2.96% - 3.09%	\$ 12,426
FDEP ECARP 2.3						
SW109020	Lien on					
Direct Borrowing	Maintenance Taxes	Construction	348,830	81,534	2.86% - 3.09%	21,727
FDEP 2005						
SW10903P	Lien on					
Direct Borrowing	Maintenance Taxes	Construction	318,023	164,553	2.34%	20,383
FDEP 2005						
SW109030	Lien on					
Direct Borrowing	Maintenance Taxes	Construction	2,146,951	1,121,098	2.94%	142,680
FDEP SW109040	Lien on					
Direct Borrowing	Maintenance Taxes	Construction	212,976	114,143	2.68%	13,689
FDEP SW109041	Lien on					
Direct Borrowing	Maintenance Taxes	Construction	1,913,708	1,027,958	2.68%	123,284
Series 2017	Lien on					
Direct Borrowing	Maintenance Taxes	Construction	5,457,854	3,951,692	2.00%	583,260
Total			<u>\$ 10,580,760</u>	<u>\$ 6,501,982</u>		

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

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

The following is a summary of changes in long-term debt for the fiscal year ended September 30, 2020:

	Balance			Balance	Amounts
	October 1,				
	2019	Additions	Reductions	2020	One Year
Notes Payable	\$ 7,258,351	\$ -	\$ (756,369)	\$ 6,501,982	\$ 773,924
Installment Purchase	27,153	-	(27,153)	-	-
Compensated Absences	314,487	306,169	(213,918)	406,738	139,971
Net Pension Liability	2,082,742	204,494	-	2,287,236	10,000
Other Postemployment					
Benefits	168,694	31,559	(5,728)	194,525	-
	<u>\$ 9,851,427</u>	<u>\$ 542,222</u>	<u>\$ (1,003,168)</u>	<u>\$ 9,390,481</u>	<u>\$ 923,895</u>

The following are the annual requirements to service the notes payable outstanding at September 30, 2020:

Year Ending	Principal	Interest	Total
September 30,			
2021	\$ 773,924	\$ 143,526	\$ 917,450
2022	791,653	125,795	917,448
2023	809,804	107,645	917,449
2024	822,050	89,187	911,237
2025	812,807	74,588	887,395
2026-2030	<u>2,491,744</u>	<u>106,429</u>	<u>2,598,173</u>
Total	<u>\$ 6,501,982</u>	<u>\$ 647,170</u>	<u>\$ 7,149,152</u>

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 District made the final payment during the 2020 fiscal year.

Note G – Interfund Activity

Interfund Transfers

Interfund transfers at September 30, 2020, are as follows:

Transfer-Out	Transfer-In Funds		
	Debt Service	Capital	
		Fund	Equipment
Fund	Projects Fund		
General	\$ 917,449	\$ 381,214	\$ 1,298,663
Total Transfers	<u>\$ 917,449</u>	<u>\$ 381,214</u>	<u>\$ 1,298,663</u>

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

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.

Interfund Receivables and Payables

Interfund Due to and Due From at September 30, 2020, are as follows:

<u>Due From Funds</u>	<u>Due to Funds</u>			<u>Total</u>
	<u>General</u>	<u>Capital Infrastructure Projects</u>	<u>Capital Equipment</u>	
General	\$ -	\$ 1,815,414	\$ 114,714	\$ 1,930,128
Debt Service	23,207	-	-	23,207
	<u>\$ 23,207</u>	<u>\$ 1,815,414</u>	<u>\$ 114,714</u>	<u>\$ 1,953,335</u>

The interfund amounts are primarily the result of: 1) temporary loans to cover debt services and 2) exchange activities for labor and equipment across funds. These amounts are expected to be repaid within 1 year.

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:

	<u>Amount</u>
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.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

Grants

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 non-integrated 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 \$161,119 for the fiscal year ended September 30, 2020 (all plans).

Payables to the Pension Plan

The District reported a payable of \$19,081 for the outstanding amount of contributions to the Plan required for the fiscal year ended September 30, 2020.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

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.

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:

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>Percent Value</u>
<i>Regular Class Members Initially Enrolled Before July 1, 2011:</i>	
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
<i>Regular Class Members Initially Enrolled on or After July 1, 2011:</i>	
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
<i>Senior Management Service Class</i>	2.00
<i>Elected Officers Class – Others</i>	3.00

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 2019-20 fiscal year were as follows:

<u>Class</u>	<u>Year Ended June 30, 2020 Percent of Gross Salary</u>		<u>Year Ended June 30, 2021 Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (2)</u>	<u>Employee</u>	<u>Employer (2)</u>
FRS, Regular	3.00	6.75	3.00	8.28
FRS, Senior Management Services	3.00	23.76	3.00	25.57
Elected Officers	3.00	47.10	3.00	47.46
DROP – Applicable to Members from All of the Above Classes	0.00	12.94	0.00	15.32
FRS, Reemployment Retiree	(1)	(1)	(1)	(1)

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

(2) These rates include the normal cost and unfunded actuarial liability contributions but do not include the contribution for Retiree Health Insurance Subsidy of 1.66% and the fee of 0.06% for administration of the FRS Investment Plan and provisions of education tools for both plans.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

The District's contributions to the Plan totaled \$130,752 for the fiscal year ended September 30, 2020. 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, 2020, the District reported a liability of \$1,646,408 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The District's proportionate share of the net pension liability was based on the District's 2019-20 fiscal year contributions relative to the fiscal year 2019-20 fiscal year contributions of all participating members. At June 30, 2020, the District's proportion was 0.0037986899%, which was a decrease of 0.0004145428 from its proportion measured as of June 30, 2019.

For the year ended September 30, 2020, the District recognized pension expense of \$341,989 related to the Plan. At September 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer Contributions after Measurement Date	\$ 39,552	\$ -
Difference Between Expected and Actual Experience	63,012	-
Changes of Assumptions	298,052	-
Changes in Proportion and Difference Between District Contributions and Proportionate Share of Contributions	98,029	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	<u>36,983</u>	<u>98,803</u>
Total	<u>\$ 535,628</u>	<u>\$ 98,803</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, totaling \$39,552 will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2021	\$ 81,462
2022	135,260
2023	116,284
2024	62,263
2025	2,004
Thereafter	-
Total	<u>\$ 397,273</u>

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

Actuarial Assumptions

The total pension liability in the July 1, 2020, actuarial valuation was determined using the individual entry age cost method, and the following actuarial assumptions:

Inflation	2.40%
Salary Increases	3.25% Average, Including Inflation
Discount Rate	6.80%
Long-Term Expected Rate of Return, Net of Investment Expense	6.80%

Mortality rates were based on the PUB2010 based table varies by member category and sex, projected generationally with Scale MP-2018.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

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:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	2.2%	2.2%	1.2%
Fixed Income	19.0%	3.0%	2.9%	3.5%
Global Equity	54.2%	8.0%	6.7%	17.1%
Real Estate	10.3%	6.4%	5.8%	11.7%
Private Equity	11.1%	10.8%	8.1%	25.7%
Strategic Investments	4.4%	5.5%	5.3%	6.9%
Total	<u><u>100.0%</u></u>			
Assumed Inflation – Mean			2.4%	1.7%

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

Discount Rate

The discount rate used to measure the total pension liability was 6.80%. 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 6.90% in the July 1, 2019 valuation.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

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 (6.80%), 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 (5.80%) or 1-percentage-point higher (7.80%) than the current rate:

FRS – District:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
District's Proportionate Share of the Net Pension Liability	\$ <u>2,629,037</u>	\$ <u>1,646,408</u>	\$ <u>825,715</u>

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, 2020, 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, 2020 and 2019, 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 \$30,367 for the fiscal year ended September 30, 2020.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

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

At September 30, 2020, the District reported a net pension liability of \$640,828 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The District's proportionate share of the net pension liability was based on the District's 2019-20 fiscal year contributions relative to the total 2019-20 fiscal year contributions of all participating members. At June 30, 2020, the District's proportionate share was 0.0052484538%, which was a decrease of 0.0003978318 from its proportionate share measured as of June 30, 2019.

For the fiscal year ended September 30, 2020, the District recognized pension expense of \$56,312 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:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer Contributions after Measurement Date	\$ 8,171	\$ -
Difference Between Expected and Actual Experience	26,214	494
Changes of Assumptions	68,907	37,262
Changes in Proportion and Difference between District Contributions and Proportionate Share of Contributions	512	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	<u>46,462</u>	<u>42,264</u>
Total	<u>\$ 150,266</u>	<u>\$ 80,020</u>

The deferred outflows of resources related to pensions, resulting from District contributions to the HIS Plan subsequent to the measurement date totaling \$8,171, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2021	\$ 20,574
2022	13,796
2023	6,417
2024	10,386
2025	8,461
Thereafter	<u>2,442</u>
Total	<u>\$ 62,076</u>

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

Actuarial Assumptions

The total pension liability in the July 1, 2020, actuarial valuation was determined using the individual entry age cost method, and the following actuarial assumptions:

Inflation	2.21%
Salary Increases	3.25% Average, Including Inflation
Discount Rate	2.21%
Municipal Bond Index	2.21%

Mortality rates were based on the Generational PUB-2010 with Projection Scale MP-2018.

The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

Discount Rate

The discount rate used to measure the total pension liability was 2.21%. 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 (2.21%), 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 (1.21%) or percentage-point higher (3.21%) than the 1- current rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
District's Proportionate Share of the Net Pension Liability	\$ 740,768	\$ 640,828	\$ 559,027

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

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 2019-20 fiscal year were as follows:

Class	Year Ended June 30, 2020		Year Ended June 30, 2021	
	Percent of Gross Compensation		Percent of Gross Compensation	
	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, 2020, 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.

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 \$20,892 for the fiscal year ended September 30, 2020.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

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 Postemployment 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:

	September 30, 2019
Inactive Plan Members or Beneficiaries	
Currently Receiving Benefits	1
Active Employees	39
Total	40

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

The Total OPEB Liability was determined by an actuarial valuation as of September 30, 2018, rolled forward to September 30, 2019, using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	2.50%
Discount Rate	3.58%
Initial Trend Rate	8.00%
Ultimate Trend Rate	4.00%
Years to Ultimate	56

For all lives, mortality rates were PubG-2010 Healthy mortality, projected 5 years past the valuation date with Scale MP-2018.

Given the District's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 3.58%. 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, 2019, and was determined by an actuarial valuation as of October 1, 2018. The census information used in the October 1, 2018, valuation was based on information provided by the District on October 1, 2018.

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, 2019. The following table shows the change in the District's OPEB liability:

	Total OPEB Liability
Balance at September 30, 2019	<u>\$ 168,694</u>
Changes for the Year	
Service Cost	12,514
Interest	7,456
Difference Between Expected and Actual	-
Changes of Assumptions	11,589
Benefit Payments	<u>(5,728)</u>
Net Changes	<u>25,831</u>
Balance at September 30, 2020	<u>\$ 194,525</u>

Changes in assumptions reflect a change in the discount rate from 4.18% for the reporting period ended September 30, 2019, to 3.58% for the reporting period ended September 30, 2020.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

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 (2.58%) or 1-percentage-point higher (4.58%) than the current discount rate:

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB Liability	<u>\$ 215,762</u>	<u>\$ 194,525</u>	<u>\$ 175,659</u>

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 cost trend rates that are 1-percentage-point lower (7.00% decreasing to 3.00%) or 1-percentage-point higher (9.00% decreasing to 5.00%) than the current healthcare cost trend rates:

	1% Decrease (7.00% Decreasing to 3.00%)	Healthcare Cost Trend Rates (8.00% Decreasing to 4.00%)	1% Increase (9.00% Decreasing to 5.00%)
Total OPEB Liability	<u>\$ 169,199</u>	<u>\$ 194,525</u>	<u>\$ 224,980</u>

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, 2020, the District recognized OPEB expense of \$34,559.

Note M - Federal Awards and State Financial Assistance

For the fiscal year ended September 30, 2020, the District expended \$1,252,560 in State Financial Assistance; therefore, a single audit in accordance with the *Florida Single Audit Act* was required.

There were no expenditures for Federal Awards; therefore, an audit in accordance with Title 2 (Uniform Guidance) U.S. *Code of Federal Regulation* (CFR) Part 200 was not required.

Note N - COVID-19 Pandemic

As a stormwater control district, the District has remained largely unaffected by the economic impacts of the COVID-19 pandemic. There have not been any material changes to budgeted revenues and expenses for both prior or upcoming fiscal years and policies have been implemented to ensure the safety and welfare of the District staff and public.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

Note O - Subsequent Events

In connection with the preparation of these financial statements, the District has evaluated subsequent events through April 15, 2021, the date of the financial statements. 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
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Non Ad-Valorem Assessments	\$ 5,569,755	\$ 5,569,755	\$ 5,678,945	\$ 109,190
Miscellaneous Revenue	4,000	4,000	26,751	22,751
Interest Income	75,000	75,000	84,032	9,032
Total Revenues	<u>5,648,755</u>	<u>5,648,755</u>	<u>5,789,728</u>	<u>140,973</u>
Expenditures				
Current:				
Physical Environment:				
Personnel Services	3,258,779	3,258,779	2,911,249	347,530
Operating Expenditures	1,271,500	1,271,500	1,186,620	84,880
Total Expenditures	<u>4,530,279</u>	<u>4,530,279</u>	<u>4,097,869</u>	<u>432,410</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,118,476</u>	<u>1,118,476</u>	<u>1,691,859</u>	<u>573,383</u>
Other Financing Sources (Uses)				
Transfers (out)	(1,298,664)	(1,298,664)	(1,298,663)	1
Total Other Financing Sources (Uses)	<u>(1,298,664)</u>	<u>(1,298,664)</u>	<u>(1,298,663)</u>	<u>1</u>
Net Change in Fund Balance	(180,188)	(180,188)	393,196	573,384
Fund Balance - Beginning of Year	2,961,844	3,266,439	4,143,387	876,948
Fund Balance - End of Year	<u>\$ 2,781,656</u>	<u>\$ 3,086,251</u>	<u>\$ 4,536,583</u>	<u>\$ 1,450,332</u>

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

Total OPEB Liability	2020	2019	2018
Service Cost	\$ 12,514	\$ 11,875	\$ 11,585
Interest	7,456	6,099	5,175
Difference Between Expected and Actual Experience	11,589	(6,266)	
Changes of Assumptions or other Inputs	-	2,781	(13,781)
Benefit Payments	(5,728)	(2,906)	(6,819)
Net Change in Total OPEB Liability	25,831	11,583	(3,840)
Total OPEB Liability - Beginning	168,694	157,111	160,951
Total OPEB Liability - Ending	\$ 194,525	\$ 168,694	\$ 157,111
Covered-Employee Payroll	\$ 1,826,218	\$ 1,823,219	\$ 1,583,812
Total OPEB Liability as a Percentage of Covered-Employee Payroll	10.65%	9.25%	9.92%
Discount Rate	3.58%	4.18%	3.64%

*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	Discount Rate for FRS Pension Plan
2014	0.003811159%	\$ 232,537	\$ 1,447,143	16.07%	96.09%	7.65%
2015	0.004237539%	547,335	1,565,135	34.97%	92.00%	7.65%
2016	0.003917377%	989,141	1,550,321	63.80%	84.88%	7.60%
2017	0.003896250%	1,152,485	1,607,812	71.68%	83.89%	7.10%
2018	0.004126695%	1,242,982	1,776,565	69.97%	84.26%	7.00%
2019	0.004213234%	1,450,979	1,888,358	76.84%	82.61%	6.90%
2020	0.003798690%	1,646,408	1,821,586	90.38%	78.85%	6.80%

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	Discount Rate for HIS Pension Plan
2014	0.004870627%	\$ 455,416	\$ 1,447,143	31.47%	0.99%	4.29%
2015	0.005158911%	526,128	1,565,135	33.62%	0.50%	3.80%
2016	0.004969450%	579,169	1,550,321	37.36%	0.97%	2.85%
2017	0.004969945%	539,343	1,607,812	33.55%	1.64%	3.58%
2018	0.005439247%	575,696	1,776,565	32.41%	2.15%	3.87%
2019	0.005646287%	631,763	1,888,358	33.46%	2.63%	3.50%
2020	0.005248454%	640,828	1,821,586	35.18%	3.00%	2.21%

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

<u>Year Ended September 30,</u>	<u>Contractually Required Contribution</u>	<u>FRS Contribution in Relation to the Contractually Required Contribution</u>	<u>FRS Contribution Deficiency (Excess)</u>	<u>District's Covered- Employee Payroll (FYE September 30)</u>	<u>FRS Contributions as a Percentage of Covered- Employee Payroll</u>
2014	\$ 103,315	\$ (103,315)	\$ -	\$ 1,455,319	7.10%
2015	103,130	(103,130)	-	1,584,448	6.51%
2016	101,827	(101,827)	-	1,584,071	6.43%
2017	104,759	(104,759)	-	1,693,445	6.19%
2018	119,538	(119,538)	-	1,790,432	6.68%
2019	131,304	(131,304)	-	1,873,644	7.01%
2020	130,752	(130,752)	-	1,828,977	7.15%

HEALTH INSURANCE SUBSIDY PENSION PLAN

<u>Year Ended September 30,</u>	<u>Contractually Required Contribution</u>	<u>HIS Contribution in Relation to the Contractually Required Contribution</u>	<u>HIS Contribution Deficiency (Excess)</u>	<u>District's Covered- Employee Payroll (FYE September 30)</u>	<u>HIS Contributions as a Percentage of Covered- Employee Payroll</u>
2014	\$ 19,721	\$ (19,721)	\$ -	\$ 1,455,319	1.36%
2015	21,430	(21,430)	-	1,584,448	1.35%
2016	26,033	(26,033)	-	1,584,071	1.64%
2017	28,117	(28,117)	-	1,693,445	1.66%
2018	29,727	(29,727)	-	1,790,432	1.66%
2019	31,109	(31,109)	-	1,873,644	1.66%
2020	30,367	(30,367)	-	1,828,977	1.66%

Note:

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT**

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 6.90% to 6.80%, and the active member mortality assumption was updated.
- **HIS**—The municipal rate used to determine total pension liability was decreased from 3.50% to 2.21%.
- **OPEB**—The municipal rate used to determine the OPEB liability decreased from 4.18% to 3.58%.

SUPPLEMENTARY INFORMATION

**LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT
BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

ASSETS

	Capital Equipment	Bridge Renewal and Replacement	Total Non-Major Governmental Funds
Assets			
Cash and Cash Equivalents	\$ -	\$ 284,127	\$ 284,127
Due from Other Funds	114,714	-	114,714
Total Assets	114,714	284,127	398,841

LIABILITIES AND FUND BALANCE

Total Liabilities	-	-	-
Fund Balance			
Assigned for:			
Equipment Replacement	114,714	-	114,714
Bridge Replacement	-	284,127	284,127
Total Fund Balance	114,714	284,127	398,841
Total Liabilities and Fund Balance	\$ 114,714	\$ 284,127	\$ 398,841

**LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Capital Equipment	Bridge Renewal and Replacement	Total Non-Major Governmental Funds
Revenues			
Non Ad-Valorem Assessments	\$ 40,491	\$ 285,000	\$ 325,491
Permits	70,700	-	70,700
Miscellaneous Revenue	10,113	-	10,113
Interest Income	-	1,132	1,132
Total Revenues	<u>121,304</u>	<u>286,132</u>	<u>407,436</u>
Expenditures			
Current:			
Physical Environment:			
Operating Expenditures	-	2,005	2,005
Capital Outlay	557,330	-	557,330
Debt Service:			
Principal	27,152	-	27,152
Interest and Physical Charges	801	-	801
Total Expenditures	<u>585,283</u>	<u>2,005</u>	<u>587,288</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(463,979)</u>	<u>284,127</u>	<u>(179,852)</u>
Other Financing Sources (Uses)			
Transfers in	381,214	-	381,214
Proceeds from the Sale of Capital Assets	83,554	-	83,554
Total Other Financing Sources (Uses)	<u>464,768</u>	<u>-</u>	<u>464,768</u>
Net Change in Fund Balance	789	284,127	284,916
Fund Balance - Beginning of Year	<u>113,925</u>	<u>-</u>	<u>113,925</u>
Fund Balance - End of Year	<u>\$ 114,714</u>	<u>\$ 284,127</u>	<u>\$ 398,841</u>

OTHER REPORTS

**LEHIGH ACRES MUNICIPAL SERVICE IMPROVEMENT DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

State Agency/Pass-Through Grantor State Project	CSFA	Award Amount	Contract/ Grant Number	Expenditures
Florida Department of Environmental Protection				
State-Wide Surface Water Restoration and Wastewater Projects	37.039	\$ 517,300	NS041	\$ 9,285
State-Wide Surface Water Restoration and Wastewater Projects	37.039	1,970,000	LPQ0001	<u>1,243,275</u>
Total Department of Environmental Protection				<u>1,252,560</u>
Total Expenditures of State Financial Assistance				<u><u>\$ 1,252,560</u></u>

**LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of state financial assistance includes the state grant activity of Lehigh Acres Municipal Services Improvement District (the District), and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Florida *Single Audit Act* and Chapter 10.550, *Rules of the Auditor General*.

Note 2 - Reporting Entity

The District reporting entity is defined in Note A to the District's basic financial statements for the year ended September 30, 2020. All state financial assistance received from state agencies, as well as passed through other governmental agencies, is included in this schedule.

Note 3 - Contingencies

Grant monies received and disbursed by the District are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to the disallowance of expenditures. Based upon prior experience, the District does not believe that such disallowances, if any, would have a material effect on the financial position of the District.

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR
STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

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

Report on Compliance for Each Major State Project

We have audited the Lehigh Acres Municipal Services Improvement District’s (the District) compliance with the types of compliance requirements described in the *Florida Department of Financial Services’ State Project Compliance Supplement* that could have a direct and material effect on the District’s major state project for the year ended September 30, 2020. The District’s major state project is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its state projects.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the District’s major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General*. Those standards and rules require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state project. However, our audit does not provide a legal determination of the District’s compliance.

Opinion on Each Major State Project

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state project for the year ended September 30, 2020.

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state project, and to test and report on internal control over compliance in accordance with Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



April 15, 2021
Sarasota, Florida

**LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

PART A - SUMMARY OF AUDITOR'S RESULTS

1. The independent auditor's report expresses an unmodified opinion on the financial statements of the Lehigh Acres Municipal Services Improvement District (the District), as of and for the year ended September 30, 2020.
2. No material weaknesses or significant deficiencies in internal control over financial reporting, were disclosed during the audit of the basic financial statements (see independent auditor's 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*).
3. No instances of non-compliance material to the financial statements of the District were disclosed during the audit (see the same report referenced in 2).
4. No material weaknesses or significant deficiencies in internal control over major state financial assistance were disclosed (see independent auditor's report on compliance for each major state project and on internal control over compliance required by Chapter 10.550, *Rules of the Auditor General*).
5. An unmodified opinion was issued on compliance over the major state project (see the same report referenced in 4).
6. Audit findings relative to the major state financial assistance, if any, are reported in Part D of this schedule.
7. The program tested as a major project was the following:
 - **Major State Projects**
 - Florida Department of Environmental Protection:
 - *Statewide Surface Water Restoration and Wastewater Project*, CSFA: 37.039
8. The threshold for distinguishing Type A and Type B projects was \$750,000 for major state projects.

PART B - FINDINGS - FINANCIAL STATEMENT AUDIT

There are no financial statement findings reported.

PART C - FINDINGS AND QUESTIONED COSTS MAJOR FEDERAL AWARD PROGRAMS

Not applicable

**LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

PART D - FINDINGS AND QUESTIONED COSTS - MAJOR STATE FINANCIAL ASSISTANCE

None

PART E - OTHER ISSUES

No summary schedule of prior audit findings is required because there were no prior audit findings related to state financial assistance projects.

No corrective action plan is required because there was no Federal Single Audit and there were no current year findings under the Florida Single Audit.

**INDEPENDENT AUDITOR’S 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, 2020, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated April 15, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

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


**INDEPENDENT AUDITOR'S 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**

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, non-compliance with which could have a direct and material effect on the financial statements. 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 non-compliance 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.



April 15, 2021
Sarasota, Florida

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, 2020, and have issued our report thereon dated April 15, 2021.

Auditor's 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 Auditor's 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*; Independent Auditor's Report on Compliance for Each Major State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs and Independent Auditor's 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 April 15, 2021, 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 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

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 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.b. 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 non-compliance 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 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.



April 15, 2021
Sarasota, Florida

**INDEPENDENT ACCOUNTANT’S REPORT ON COMPLIANCE WITH
FLORIDA STATUTE 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, 2020. 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 non-compliance, 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, 2020.

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.



April 15, 2021
Sarasota, Florida

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