

2023

Lehigh Acres Municipal Services
Improvement District

Financial Statements and
Independent Auditor's Report

September 30, 2023

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

**LEHIGH ACRES MUNICIPAL SERVICES
IMPROVEMENT DISTRICT**

SEPTEMBER 30, 2023

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

**LEHIGH ACRES MUNICIPAL SERVICES
IMPROVEMENT DISTRICT**

SEPTEMBER 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lehigh Acres Municipal Services Improvement District (the District) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, although not a

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

INDEPENDENT AUDITOR'S REPORT

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

Supplementary 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 accompanying combining and individual non-major fund financial schedules and schedule of expenditures of state financial assistance, as required by Chapter 10.550, *Rules of the Auditor General* of the State of Florida, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2024, 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.



March 15, 2024
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, 2023. 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 \$35,510,988 (*net position*). Of this amount, \$6,437,353 (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors.
- * The District's net position increased by \$478,829 for fiscal year ended September 30, 2023.
- * As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$8,589,703, a decrease of \$455,263 from the previous fiscal year. Other than the non-spendable amount of \$6,820, 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 \$3,644,553.

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 statement has been provided for the general fund as *required supplementary information* which can be found on page 44 of this report.

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 43 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 \$35,510,988 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	Governmental Activities
	2023	2022
Assets:		
Current and other assets	\$ 9,408,322	\$ 9,413,961
Capital assets*	33,205,385	32,979,348
	42,613,707	42,393,309
Deferred Outflows of Resources:		
	479,967	588,008
Liabilities:		
Current and other liabilities	548,139	379,953
Non-current liabilities*	6,786,457	7,399,083
	7,334,596	7,779,036
Deferred Inflows of Resources:		
	248,090	170,122
Net Position:		
Net investment in capital assets	29,073,635	28,246,076
Unrestricted	6,437,353	6,786,083
Total net position	\$ 35,510,988	\$ 35,032,159

*Balance as of 2022 has been restated in accordance with Governmental Accounting Standards Board Statement No. 96 (GASB 96), *Subscription-Based Information Technology Arrangements (SBITAs)*.

By far, the largest portion of the District's net position (82%) reflects its investment in capital assets (e.g., land, buildings, improvements, equipment, intangible assets including SBITA 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 it may be used, \$6,437,353 is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors.

When compared to last fiscal year, there was a decrease of (\$348,730) in the unrestricted net position in connection with the District's governmental activities.

MANAGEMENT’S DISCUSSION AND ANALYSIS

During fiscal year 2023, the District’s total net position increased by \$478,829. There was an increase of \$181,351 in other revenues compared to fiscal year 2022, which is mainly attributed to increased interest rates and receipt of insurance proceeds from Hurricane Ian in fiscal year 2023. The following table is a comparison of the current and prior fiscal years:

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

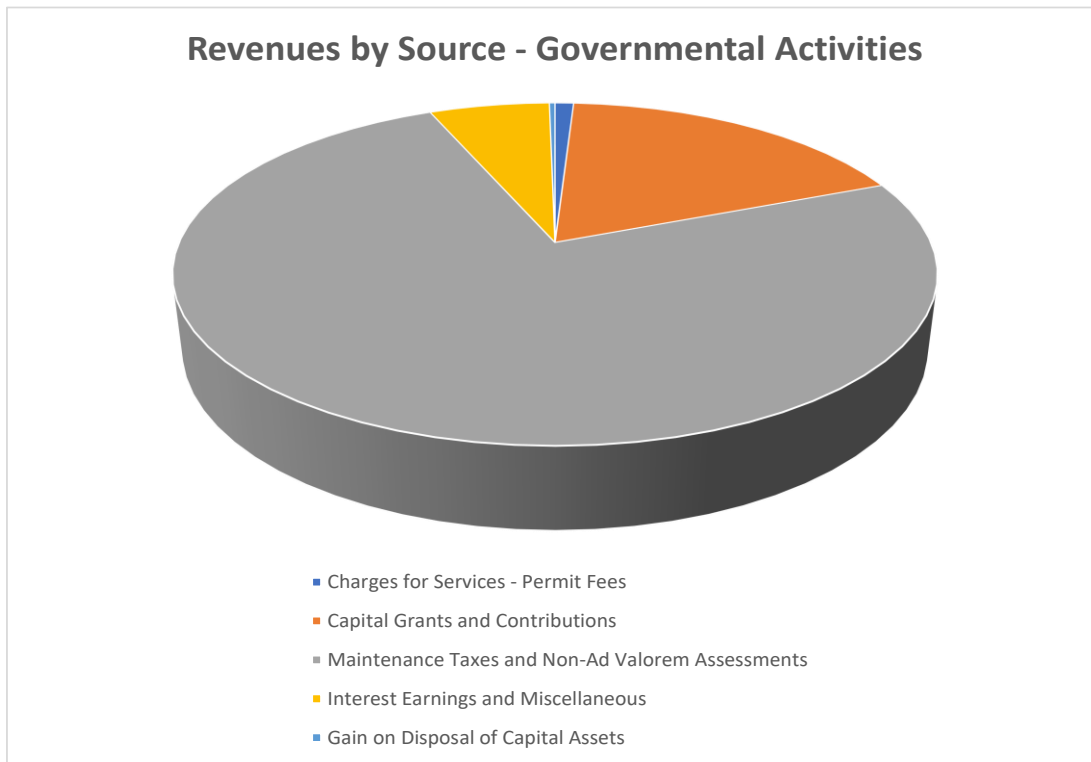
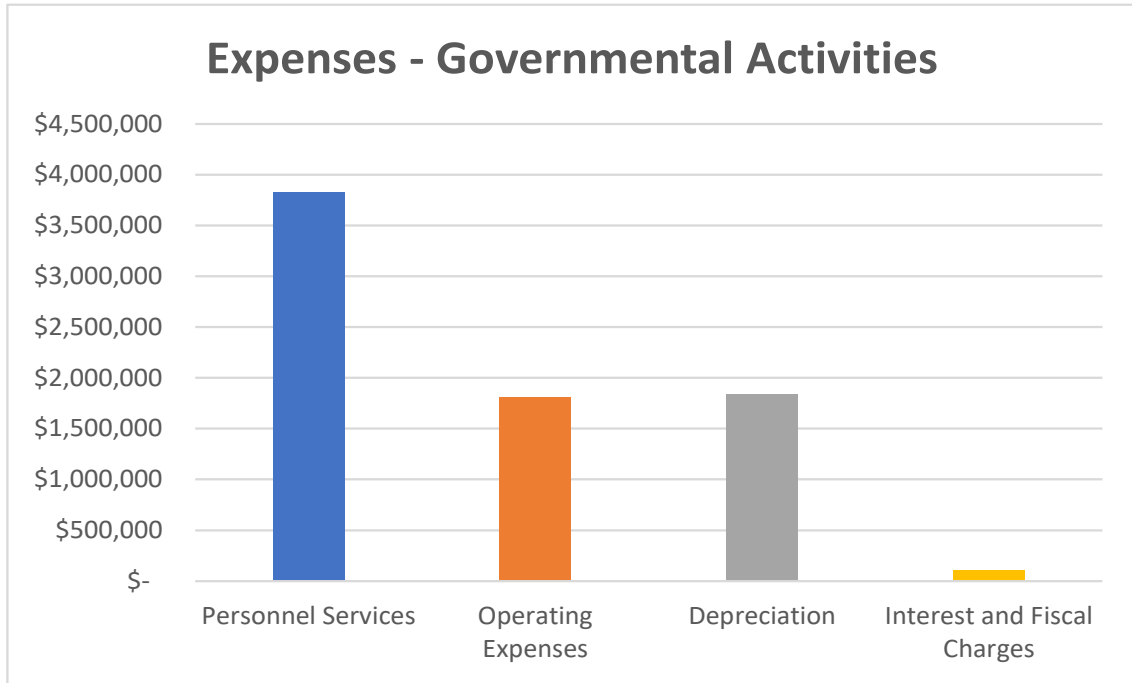
	Governmental Activities		Governmental Activities
	2023		2022
Revenues:			
Program revenues:			
Charges for services – permit fees	\$ 75,613	\$	64,093
Intergovernmental revenue	1,453,313		-
General Revenues:			
Non-ad valorem assessments	6,010,549		6,042,535
Other	511,602		330,251
Total revenues	8,051,077		6,436,879
Expenses:			
Water control	7,572,248		6,804,343
Total expenses	7,572,248		6,804,343
Change in net position	478,829		(367,464)
Net position – beginning	35,032,159		35,399,623
Net position – ending	\$ 35,510,988	\$	35,032,159

Explanation of significant variances:

- * In fiscal year 2023 intergovernmental revenue increased by \$1,453,313, which was due to more grant money received in fiscal year 2023 vs. fiscal year 2022.
- * Non-ad valorem assessments decreased in fiscal year 2023 by (\$31,986) compared to fiscal year 2022, which is primarily due to a decrease in non-ad valorem assessment collections in fiscal year 2023.
- * Other revenues increased by \$181,351 in fiscal year 2023 compared to fiscal year 2022 mainly due to an increase in interest income derived from higher interest rates and receipt of insurance proceeds from Hurricane Ian.
- * Total expenses increased by \$767,905 in fiscal year 2023 vs. fiscal year 2022, with \$596,936 of the increase attributable to personnel services of which is mostly due to adjustments in Florida Retirement System, other postemployment benefits, and compensated absences liabilities, as well as increases in regular salaries, hurricane salaries and overtime, and retirement contributions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Shown below are graphs of 2023 expenses and revenues:



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, 2023, the District's governmental funds reported combined ending fund balances of \$8,589,703, a decrease of (\$455,263) in fiscal year 2023 compared to fiscal year 2022. Of the year-end balance, \$6,820 is non-spendable and \$4,938,330 is assigned for various purposes. \$3,644,553 (42%) of the year-end balance constitutes *unassigned fund balance* and is available for spending at the District's discretion.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,644,553, a decrease of (\$856,702) when compared to fiscal year 2022. In addition, the general fund had a total fund balance of \$5,461,683, which was an increase of \$250,981 (4.82%) from fiscal year 2022.

The debt service fund has a total fund balance of \$816,044 at year-end, of which is all assigned.

The District maintains three capital project funds that have a combined total fund balance of \$2,311,976 in fiscal year 2023, which is a (\$720,709) (23.76%) decrease in fund balance compared to fiscal year 2022. The main reason for the decrease is that although grant funding was received capital expenditures exceeded revenues, and no transfers were received in the capital project funds in fiscal year 2023.

Capital Asset and Debt Administration

Capital assets. The District's capital assets, as of September 30, 2023, amount to \$33,205,385 (net of accumulated depreciation), which includes land, land improvements, buildings, equipment, intangible assets (easements, computer software, and SBITAs), and construction in progress. There was an increase of \$306,293 in the District's capital assets in fiscal year 2023 vs. fiscal year 2022.

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

- * Construction in progress had a net increase of \$1,053,926.
- * Land improvements additions for the year totaled \$788,806.
- * Equipment additions for the year totaled \$204,902.
- * SBITAs were recognized this year due to the implementation of GASB 96, which increased beginning capital assets by \$80,256.
- * Depreciation expense totaled \$1,835,639.

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		Governmental
	Activities		Activities
	2023		2022
Land	\$ 3,291,028	\$	3,276,986
Intangibles – easements	1,297		1,297
Buildings, net	1,484,042		1,525,122
Land improvements, net	23,437,205		24,045,441
Equipment, net	2,560,705		2,739,949
Intangibles – software	1,296		1,995
Intangibles – SBITAs*	67,584		80,256
Construction in progress	2,362,228		1,308,302
Total assets	\$ <u>33,205,385</u>	\$	<u>32,979,348</u>

*Balance as of 2022 has been restated in accordance with GASB 96.

Additional information on the District's capital assets can be found in Note 5 on pages 29-30 of this report.

Long-term debt. At the end of the current fiscal year, the District had total notes payable outstanding of \$3,904,560 and a total SBITA payable of \$68,465.

Lehigh Acres Municipal Services Improvement District
Long-Term Debt

	Governmental		Governmental
	Activities		Activities
	2023		2022
Notes payable	\$ 3,904,560	\$	4,653,016
SBITA payable*	68,465		80,256
Total	\$ <u>3,973,025</u>	\$	<u>4,733,272</u>

*Balance as of 2022 has been restated in accordance with GASB 96.

The District's total debt saw a net decrease of (\$760,247) (16.1%) during the current fiscal year as a result of scheduled principal repayment.

Additional information on the District's long-term debt can be found in Note 6 on pages 30-31 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budgets and Rates

The area in which the District operates shows signs of rapid population growth. During fiscal year 2023, with an estimated population of 114,287, the District 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 2023 (tax year 2022) 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 acre lots. The uncollectible rate remains budgeted 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, 2023

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 7,911,201
Accounts Receivable	4,500
Due from Other Governments	1,485,801
Prepaid Items	5,145
Utility Deposits	1,675
Capital Assets:	
Non-Depreciable Land, Construction in Progress, and Easements	5,654,553
Depreciable Buildings, Land Improvements, Furniture and Fixtures, and Equipment (Net of (\$41,670,511) Accumulated Depreciation)	27,550,832
Total Assets	42,613,707
Deferred Outflows of Resources	
Deferred Outflows - Pension	479,967
Total Deferred Outflows of Resources	479,967
Total Assets and Deferred Outflows of Resources	43,093,674
Liabilities	
Accounts and Contracts Payable	318,213
Retainage Payable	48,238
Deposits	32,447
Accrued Liabilities	138,434
Accrued Interest on Long-Term Obligations	9,307
Unearned Revenue	1,500
Subscription-Based Information Technology Arrangements (SBITAs) Payable:	
Due Within One Year	11,956
Due in More than One Year	56,509
Non-Current Liabilities:	
Due Within One Year	888,864
Due in More than One Year	5,829,128
Total Liabilities	7,334,596
Deferred Inflows of Resources	
Deferred Inflows - Pensions	248,090
Total Deferred Inflows of Resources	248,090
Net Position	
Net Investment in Capital Assets	29,073,635
Unrestricted	6,437,353
Total Net Position	35,510,988
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 43,093,674

See accompanying notes to financial statements.

LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2023

	<u>Governmental Activities</u>
Expenses	
Water Control:	
Personnel Services	\$ 3,827,241
Operating Expenses	1,808,038
Depreciation	1,835,639
Interest and Fiscal Charges	101,330
Total Expenses	<u>7,572,248</u>
 Program Revenue	
Charges for Services - Permit Fees	75,613
Capital Grants and Contributions	1,453,313
Total Program Revenue	<u>1,528,926</u>
 Net Program Expenses	<u>(6,043,322)</u>
 General Revenues	
Maintenance Taxes and Non-Ad Valorem Assessments	6,010,549
Interest Earnings and Miscellaneous	488,711
Gain on Disposal of Capital Assets	22,891
Total General Revenues	<u>6,522,151</u>
 Change in Net Position	478,829
 Net Position, Beginning of Year	<u>35,032,159</u>
 Net Position, End of Year	<u><u>\$ 35,510,988</u></u>

See accompanying notes to financial statements.

LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

ASSETS

	Major Funds				Total Governmental Funds
	General	Debt Service	Capital Infrastructure Projects	Non-Major Governmental Funds	
Assets					
Cash and Cash Equivalents	\$ 5,586,435	\$ 816,044	\$ 678,701	\$ 830,021	\$ 7,911,201
Accounts Receivable	4,500	-	-	-	4,500
Due from Other Governments	32,488	-	1,453,313	-	1,485,801
Due from Other Funds	215,155	-	-	5,108	220,263
Prepaid Items	5,145	-	-	-	5,145
Utility Deposits	1,675	-	-	-	1,675
Total Assets	5,845,398	816,044	2,132,014	835,129	9,628,585

LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES

Liabilities					
Accounts and Contracts Payable	207,726	-	110,487	-	318,213
Retainage Payable	-	-	48,238	-	48,238
Due to Other Funds	5,108	-	215,155	-	220,263
Deposits	32,447	-	-	-	32,447
Accrued Liabilities	138,434	-	-	-	138,434
Unearned Revenue	-	-	-	1,500	1,500
Total Liabilities	383,715	-	373,880	1,500	759,095
Deferred Inflows					
Unavailable Grant Revenues	-	-	279,787	-	279,787
Total Deferred Inflows	-	-	279,787	-	279,787
Fund Balances					
Non-Spendable:					
Prepaid Items and Utility Deposits	6,820	-	-	-	6,820
Assigned for:					
Debt Service	-	816,044	-	-	816,044
Capital Expenditures	-	-	1,478,347	-	1,478,347
Equipment Replacement	-	-	-	135,227	135,227
Bridge Replacement	-	-	-	698,402	698,402
Subsequent Year's Expenditures	1,810,310	-	-	-	1,810,310
Unassigned	3,644,553	-	-	-	3,644,553
Total Fund Balances	5,461,683	816,044	1,478,347	833,629	8,589,703
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 5,845,398	\$ 816,044	\$ 2,132,014	\$ 835,129	\$ 9,628,585

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, 2023**

Total Fund Balances for Governmental Funds \$ 8,589,703

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 279,787

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:

Land	\$ 3,291,026	
Intangibles - Easements	1,297	
Construction in Progress	2,362,230	
Building, Infrastructure, Equipment, and Intangibles (including SBITAs)	69,221,343	
(Less Accumulated Depreciation)	<u>(41,670,511)</u>	33,205,385

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

Notes Payable	(3,904,560)	
SBITAs Payable	(68,465)	
Accrued Interest	(9,307)	
Compensated Absences	<u>(343,362)</u>	(4,325,694)

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	(2,302,685)	
Deferred Outflows of Resources	479,967	
Deferred Inflows of Resources	<u>(248,090)</u>	(2,070,808)

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>(167,385)</u>
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Total Net Position of Governmental Activities \$ 35,510,988

See accompanying notes to financial statements.

LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Major Funds				Total	
	General	Debt	Capital	Non-Major		Governmental
		Service	Infrastructure	Governmental		
	Projects	Funds	Funds	Funds		
Revenues						
Non-Ad Valorem Assessments	\$ 5,693,239	\$ -	\$ -	\$ 317,310	\$ 6,010,549	
Permits	-	-	-	75,613	75,613	
Intergovernmental Revenues	-	-	1,173,526	-	1,173,526	
Miscellaneous Revenue	30,892	-	-	41,052	71,944	
Interest Income	182,348	14,464	112,222	39,263	348,297	
Total Revenues	5,906,479	14,464	1,285,748	473,238	7,679,929	
Expenditures						
Current:						
Physical Environment:						
Personnel Services	3,384,224	-	109,387	-	3,493,611	
Operating Expenditures	1,383,377	-	20,927	299,204	1,703,508	
Capital Outlay	49,038	-	1,933,733	184,914	2,167,685	
Debt Service:						
Principal	11,791	748,456	-	-	760,247	
Interest and Fiscal Charges	2,213	100,768	-	-	102,981	
Total Expenditures	4,830,643	849,224	2,064,047	484,118	8,228,032	
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	1,075,836	(834,760)	(778,299)	(10,880)	(548,103)	
Other Financing Sources (Uses)						
Transfers In	-	849,225	-	-	849,225	
Transfers (Out)	(849,225)	-	-	-	(849,225)	
Insurance Proceeds	-	-	68,470	-	68,470	
Proceeds from the Sale of						
Capital Assets	24,370	-	-	-	24,370	
Total Other Financing	(824,855)	849,225	68,470	-	92,840	
Sources (Uses)						
Net Changes in Fund Balances	250,981	14,465	(709,829)	(10,880)	(455,263)	
Fund Balances, Beginning of Year	5,210,702	801,579	2,188,176	844,509	9,044,966	
Fund Balances, End of Year	\$ 5,461,683	\$ 816,044	\$ 1,478,347	\$ 833,629	\$ 8,589,703	

See accompanying notes to financial statements.

**LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2023**

Net Changes in Fund Balances - Total Governmental Funds	\$	(455,263)
The 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.		
		279,787
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	\$ 2,063,155	
Net Book Value of Capital Assets Disposed	(1,479)	
(Less Current Year Depreciation)	<u>(1,835,639)</u>	226,037
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		760,247
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:		
Changes in Accrued Interest	1,651	
Changes in Compensated Absences	<u>(37,085)</u>	(35,434)
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.		
		79,866
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.		
		<u>(376,411)</u>
Change in Net Position of Governmental Activities	\$	<u>478,829</u>

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

Note 1 - 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 (the Board) 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 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 (Laws of Florida, 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.

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*. 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

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

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*. The funds that do not meet the criteria of a major fund are considered non-major funds and are combined into a single column on the governmental fund financial statements.

The District reports the following major governmental funds:

- **General Fund**—The General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- **Debt Service Fund**—The Debt Service Fund is used to account for the accumulation of resources for the payment of long-term debt principal, interest, and related costs.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

- **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). All investments are recorded at fair value unless the investment qualifies as an external investment pool under the guidance of GASB Statement No. 79 (GASB 79), which allows under certain criteria, these investments to be recorded at amortized cost. Florida PRIME Fund and FLCLASS are external investment pools reported at amortized cost, which approximates fair value.

Interfund Receivables and Payables

During the course of its operations, the District has numerous transactions between funds to construct or acquire assets and service debt. Transactions between funds that were not paid for or received as of September 30, 2023, 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.

**NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT**

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, equipment, and intangible assets including subscription-based information technology arrangements (SBITAs) 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.

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	10-50
Infrastructure	10-50
Equipment	4-25
Software	5
SBITAs	Contract Term

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

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, including subscription liabilities, 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 GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, 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 Resolution) set in place prior to the end of the reporting period.
- **Assigned Fund Balance**—Pursuant to Resolution 2011-08 adopted by 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).

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

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 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 consists 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

Encumbrance 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 is 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.

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 46,782 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.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

Under the provisions of Chapter 2015-202, Laws of Florida, and applicable provisions of Chapter 298 of the Florida Statutes, the Board 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, 2023. 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, 2023; instead, maintenance assessments are used to pay debt service for replacement of existing infrastructure.

New Accounting Pronouncement

For the year ended September 30, 2023, the District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). GASB 96 enhances the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. These changes were incorporated in the District's financial statements, which are further discussed in Note 6.

Note 2 - 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 on a monthly basis to ensure control through fund management.

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

The District follows these procedures in establishing budgetary data for the general fund, debt service fund, and capital project funds:

- During the summer of each year, District management submits to the Board 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.
- 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. The level of control for appropriations is exercised at the fund level.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

- Budget amounts, as shown in these basic financial statements, are as originally adopted or as amended by the Board.
- 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 3 - Deposits, Cash Equivalents, and Investments

Cash Deposits

The District’s bank deposits are held in qualified public depositories (QPDs) pursuant to Chapter 280, Florida Statutes. Under this Chapter, each QPD is required to pledge collateral to the State Treasurer against the public deposits. In the event of default by a QPD, all claims for public deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the QPD in default and, if necessary, assessments against other QPDs of the same type as the depositor in default. At September 30, 2023, cash totaled \$2,064,349 (including cash on hand of \$350). Cash equivalents at September 30, 2023, include investments in local government investment pools of \$5,846,852. At September 30, 2023, the carrying amount of the District’s cash and cash equivalents was \$7,910,851, and the bank balances were \$7,999,997. The difference is due to cash on hand and checks that had been written but not yet paid by the bank.

Investments

The District has not adopted an investment policy and, therefore, they follow Chapter 218.415, Florida Statutes, to establish guidelines for the efficient management of its cash reserves. The District holds assets which are labeled on the balance sheet as cash equivalents, but that are defined as investments. The District’s investments are recorded at fair value unless the investment qualifies as an external investment pool under the guidance of GASB 79.

The District’s investments at year-end are listed below, with ratings from Standards and Poor’s. The District held no other types of investments during the year ended September 30, 2023.

	<u>Maturity (WAM)</u>	<u>Amortized Cost</u>	<u>Credit Rating</u>
Investments			
Investment Pools:			
Florida PRIME Local Government Surplus Trust	35 days	\$ 1,538,170	AAAm
FLCLASS	43 days	<u>4,308,682</u>	AAAm
Total Investments		<u>\$ 5,846,852</u>	

Florida Prime:

The District holds investments in qualified external investments pool that measures all of its investments at amortized cost. The above investments are recorded at amortized cost at September 30, 2023. Florida PRIME is a local government investment pool administered by the SBA and managed by professional money managers. Florida PRIME invests exclusively in short-term, high-quality fixed-income securities rated in the highest short-term rating category by one or more nationally recognized statistical rating agencies, or securities of comparable quality.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states, “The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, and the Investment Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days.”

With regard to liquidity fees, Florida Statute Section 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2023, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value.

FLCLASS:

The FLCLASS is 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 79 and is managed as a stable value NAV pool, which approximates fair value. FLCLASS measures its investments at fair value and, therefore, investments in the pools are not required to be categorized within the fair value hierarchy for purposes of Paragraph 81a(2) of GASB Statement No. 72.

Foreign Currency Risk—The pool was not exposed to foreign currency risk during the year.

Custodial Credit Risk—For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District investments are not evidenced by securities that exist in physical or book entry form. Therefore, the custodial credit risk associated with these investments is minimal.

Credit Risk—For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

Concentration Risk—The District places no limit on the amount the District may invest in any one issuer, but emphasizes diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District minimizes this risk by structuring the portfolio so that securities mature to meet cash flow requirements for ongoing operations, and thereby avoiding the need to sell securities on the open market prior to maturity.

Note 4 - Receivables and Accrued Liabilities

Receivables as of September 30, 2023, for the District’s governmental activities are as follows:

	Governmental Funds
Receivables	
Intergovernmental	\$ 1,485,801
Other	4,500
Total Receivables	\$ 1,490,301

Accrued liabilities at September 30, 2023, were as follows:

	General Fund
Accrued Liabilities	
Payroll	\$ 138,434
Total Accrued Liabilities	\$ 138,434

Note 5 - Capital Assets

The following is a summary of changes in capital asset activity for the year ended September 30, 2023:

	Balance at October 1, 2022	Additions	Deletions	Balance at September 30, 2023
Capital Assets Not Being Depreciated				
Land (Including Canals)	\$ 3,276,986	\$ 15,521	\$ (1,479)	\$ 3,291,028
Intangibles - Easements	1,297	-	-	1,297
Construction in Progress	1,308,302	1,852,869	(798,943)	2,362,228
Total Capital Assets Not Being Depreciated	4,586,585	1,868,390	(800,422)	5,654,553
Capital Assets Being Depreciated				
Buildings	2,062,036	-	-	2,062,036
Land Improvements	59,654,724	788,806	-	60,443,530
Equipment	6,374,986	204,902	-	6,579,888
Intangibles - Software	55,633	-	-	55,633
Right-to-Use Subscription Asset*	80,256	-	-	80,256
Total Capital Assets Being Depreciated	68,227,635	993,708	-	69,221,343
Less Accumulated Depreciation				
Buildings	(536,914)	(41,080)	-	(577,994)
Land Improvements	(35,609,283)	(1,397,042)	-	(37,006,325)
Equipment	(3,635,037)	(384,146)	-	(4,019,183)
Intangibles - Software	(53,638)	(699)	-	(54,337)
Right-to-Use Subscription Asset*	-	(12,672)	-	(12,672)
Total Accumulated Depreciation	(39,834,872)	(1,835,639)	-	(41,670,511)
Total Capital Assets Being Depreciated, Net	28,392,763	(841,931)	-	27,550,832
Capital Assets, Net	\$ 32,979,348	\$ 1,026,459	\$ (800,422)	\$ 33,205,385

*Restated due to the implementation of GASB 96, SBITAs

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

Depreciation expense in the amount of \$1,835,639, was reported as a separate line item in the statement of activities.

Subscription-Based Information Technology Arrangements

The District implemented GASB 96 in fiscal year 2023. The District has one subscription arrangement that requires recognition under GASB 96, and is labeled above as a Right-to-Use Subscription Asset. Under the new standard, this asset is required to be restated as of October 1, 2022, and has a balance of \$80,256. The subscription arrangement is a ten-year agreement, and lasts through fiscal year 2029. The asset is required to be amortized over the term of the contract, as that is considered to be the useful life of the asset. The accumulated amortization as of September 30, 2023, was \$12,672 and approximately five years remain on the contract. There is a related subscription liability described further in Note 6.

Construction Commitments

The District has several construction projects in progress as of September 30, 2023. The District's commitments at year-end are as follows:

	Expended - To-Date	Remaining Commitment
Construction Projects		
C.R.E.S.T. Project Post Design	\$ 78,823	\$ 500
C.R.E.S.T. Design & Permit Services	43,772	8,616
GS-10 Caloosahatchee Crosslink Project	247,096	137,904
Total Construction Projects	\$ 369,691	\$ 147,020

Note 6 - Long-Term Debt

Notes Payable

All of the District's notes payable as of September 30, 2023, arose through direct borrowings.

Notes payable outstanding at September 30, 2023, consist of the following for governmental activities:

	Collateral⁽¹⁾	Purpose of Issue	Amount Issued	Amount Outstanding	Interest Rate	Maximum Annual Debt Service
FDEP 2005						
SW109030	Lien on					
Direct Borrowing	Maintenance Taxes	Construction	\$ 2,146,951	\$ 779,601	2.94%	\$ 142,680
FDEP SW109041	Lien on					
Direct Borrowing	Maintenance Taxes	Construction	1,913,708	730,955	2.68%	123,284
Series 2017	Lien on					
Direct Borrowing	Maintenance Taxes	Construction	5,457,854	2,394,004	2.00%	583,260
Total			\$ 9,518,513	\$ 3,904,560		

(1) All notes are secured by pledged revenues of maintenance taxes less related maintenance expenses, which amount to \$943,744.

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, 2023:

	Balance October 1, 2022	Additions	Reductions	Balance September 30, 2023	Amounts Due Within One Year
Notes Payable	\$ 4,653,016	\$ -	\$ (748,456)	\$ 3,904,560	\$ 765,239
SBITAs Payable	80,256	-	(11,791)	68,465	11,956
Compensated Absences	306,277	230,261	(193,176)	343,362	123,625
Net Pension Liability	2,112,283	238,314	(47,912)	2,302,685	-
Other Postemployment Benefits	247,251	52,704	(132,570)	167,385	-
	<u>\$ 7,399,083</u>	<u>\$ 521,279</u>	<u>\$ (1,133,905)</u>	<u>\$ 6,786,457</u>	<u>\$ 900,820</u>

The following are the annual requirements to service the notes payable outstanding at September 30, 2023:

Notes Payable			
Year Ending September 30,	Principal	Interest	Total
2024	\$ 765,239	\$ 83,985	\$ 849,224
2025	782,652	66,573	849,225
2026	800,350	48,874	849,224
2027	818,459	30,766	849,225
2028	418,189	14,891	433,080
2029-2032	319,671	7,933	327,604
Total	<u>\$ 3,904,560</u>	<u>\$ 253,022</u>	<u>\$ 4,157,582</u>

SBITAs

The District has one right-to-use subscription through 2028 based on a ten-year non-cancellable agreement, which is required to be recognized under GASB 96. As of September 30, 2023, the value of the subscription liability was \$68,465. The District is required to make annual principal and interest payments of \$14,004. The SBITA is discounted using a rate of 3.25%, which is based on the S&P Municipal Bond 20 Year High Grade Rate Index as published by S&P Dow Jones Indices as a proxy for interest that could be earned on surplus funds by the District.

The following are the annual requirements to service the SBITAs outstanding at September 30, 2023:

SBITAs Payable			
Year Ending September 30,	Principal	Interest	Total
2024	\$ 11,956	\$ 2,048	\$ 14,004
2025	12,351	1,653	14,004
2026	12,757	1,247	14,004
2027	13,182	822	14,004
2028	13,614	390	14,004
2029	4,605	27	4,632
Total	<u>\$ 68,465</u>	<u>\$ 6,187</u>	<u>\$ 74,652</u>

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

Note 7 - Interfund Activity

Interfund Transfers

Interfund transfers at September 30, 2023, are as follows:

Transfer-Out Fund	Transfer-In Fund	
	Debt Service Fund	Total
General	\$ 849,225	\$ 849,225
Total Transfers	\$ 849,225	\$ 849,225

Transfers are used to move revenues from the fund with collection authorization to the debt service fund for future debt service principal and interest payments.

Interfund Receivables and Payables

Interfund Due To and Due From at September 30, 2023, are as follows:

Due From Funds	Due To Funds		
	General	Non Major Governmental	Total
General	\$ -	\$ 5,108	\$ 5,108
Capital Projects	215,155	-	215,155
	\$ 215,155	\$ 5,108	\$ 220,263

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

Note 8 - Risk Management

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

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

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

Note 9 - 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 10 - 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 the 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. An annual comprehensive 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 \$311,405 for the fiscal year ended September 30, 2023 (all plans).

Payables to the Pension Plan

The District reported a payable of \$13,726 for the outstanding amount of contributions to the plan required for the fiscal year ended September 30, 2023.

FRS Pension Plan

Plan Description

The FRS Pension Plan (the 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* – Members in senior management level positions.
- *Elected Officers Class* – Elected officers.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

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 4 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 96 months after electing to participate, except that certain instructional personnel may extend beyond 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided

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

Class, Initial Enrollment, and Retirement Age/Years of Service	Percent Value
<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

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

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 2022-2023 fiscal year were as follows:

<u>Class</u>	<u>Year Ended June 30, 2023</u>		<u>Year Ended June 30, 2024</u>	
	<u>Percent of Gross Salary</u>		<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
FRS, Regular	3.00	10.19	3.00	11.51
FRS, Senior Management Services	3.00	29.85	3.00	32.46
Elected Officers	3.00	55.28	3.00	56.62
DROP – Applicable to Members from All of the Above Classes	0.00	16.94	0.00	19.13
FRS, Reemployment Retiree	(1)	(1)	(1)	(1)

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

The District’s contributions to the Plan totaled \$189,349 for the fiscal year ended September 30, 2023. 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, 2023, the District reported a liability of \$1,481,521 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. The District’s proportionate share of the net pension liability was based on the District’s 2022-2023 fiscal year contributions relative to the fiscal year 2022-2023 fiscal year contributions of all participating members. At June 30, 2023, the District’s proportion was .0037180393%, which was a decrease of .0003924517% from its proportion measured as of June 30, 2022.

For the year ended September 30, 2023, the District recognized pension expense of \$293,042 related to the Plan. At September 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO THE FINANCIAL STATEMENTS
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<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer Contributions after Measurement Date	\$ 48,837	\$ -
Difference Between Expected and Actual Experience	139,102	-
Changes of Assumptions	96,578	-
Changes in Proportion and Difference Between District Contributions and Proportionate Share of Contributions	57,435	124,442
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	61,872	-
Total	<u>\$ 403,824</u>	<u>\$ 124,442</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, totaling \$48,837 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. 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>
2024	\$ 23,104
2025	(35,928)
2026	236,389
2027	6,672
2028	308
Total	<u>\$ 230,545</u>

Actuarial Assumptions

The total pension liability in the July 1, 2023 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	6.70%
Long-Term Expected Rate of Return, Net of Investment Expense	6.70%

Mortality rates were based on the PUB-2010 based table, which varies by member category and sex, projected generationally with Scale MP-2018.

The actuarial assumptions used in the July 1, 2022 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.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

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%	2.9%	2.9%	1.1%
Fixed Income	19.8%	4.5%	4.4%	3.4%
Global Equity	54.0%	8.7%	7.1%	18.1%
Real Estate	10.3%	7.6%	6.6%	14.8%
Private Equity	11.1%	11.9%	8.8%	26.3%
Strategic Investments	3.8%	6.3%	6.1%	7.7%
Total	<u>100%</u>			
Assumed Inflation – Mean			2.4%	1.4%

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

Discount Rate

The discount rate used to measure the total pension liability was 6.70%. 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 6.70% in the July 1, 2022 valuation.

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 (6.70%), 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 (5.70%) or 1-percentage-point higher (7.70%) than the current rate:

FRS – District:

	<u>1% Decrease (5.70%)</u>	<u>Current Discount Rate (6.70%)</u>	<u>1% Increase (7.70%)</u>
District’s Proportionate Share of the Net Pension Liability	\$ <u>2,530,740</u>	\$ <u>1,481,521</u>	\$ <u>603,724</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 Annual Comprehensive 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 Plan. The benefit is a monthly payment to assist retirees of state-administered retirement systems in paying their health insurance costs.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

Benefits Provided

For the fiscal year ended June 30, 2023, 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. Effective July 1, 2023, the HIS multiplier increased to \$7.50 for each year of credited service, \$30 minimum payment, and \$45 maximum payment per month. 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 HIS Plan fiscal years ended June 30, 2023 and 2022, the contribution rates were 1.66% of payroll, pursuant to Section 112.363, Florida Statutes. As of July 1, 2023, the HIS contribution rate increased to 2%. The District contributed 100% of its statutorily required contributions for the current and preceding 4 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 \$37,216 for the fiscal year ended September 30, 2023.

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

At September 30, 2023, the District reported a net pension liability of \$821,164 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. The District's proportionate share of the net pension liability was based on the District's 2022-2023 fiscal year contributions relative to the total 2022-2023 fiscal year contributions of all participating members. At June 30, 2023, the District's proportionate share was .00517062366%, which was a decrease of .0003323235% from its proportionate share measured as of June 30, 2022.

For the fiscal year ended September 30, 2023, the District recognized pension expense of \$309,935 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	\$ 10,403	\$ -
Difference Between Expected and Actual		
Experience	12,021	1,927
Changes of Assumptions	21,588	71,157
Changes in Proportion and Difference Between District Contributions and Proportionate Share of Contributions	31,707	50,564
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	424	-
Total	<u>\$ 76,143</u>	<u>\$ 123,648</u>

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

The deferred outflows of resources related to pensions, resulting from District contributions to the HIS Plan subsequent to the measurement date totaling \$10,403, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending	Amount
2024	\$ (5,463)
2025	(7,429)
2026	(13,674)
2027	(17,063)
2028	(11,930)
Thereafter	(2,349)
Total	\$ (57,908)

Actuarial Assumptions

The total pension liability in the July 1, 2022 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	3.65%
Municipal Bond Index	3.65%

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

The actuarial assumptions used in the July 1, 2023 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 3.65%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of (3.65%), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.65%) or 1-percentage-point higher (4.65%) than the current rate:

	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
District's Proportionate Share of the Net Pension Liability	\$ 936,820	\$ 821,164	\$ 725,293

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

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 Annual Comprehensive Financial Report.

FRS – Defined Contribution Pension Plan

The District contributes to the FRS Investment Plan (the 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 Annual Comprehensive Financial Report. Service retirement benefits are based upon the value of the member’s account upon retirement.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member’s accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Allocations to the investment member’s accounts during the 2022-2023 fiscal year were as follows:

Class	Year Ended June 30, 2023		Year Ended June 30, 2024	
	Percent of Gross Compensation		Percent of Gross Compensation	
	Employee	Employer	Employee	Employer
FRS, Regular Class	3.00	6.30	3.00	8.30
FRS, Senior Management Service Class	3.00	7.67	3.00	9.67
FRS, Elected County Officers	3.00	11.34	3.00	13.34

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, 2023, 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

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

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 \$84,840 for the fiscal year ended September 30, 2023.

Note 11 - 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 12 - Other Postemployment Benefits

Plan Description

The District’s Retiree Health Care Plan (OPEB Plan) is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the District. The OPEB 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 OPEB Plan does not issue a stand-alone report.

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

	September 30, 2022
Inactive Plan Members or Beneficiaries	
Currently Receiving Benefits	4
Active Employees	37
Total	41

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.

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

Actuarial Methods and Assumptions

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

The Total OPEB Liability was determined by an actuarial valuation as of September 30, 2022, using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	2.50%
Discount Rate	4.77%
Initial Trend Rate	7.25%
Ultimate Trend Rate	4.00%
Years to Ultimate	52

For all lives, mortality rates were PubG-2010 Mortality Tables projected to the valuation date using Projection Scale MP-2020.

Given the District's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 4.77%. The high-quality municipal bond rate was based on the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index as published by S&P Dow Jones Indices. The S&P Municipal 20 Year High Grade Rate Index consists of bonds in the S&P Municipal Bond Index with a maturity of 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 rating.

Total OPEB Liability

The District's total OPEB liability was measured as of September 30, 2022, and was determined by an actuarial valuation as of October 1, 2022. The census information used in the September 30, 2022 valuation was based on information provided by the District on October 1, 2022.

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 was measured as of September 30, 2022. The following table shows the change in the District's OPEB liability:

	<u>Total OPEB Liability</u>
Balance at September 30, 2022	\$ 247,251
Changes for the Year	
Service Cost	20,222
Interest	6,461
Differences Between Expected And Actual Experience	26,021
Changes of Assumptions	(129,451)
Benefit Payments	(3,119)
Net Changes	<u>(79,866)</u>
Balance at September 30, 2023	<u>\$ 167,385</u>

NOTES TO THE FINANCIAL STATEMENTS
LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT

Changes in assumptions reflect a change in the discount rate from 2.43% for the fiscal year ended September 30, 2022, to 4.77% for the fiscal year ended September 30, 2023. Also reflected as assumption changes are updated health care costs and premiums.

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 (3.77%) or 1-percentage-point higher (5.77%) than the current discount rate:

	1% Decrease (3.77%)	Discount Rate (4.77%)	1% Increase (5.77%)
Total OPEB Liability	\$ 186,933	\$ 167,385	\$ 150,994

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 (6.25% decreasing to 3.00%) or 1-percentage-point higher (8.25% decreasing to 5.00%) than the current healthcare cost trend rates:

	1% Decrease (6.25% Decreasing to 3.00%)	Healthcare Cost Trend Rates (7.25% Decreasing to 4.00%)	1% Increase (8.25% Decreasing to 5.00%)
Total OPEB Liability	\$ 148,700	\$ 167,385	\$ 189,980

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, 2023, the District recognized a negative OPEB expense of \$(74,697).

Note 13 - Subsequent Events

In connection with the preparation of these financial statements, the District has evaluated subsequent events through March 15, 2024, 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, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Non-Ad Valorem Assessments	\$ 5,594,503	\$ 5,594,503	\$ 5,693,239	\$ 98,736
Miscellaneous Revenue	12,555	12,555	30,892	18,337
Interest Income	20,570	20,570	182,348	161,778
Total Revenues	<u>5,627,628</u>	<u>5,627,628</u>	<u>5,906,479</u>	<u>278,851</u>
Expenditures				
Current:				
Physical Environment:				
Personnel Services	3,908,824	3,908,824	3,384,224	524,600
Operating Expenditures	1,571,125	1,571,125	1,383,377	187,748
Capital Outlay	-	-	49,038	(49,038)
Debt Service:				
Principal	-	-	11,791	(11,791)
Interest and Fiscal Charges	-	-	2,213	(2,213)
Total Expenditures	<u>5,479,949</u>	<u>5,479,949</u>	<u>4,830,643</u>	<u>649,306</u>
Excess of Revenues Over Expenditures	<u>147,679</u>	<u>147,679</u>	<u>1,075,836</u>	<u>928,157</u>
Other Financing Sources (Uses)				
Transfers (Out)	(849,225)	(849,225)	(849,225)	-
Proceeds from the Sale of Capital Assets	-	-	24,370	24,370
Total Other Financing Sources (Uses)	<u>(849,225)</u>	<u>(849,225)</u>	<u>(824,855)</u>	<u>24,370</u>
Net Change in Fund Balance	(701,546)	(701,546)	250,981	952,527
Fund Balance, Beginning of Year	5,250,237	5,250,237	5,210,702	(39,535)
Fund Balance, End of Year	<u>\$ 4,548,691</u>	<u>\$ 4,548,691</u>	<u>\$ 5,461,683</u>	<u>\$ 912,992</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	2023	2022	2021	2020	2019	2018
Service Cost	\$ 20,222	\$ 20,745	\$ 14,226	\$ 12,514	\$ 11,875	\$ 11,585
Interest	6,461	5,377	7,363	7,456	6,099	5,175
Difference Between Expected and Actual Experience	26,021	-	(11,266)	11,589	(6,266)	-
Changes of Assumptions or Other Inputs	(129,451)	(7,900)	33,282	-	2,781	(13,781)
Benefit Payments	(3,119)	(2,915)	(6,186)	(5,728)	(2,906)	(6,819)
Net Change in Total OPEB Liability	(79,866)	15,307	37,419	25,831	11,583	(3,840)
Total OPEB Liability - Beginning	247,251	231,944	194,525	168,694	157,111	160,951
Total OPEB Liability - Ending	<u>\$ 167,385</u>	<u>\$ 247,251</u>	<u>\$ 231,944</u>	<u>\$ 194,525</u>	<u>\$ 168,694</u>	<u>\$ 157,111</u>
Covered-Employee Payroll	<u>\$ 1,677,694</u>	<u>\$ 1,888,510</u>	<u>\$ 1,842,449</u>	<u>\$ 1,826,218</u>	<u>\$ 1,823,219</u>	<u>\$ 1,583,812</u>
Total OPEB Liability as a Percentage of Covered Employee Payroll	9.98%	13.09%	12.59%	10.65%	9.25%	9.92%
Discount Rate	4.77%	2.43%	2.14%	3.58%	4.18%	3.64%

*The District implemented Governmental Accounting Standards Board Statement No. 75 for the fiscal year ended September 30, 2019. 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%
2021	0.003926601%	296,610	1,864,621	15.91%	96.40%	6.80%
2022	0.004110491%	1,529,433	2,005,433	76.26%	82.89%	6.70%
2023	0.003718039%	1,481,521	2,048,472	72.32%	82.38%	6.70%

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%
2021	0.005334476%	654,354	1,864,621	35.09%	3.56%	2.16%
2022	0.005502947%	582,850	2,005,433	29.06%	4.81%	3.54%
2023	0.005170624%	821,164	2,048,472	40.09%	4.12%	3.65%

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

FLORIDA RETIREMENT SYSTEM PENSION PLAN

Year Ended September 30,	Contractually Required Contribution	FRS Contribution in Relation to the Contractually Required Contribution	FRS Contribution Deficiency (Excess)	District's Covered- Employee Payroll (FYE September 30)	FRS Contributions as a Percentage of Covered-Employee Payroll
2014	\$ 103,315	\$ (103,315)	\$ -	\$ 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%
2021	153,109	(153,109)	-	1,892,344	8.09%
2022	170,678	(170,678)	-	1,943,102	8.78%
2023	189,349	(189,349)	-	2,140,223	8.85%

HEALTH INSURANCE SUBSIDY PENSION PLAN

Year Ended September 30,	Contractually Required Contribution	HIS Contribution in Relation to the Contractually Required Contribution	HIS Contribution Deficiency (Excess)	District's Covered- Employee Payroll (FYE September 30)	HIS Contributions as a Percentage of Covered-Employee Payroll
2014	\$ 19,721	\$ (19,721)	\$ -	\$ 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%
2021	31,420	(31,420)	-	1,892,344	1.66%
2022	32,262	(32,262)	-	1,943,102	1.66%
2023	37,216	(37,216)	-	2,140,223	1.74%

**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 remained the same as in the prior year at 6.70%.
- **HIS**—The municipal rate used to determine total pension liability increased from 3.54% to 3.65%.
- **OPEB**—The municipal rate used to determine the OPEB liability increased from 2.43% to 4.77%.

SUPPLEMENTARY INFORMATION

**LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT
BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023**

ASSETS

	Capital Equipment	Bridge Renewal and Replacement	Total Non-Major Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 131,619	\$ 698,402	\$ 830,021
Due from Other Funds	5,108	-	5,108
Total Assets	\$ 136,727	\$ 698,402	\$ 835,129

LIABILITIES AND FUND BALANCES

Liabilities			
Unearned Revenue	1,500	-	1,500
Total Liabilities	1,500	-	1,500
Fund Balances			
Assigned for:			
Equipment Replacement	135,227	-	135,227
Bridge Replacement	-	698,402	698,402
Total Fund Balances	135,227	698,402	833,629
Total Liabilities and Fund Balances	\$ 136,727	\$ 698,402	\$ 835,129

**LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>Capital Equipment</u>	<u>Bridge Renewal and Replacement</u>	<u>Total Non-Major Governmental Funds</u>
Revenues			
Non-Ad Valorem Assessments	\$ 32,310	\$ 285,000	\$ 317,310
Permits	75,613	-	75,613
Miscellaneous Revenue	41,052	-	41,052
Interest Income	8,278	30,985	39,263
Total Revenues	<u>157,253</u>	<u>315,985</u>	<u>473,238</u>
Expenditures			
Current:			
Physical Environment:			
Operating Expenditures	-	299,204	299,204
Capital Outlay	184,914	-	184,914
Total Expenditures	<u>184,914</u>	<u>299,204</u>	<u>484,118</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(27,661)</u>	<u>16,781</u>	<u>(10,880)</u>
Net Changes in Fund Balances	(27,661)	16,781	(10,880)
Fund Balances, Beginning of Year	162,888	681,621	844,509
Fund Balances, End of Year	<u>\$ 135,227</u>	<u>\$ 698,402</u>	<u>\$ 833,629</u>

COMPLIANCE SECTION

**LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

State Agency/Pass-Through Grantor State Project	CSFA	Award Amount	Contract/ Grant Number	Grant Expenditures
Florida Department of Environmental Protection				
Statewide Surface Water Restoration and Wastewater Projects	37.039	\$ 87,000	LPA0064	\$ 9,567
Statewide Surface Water Restoration and Wastewater Projects	37.039	2,000,000	NS083	1,400,914
Statewide Surface Water Restoration and Wastewater Projects	37.039	4,060,000	LPA0423	42,832
Total Department of Environmental Protection				<u>1,453,313</u>
Total Expenditures of State Financial Assistance				<u>\$ 1,453,313</u>

**LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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 1 to the District's basic financial statements for the year ended September 30, 2023. 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 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lehigh Acres Municipal Services Improvement District (the District), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated March 15, 2024.

Report on 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001, that we consider to be a material weakness.

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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**

Report On 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*.

The District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



March 15, 2024
Sarasota, 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**

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

Report on Compliance for Each Major State Project

Opinion on Each Major State Project

We have audited the Lehigh Acres Municipal Services Improvement District (the District’s) compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

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, 2023.

Basis for Opinion on Each Major State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Chapter 10.550, *Rules of the Auditor General* (Chapter 10.550). Our responsibilities under those standards and Chapter 10.550 are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state project. Our audit does not provide a legal determination of the District’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable the District’s state projects.

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**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**

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material non-compliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and Chapter 10.550 will always detect material non-compliance when it exists. The risk of not detecting material non-compliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major state project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and Chapter 10.550, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material non-compliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Chapter 10.550, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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*

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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**

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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



March 15, 2024
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, 2023**

Part A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report Issued	Unmodified
Internal Control Over Financial Reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	No
Non-compliance material to financial statements noted?	No

State Financial Assistance Projects

Internal Control Over Major Programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of Auditor's Report Issued on Compliance for Major Programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Chapter 10.557 for local government entities?	No

Identification of Major Projects:

State Financial Assistance Projects

Florida Department of Transportation	
Statewide Surface Water Restoration and Wastewater Projects	CSFA No. 37.039
Dollar threshold used to distinguish between Type A and Type B programs - State Projects:	\$435,994

**LEHIGH ACRES MUNICIPAL SERVICES IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

PART B - FINDINGS - FINANCIAL STATEMENT AUDIT

■ **2023-001 – Financial Close and Reporting**

Condition: Accruals of payables and receivables were improperly excluded from the accounting records as of the fiscal year-end.

Criteria: Financial close and reporting processes should be in place to ensure that trial balances used to prepare financial reports are accurate and complete. Further, internal controls over financial reporting should be designed to allow management or employees to prevent, or detect and correct, material misstatements on a timely basis.

Cause: Internal controls were not operating effectively and there was a lack of intradepartmental review during the financial close and reporting process.

Effect: If the errors had not been corrected during our audit, which is designed only to provide reasonable assurance that the financial statements are fairly presented, the District's receivables and payables would have been understated in the amounts of \$1,453,313 and \$98,661, respectively.

Recommendation: We recommend that the District review its internal control processes around financial close and reporting, specifically related to accruals, to ensure proper accounting.

PART C - FINDINGS AND QUESTIONED COSTS - MAJOR STATE FINANCIAL ASSISTANCE PROJECTS

None

PART D - OTHER ISSUES

No summary schedule of prior audit findings is required because there were no prior audit findings related to the state project.

No corrective action plan is required because there were no current year findings required to be reported under the *Florida Single Audit Act*.

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's) compliance with Section 218.415, Florida Statutes during the fiscal year ended September 30, 2023. 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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 during the fiscal year ended September 30, 2023.

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.



March 15, 2024
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, 2023, and have issued our report thereon dated March 15, 2024.

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 the Financial Statements Performed in Accordance with *Government Auditing Standards*; 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*, Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with American Institute of Certified Public Accountants *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 March 15, 2024, 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 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 1 of the District's financial statements for this information. There are no component units related to the District.

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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.

Specific Information

The specific information below has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, *Rules of the Auditor General*, the District reported:

- a. The total number of District employees compensated in the last pay period of the District's fiscal year as 37.
- b. The total number of independent contractors to whom non-employee compensation was paid in the last month of the District's fiscal year as 3.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$2,206,032.
- d. All compensation earned by or awarded to non-employee independent contractors, whether paid or accrued, regardless of contingency as \$2,279,652.
- e. There were no construction projects with a total cost of at least \$65,000 approved by the District that are scheduled to begin on or after October 1 of the fiscal year being reported.
- f. A budget variance report based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the District amends a final adopted budget under Section 189.016(6), Florida Statutes. This information is included as a budget to actual schedule in the required supplementary information on page 44.

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

MANAGEMENT LETTER

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, *Rules of the Auditor General*, the District reported:

- a. The rate of non-ad valorem special assessments imposed by the District as of September 30, 2023, as an average rate of \$130.15/acre.
- b. The total amount of special assessments collected by or on behalf of the District as of September 30, 2023, as \$5,990,182.
- c. The District has no outstanding bonds as of September 30, 2023.

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 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.



March 15, 2024
Sarasota, Florida



**LEHIGH ACRES
MUNICIPAL
DISTRICT**

COMMISSIONERS

Chair: Julie Hollingsworth

Vice Chair: Katy Hoover

Treasurer: Kenneth K. Thompson

Secretary: Julie Camp

Commissioner: Michael Bonacolta

DISTRICT STAFF

Manager: David E. Lindsay

Asst. Manager: Michael S. Cook

AFFILIATIONS

*Florida Association of
Special Districts*

Florida Stormwater Association

March 15, 2024
Purvis, Gray & Company, L.L.P
5001 Lakewood Ranch Blvd. N., Suite 101
Sarasota, Florida 34240

RE: Response to Finding 2023-001 – Financial Close and Reporting

Staff concurs with this finding and has reviewed its internal control processes, specifically related to accruals, to ensure proper accounting. Receivables are now being entered into the accounting system as soon as they are receivable. A thorough year-end review will be conducted in order to make sure that all payables are accrued in the proper fiscal year.

Sincerely,

A handwritten signature in blue ink that reads "D. March".

Dana March
Finance Director

Lehigh Acres Municipal District

601 East County Lane, Lehigh Acres, FL 33936

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