

**KEY LARGO FIRE RESCUE AND  
EMERGENCY MEDICAL SERVICES DISTRICT**

**BASIC FINANCIAL STATEMENTS**

September 30, 2011

KEY LARGO FIRE RESCUE AND EMERGENCY  
MEDICAL SERVICES DISTRICT  
BASIC FINANCIAL STATEMENTS  
September 30, 2011

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# BASIC FINANCIAL STATEMENTS



## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Key Largo Fire Rescue and Emergency Medical Services District  
Monroe County, Florida

We have audited the accompanying financial statements of governmental activities and each major fund of Key Largo Fire Rescue and Emergency Medical Services District (the "District") as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, and each major fund of the Key Largo Fire Rescue and Emergency Medical Services District as of September 30, 2011, and the change in its financial position and budgetary comparison for the General Fund and the Vehicle and Equipment Replacement Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2012, 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 other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

## Key Largo Fire Rescue and Emergency Medical Services District

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a 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.

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
May 1, 2012

**KEY LARGO FIRE RESCUE AND EMERGENCY  
MEDICAL SERVICES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2011**

Our discussion and analysis of Key Largo Fire Rescue and Emergency Medical Services District's (the District) financial performance provides an overview of the District's financial activities for the year ended September 30, 2011 and 2010. Please read it in conjunction with the District's basic financial statements, which immediately follow this discussion.

**FINANCIAL HIGHLIGHTS**

The following are the highlights of financial activity for the year ended September 30, 2011:

- The District's total assets exceeded its liabilities at September 30, 2011 by \$ 6,396,691.
- The District's total revenues were \$ 1,893,567, \$ 1,871,725 from ad valorem taxes, \$ 21,677 from interest income, and \$ 165 from miscellaneous income. The District's expenses for the year were \$ 2,218,449.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements, which consist of the following two 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 assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving 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.

The government-wide financial statements can be found on pages 7 and 8 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 has only one fund type: governmental funds.

**KEY LARGO FIRE RESCUE AND EMERGENCY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2011**

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 balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government'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 statement of revenues, expenditures and change in fund balance provide reconciliations, if applicable, to facilitate this comparison between governmental funds and governmental activities.

The governmental fund financial statements can be found on pages 9 through 14 of this report.

**Notes to Basic Financial Statements**

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 15 through 22 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position. The following table reflects the condensed government-wide statement of net assets as of September 30, 2011 and 2010:

Key Largo Fire Rescue and Emergency Medical Services District  
Statement of Net Assets

	2011	2010
Current and other assets	\$ 2,522,076	\$ 2,794,371
Capital assets	3,973,184	4,117,172
Total assets	6,495,260	6,911,543
Current liabilities	98,569	189,970
Total liabilities	98,569	189,970
Net assets:		
Invested in capital assets, net of related debt	3,973,184	4,119,672
Unrestricted	2,423,507	2,601,901
Total net assets	\$ 6,396,691	\$ 6,721,573

**KEY LARGO FIRE RESCUE AND EMERGENCY  
MEDICAL SERVICES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2011**

**Governmental Activities**

Governmental activities for the year ended September 30, 2011 decreased the District's net assets by \$ 324,882, as reflected in the table below:

Key Largo Fire Rescue and Emergency Medical Services District  
Statement of Activities

	2011	2010
<b>REVENUES:</b>		
Program revenue:		
Capital grants and contributions	\$ -	\$ 36,709
General revenue:		
Ad valorem taxes	1,871,725	2,100,799
Interest income	21,677	41,645
Miscellaneous	165	-
	<u>1,893,567</u>	<u>2,179,153</u>
<b>EXPENSES:</b>		
General government	249,809	242,860
Public safety	1,968,640	1,989,448
	<u>2,218,449</u>	<u>2,232,308</u>
Change in net assets	(324,882)	(53,155)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>6,721,573</u>	<u>6,774,728</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 6,396,691</u>	<u>\$ 6,721,573</u>

**ANALYSIS OF THE GOVERNMENTAL FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the District's governmental fund 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 District's net resources available for spending at the end of the fiscal year. As of the end of the year, the District's governmental fund reported an ending fund balance of \$ 2,423,507.

**CAPITAL ASSETS**

The District's investment in capital assets, less accumulated depreciation, for its governmental activities as of September 30, 2011 amounted to \$ 3,973,184, and consists of construction in progress, buildings and improvements, infrastructure, furniture and equipment and vehicles.

**KEY LARGO FIRE RESCUE AND EMERGENCY  
MEDICAL SERVICES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2011**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

During the fiscal year, the Key Largo Fire Rescue and Emergency Medical Services District did not revise the budget. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget resolution once exact information is available; 2) amendments made to recognize new funding amounts from external sources; and 3) increases in appropriations that become necessary to maintain services.

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

The District Board adopted a final millage rate of .7890 for fiscal year 2011-2012. The 2011-2012 adopted final millage rate is 7.82% less than the rolled-back rate of .8559.

The 2011-2012 budget includes funds to purchase a new technical rescue pumper, and a new tanker pumper. The 2011-2012 budget also includes a freeze on the contributions to the vehicle and equipment replacement reserve.

With the downturn in the economy and the real estate market the District Board decided to utilize reserve funds to balance the adopted 2011-2012 budget rather than increase the millage rate charged to the residents of the unincorporated Key Largo area. The District Board determined that the targeted ending fund balance to be a prudent reserve for unanticipated events such as hurricanes, and if absolutely necessary the committed funds for the vehicle and equipment replacement reserves could be utilized to cover any shortfalls due to unanticipated emergency situations.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Key Largo Fire Rescue and Emergency Medical Services District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, Key Largo Fire Rescue and Emergency Medical Services District, P.O. Box 1023, Key Largo, FL 33037.

KEY LARGO FIRE RESCUE AND EMERGENCY  
 MEDICAL SERVICES DISTRICT  
 STATEMENT OF NET ASSETS  
 September 30, 2011

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Current assets:	
Cash, cash equivalents and investments	\$ 2,469,007
Accounts receivable	1,094
Due from other governments	27,599
Prepays	<u>24,376</u>
Total current assets	<u>2,522,076</u>
Noncurrent assets:	
Capital assets, nondepreciable	5,000
Capital assets, depreciable	<u>3,968,184</u>
Total assets	<u>6,495,260</u>
 <b>LIABILITIES:</b>	
Accounts payable	<u>98,569</u>
Total liabilities	<u>98,569</u>
 <b>COMMITMENTS AND CONTINGENCIES (Note 7)</b>	
	-
 <b>NET ASSETS:</b>	
Invested in capital assets	3,973,184
Unrestricted	<u>2,423,507</u>
Total net assets	<u>\$ 6,396,691</u>

The accompanying notes to basic financial statements are an integral part of these statements.

**KEY LARGO FIRE RESCUE AND EMERGENCY  
MEDICAL SERVICES DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2011**

		Program Revenues			Governmental Activities
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenues (Expenses) and Change in Net Assets	
<b>FUNCTIONS/PROGRAMS:</b>					
Governmental activities:					
General government	\$ 249,809	\$ -	\$ -	\$ -	\$ (249,809)
Public safety	1,968,640	-	-	-	(1,968,640)
 Total governmental activities	 \$ 2,218,449	 \$ -	 \$ -	 \$ -	 (2,218,449)
 General revenues:					
Ad valorem taxes					1,871,725
Interest income					21,677
Miscellaneous					165
Total general revenues					1,893,567
Change in net assets					(324,882)
Net assets, October 1, 2010					6,721,573
Net assets, September 30, 2011					\$ 6,396,691

The accompanying notes to basic financial statements are an integral part of these statements.

KEY LARGO FIRE RESCUE AND EMERGENCY  
 MEDICAL SERVICES DISTRICT  
 BALANCE SHEET - GOVERNMENTAL FUND  
 September 30, 2011

A S S E T S

	<u>General Fund</u>
<b>ASSETS:</b>	
Cash, cash equivalents and investments	\$ 2,469,007
Accounts receivable	1,094
Due from other governments	27,599
Prepays	<u>24,376</u>
Total assets	<u>\$ 2,522,076</u>

L I A B I L I T I E S   A N D   F U N D   B A L A N C E S

<b>LIABILITIES:</b>	
Accounts payable	\$ <u>98,569</u>
Total liabilities	<u>98,569</u>

COMMITMENTS AND CONTINGENCIES (NOTE 7) -

<b>FUND BALANCES:</b>	
Nonspendable:	
Prepays	24,376
Committed for vehicle replacement	1,753,224
Assigned to subsequent year's budget	357,433
Unassigned	<u>288,474</u>
Total fund balance	<u>2,423,507</u>
Total liabilities and fund balances	<u>\$ 2,522,076</u>

The accompanying notes to basic financial statements are an integral part of these statements.

KEY LARGO FIRE RESCUE AND EMERGENCY  
MEDICAL SERVICES DISTRICT  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
September 30, 2011

TOTAL FUND BALANCES OF GOVERNMENTAL FUNDS IN THE BALANCE SHEET, PAGE 9	\$ 2,423,507
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:	
Governmental capital assets	5,259,059
Less accumulated depreciation	<u>(1,285,875)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 7	\$ <u><u>6,396,691</u></u>

The accompanying notes to basic financial statements are an integral part of these statements.

KEY LARGO FIRE RESCUE AND EMERGENCY  
MEDICAL SERVICES DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCES - GOVERNMENTAL FUND  
For the Year Ended September 30, 2011

	<u>General Fund</u>
REVENUES:	
Ad valorem taxes	\$ 1,871,725
Interest income	21,677
Miscellaneous	<u>165</u>
Total revenues	<u>1,893,567</u>
 EXPENDITURES:	
Current:	
General government	249,809
Public safety	1,651,962
Capital outlay	<u>170,190</u>
Total expenditures	<u>2,071,961</u>
Net changes in fund balances	(178,394)
 FUND BALANCES, October 1, 2010, as restated (Note 3)	 <u>2,601,901</u>
 FUND BALANCES, September 30, 2011	 \$ <u><u>2,423,507</u></u>

The accompanying notes to basic financial statements are an integral part of these statements.

**KEY LARGO FIRE RESCUE AND EMERGENCY  
 MEDICAL SERVICES DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
 For the Year Ended September 30, 2011

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS, PAGE 11	\$ (178,394)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	148,151
Less current year provision for depreciation	(293,983)
Less loss on disposition of assets	<u>(656)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 8	\$ <u><u>(324,882)</u></u>
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The accompanying notes to basic financial statements are an integral part of these statements.

**KEY LARGO FIRE RESCUE AND EMERGENCY  
MEDICAL SERVICES DISTRICT**  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended September 30, 2011

	Original and Final Budget	Actual	Variance
<b>REVENUES:</b>			
Ad valorem taxes	\$ 1,834,245	\$ 1,871,725	\$ 37,480
Interest income	35,000	21,677	(13,323)
Miscellaneous	-	165	165
	<u>1,869,245</u>	<u>1,893,567</u>	<u>24,322</u>
<b>EXPENDITURES:</b>			
General government:			
Legislative	134,801	87,442	47,359
Legal	50,000	52,572	(2,572)
Financial and administrative	137,000	111,792	25,208
	<u>321,801</u>	<u>251,806</u>	<u>69,995</u>
Public safety:			
Fire rescue	1,756,034	1,168,296	587,738
Emergency medical services	701,121	651,859	49,262
	<u>2,457,155</u>	<u>1,820,155</u>	<u>637,000</u>
Total expenditures	<u>2,778,956</u>	<u>2,071,961</u>	<u>706,995</u>
Excess (deficiency) of revenues over expenditures	<u>(909,711)</u>	<u>(178,394)</u>	<u>731,317</u>
<b>OTHER FINANCING SOURCES:</b>			
Transfer from Vehicle and Equipment Replacement Fund	580,000	129,276	(450,724)
Net change in fund balance	<u>\$ (329,711)</u>	<u>\$ (49,118)</u>	<u>\$ 280,593</u>

**EXPLANATION OF DIFFERENCES BETWEEN CHANGE IN FUND BALANCE BUDGET TO  
ACTUAL AND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - GENERAL FUND**

Net change in fund balance, Page 13 \$ (49,118)

Amounts reported for budget to actual are different because:

The net change in fund balance in the District's Vehicle Replacement Fund are reported in the Vehicle Replacement Fund for budgetary purposes but in the General Fund for the purpose of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds:

Net change in fund balance - Vehicle Replacement Fund (129,276)

General Fund net change in fund balance per the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, Page 11 \$ (178,394)

The accompanying notes to basic financial statements are an integral part of these statements.

**KEY LARGO FIRE RESCUE AND EMERGENCY  
 MEDICAL SERVICES DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
 BALANCE - BUDGET AND ACTUAL -  
 VEHICLE AND EQUIPMENT REPLACEMENT FUND**  
 For the Year Ended September 30, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>OTHER FINANCING USES:</b>			
Transfer out	\$ <u>(580,000)</u>	\$ <u>(129,276)</u>	\$ <u>450,724</u>
Net change in fund balance	\$ <u><u>(580,000)</u></u>	\$ <u><u>(129,276)</u></u>	\$ <u><u>450,724</u></u>

The accompanying notes to basic financial statements are an integral part of these statements.

**KEY LARGO FIRE RESCUE AND EMERGENCY  
MEDICAL SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2011**

**NOTE 1 - ORGANIZATION AND OPERATIONS**

Key Largo Fire Rescue and Emergency Medical Services District (the "District") was established on June 8, 2005 under Chapter 191, Florida Statutes, by the Florida Legislature. The District was created for the purpose of providing fire protection and firefighting services, rescue services and emergency medical services to residents and businesses within District boundaries.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The District's more significant accounting policies are described below:

The financial reporting entity:

The criteria used for including component units consists of identification of legally separate organizations for which the Board of Commissioners of the District are financially accountable. This criteria also includes identification of organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting District's basic financial statements to be misleading or incomplete. Based upon this review, there were no potential component units of the District.

**FINANCIAL STATEMENTS - GOVERNMENT-WIDE STATEMENTS**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis, if applicable, and is reported on a full-accrual, economic resource basis, which recognizes all noncurrent assets and receivables as well as all noncurrent debt and obligations, when and if applicable. The effect of any interfund activity has been eliminated from the government-wide financial statements.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The net costs, by function, are also supported by general revenues, other revenue, etc. The statement of activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflect capital-specific grants. For the year ended September 30, 2011, the District had no program revenues.

This government-wide focus is more on the ability to sustain the District as an entity and the change in the District's net assets resulting from the current year's activities.

**FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS**

The accounts of the District are organized on the basis of funds. The operations of the funds are accounted for with separate self-balancing accounts that comprise their assets, liabilities, fund equity, revenues and expenditures.

**KEY LARGO FIRE RESCUE AND EMERGENCY  
MEDICAL SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2011**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The District reports the following major governmental fund:

**General Fund** - This fund is used to account for all operating activities of the District. At this time, revenues are primarily derived from ad valorem taxes levied on properties located within District boundaries, and interest income.

Measurement focus, basis of accounting and presentation:

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the basic financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. Governmental funds use the current financial resources measurement focus and the government-wide statements use the economic resources measurement focus.

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental fund financial statements are presented on the modified accrual basis of accounting under which revenue is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used 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 year.

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.

Budget:

A budget is adopted for the General Fund and Vehicle and Equipment Replacement Fund on an annual basis. Appropriations lapse at fiscal year end. Changes or amendments to the total budgeted expenditures of the District must be approved by the District Board of Commissioners.

The District follows these procedures in establishing budgetary data to be reflected in the basic financial statements:

- a. Each year, the Finance Director, based on input from various District departments, submits to the District Board of Commissioners a proposed operating budget for the fiscal year commencing the following October 1.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to October 1, the budget is legally adopted by the District Board of Commissioners.

**KEY LARGO FIRE RESCUE AND EMERGENCY  
MEDICAL SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2011**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- d. The budgets are adopted on a basis consistent with generally accepted accounting principles.

Cash and cash equivalents:

Cash and cash equivalents, if applicable, are defined as demand deposits, money market accounts, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments:

Investments, if held, are stated at their fair value, which is based on quoted market prices. Unrealized gains and losses in fair value are recognized. Certain money market investments are stated at amortized cost if they have a remaining maturity of one year or less when purchased. The District investments at September 30, 2011 consist of certificates of deposit.

Capital assets:

Capital assets are reported in the governmental activities column in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$ 1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Depreciation on all capital assets is charged to operations using the straight-line method over the assets' estimated service lives.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Equity classifications:

*Government-wide statements*

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction or improvement of those assets, if applicable.
- b. Restricted net assets - consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation, if applicable.
- c. Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

KEY LARGO FIRE RESCUE AND EMERGENCY  
MEDICAL SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Fund statements*

During the year, the District adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement requires that governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Commissioners (the "Board"). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned: This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to District management through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned: This classification includes the residual fund balance for the General Fund.

When the District has expenditures for which committed, assigned or unassigned fund balance is available, the District would consider committed funds to be spent first, then assigned funds and lastly unassigned funds.

Property taxes:

Under Florida law, the assessment of all properties and the collection of all county, municipal, special taxing district and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector, respectively. All property is reassessed according to its fair market value on January 1 of each year and each assessment roll is submitted to the State Department of Revenue for review to determine if the assessment roll meets all of the appropriate requirements of state law. The maximum rate the District is allowed to assess is 1.0 mills (\$ 1.000 for each \$ 1,000 of assessed valuation).

**KEY LARGO FIRE RESCUE AND EMERGENCY  
MEDICAL SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2011**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The tax levy is established by the Board of Commissioners prior to October 1 of each year during the budget process. For the fiscal year ended September 30, 2011 the adopted millage rate is .7890 mills (\$ .7890 for each \$ 1,000 of assessed valuation).

Taxes may be paid less a 4% discount in November or at declining discounts each month through the month of February. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Beginning on or before June 1, the tax collector is required by law to hold a tax certificate sale. The certificates represent liens on all unpaid taxes on real estate properties. The sale allows citizens to buy certificates by paying off the owed tax debt. The sale is conducted in reverse auction style with participants bidding downward on interest rates starting at 18%. The certificate is awarded to the lowest bidder. A tax certificate earns a minimum of 5% interest to the investor until the interest has accrued to greater than 5%, with the exception of “zero” interest bids, which always earn “zero” interest.

Date of management review:

Subsequent events have been evaluated through May 1, 2012, which is the date the financial statements were available to be issued.

**NOTE 3 – IMPLEMENTATION OF NEW GOVERNMENTAL ACCOUNTING STANDARD BOARD PRONOUNCEMENT AND RESTATEMENT OF FUND EQUITY**

During 2011, the District implemented Governmental Accounting Standard Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund-Type Definitions*. GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classification that can be more consistently applied and by clarifying the existing governmental fund type definitions. GASB 54 specifies that transferred-in resources do not provide the foundation of restricted or committed revenues required for a special revenue fund. Since the main source of revenue for the Vehicle Replacement Fund was transfers, the District was required to combine this fund with the General Fund.

The implementation of GASB Statement No. 54 had the following effect on fund balances of the General Fund and Vehicle Replacement Fund:

	General Fund	Vehicle Replacement Fund
Fund balance at September 30, 2010	\$ 719,401	\$ 1,882,500
GASB 54 change in fund structure	1,882,500	(1,882,500)
Restated fund balance at September 30, 2010	\$ 2,601,901	\$ -

**KEY LARGO FIRE RESCUE AND EMERGENCY  
MEDICAL SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2011**

**NOTE 4 - DEPOSITS AND INVESTMENTS**

Deposits:

The District's deposits must be placed with banks and savings and loans which are qualified as public depositories prior to receipt of public monies under Chapter 280, Florida Statutes. These deposits are insured by the FDIC up to \$ 250,000. Monies deposited in amounts greater than the insurance coverage are secured by the banks pledging securities with the State Treasurer in the collateral pool. At year end, the carrying amount of the District's deposits was \$ 1,000,603 and the bank balance was \$ 1,042,614.

Investments:

The District's investments consist of the following:

	<u>Interest Rate</u>	<u>Maturity</u>
\$ 501,455 Certificate of deposit	1.25%	6/29/12
\$ 508,750 Certificate of deposit	1.74%	12/15/11
\$ 458,199 Certificate of deposit	1.33%	10/15/11

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2011 was as follows:

	<u>Balance at October 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at September 30, 2011</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated				
Construction in progress	\$ <u>2,500</u>	\$ <u>2,500</u>	\$ <u>-</u>	\$ <u>5,000</u>
Total capital assets, not being depreciated	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>5,000</u>
Capital assets, being depreciated				
Buildings and improvements	3,359,030	-	-	3,359,030
Infrastructure	150,360	-	-	150,360
Furniture and equipment	632,976	16,375	(1,036)	648,315
Vehicles	<u>967,078</u>	<u>129,276</u>	<u>-</u>	<u>1,096,354</u>
Total capital assets, being depreciated	<u>5,109,444</u>	<u>145,651</u>	<u>(1,036)</u>	<u>5,254,059</u>
Total capital assets,	<u>5,111,944</u>	<u>148,151</u>	<u>(1,036)</u>	<u>5,259,059</u>

**KEY LARGO FIRE RESCUE AND EMERGENCY  
MEDICAL SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2011**

**NOTE 5 - CAPITAL ASSETS (continued)**

	Balance at October 1, 2010	Additions	Deletions	Balance at September 30, 2011
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Less accumulated depreciation for:				
Buildings and improvements	344,555	100,018	-	444,573
Infrastructure	7,518	5,012	-	12,530
Furniture and equipment	257,125	97,905	(380)	354,650
Vehicles	<u>383,074</u>	<u>91,048</u>	<u>-</u>	<u>474,122</u>
 Total accumulated depreciation	 <u>992,272</u>	 <u>293,983</u>	 <u>(380)</u>	 <u>1,285,875</u>
 Governmental activities capital assets, net	 \$ <u>4,119,672</u>	 \$ <u>(145,832)</u>	 \$ <u>(656)</u>	 \$ <u>3,973,184</u>

Provision for depreciation was charged to functions as follows:

Governmental Activities:	
Public safety	\$ <u>293,983</u>

**NOTE 6 - INTERLOCAL AGREEMENT**

The District previously entered into an agreement with Monroe County (the "County") related to the transfer of fire and emergency medical services responsibilities from the County to the District. The agreement became effective October 1, 2006. Under the agreement, the District accepts all responsibilities for and agrees to provide within the District all of the duties and responsibilities as defined in 2005 Florida Laws, Chapter 329. Based on the terms of the agreement, the District accepted title to certain property previously held by the County under two long-term lease agreements. Under these agreements, which expire in January 2022 and July 2043, the District retains title to buildings and improvements constructed by the County on land that is owned by the lessor. The agreement which expires in January 2022 contains the option to renew for two additional 30-year periods under the same terms and conditions. Upon expiration of one of the agreements, the District's interest in the buildings and improvements transfers to the lessor. Under the other agreement, the District retains title to and has the right to remove any buildings or improvements located on the leased premises. Additionally, the District has title to certain furniture, equipment and vehicles previously held by the County.

KEY LARGO FIRE RESCUE AND EMERGENCY  
MEDICAL SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2011

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Agreements:

The District entered into agreements with Key Largo Volunteer Fire Rescue Department (the “Department”) and Key Largo Volunteer Ambulance Corps, Inc. (the “Ambulance Corps”) to furnish fire protection services and ambulance services. The agreement with the Department is effective through April 26, 2014, with an automatic renewal for an additional three-year period, unless either party in writing, no fewer than sixty (60) days prior to the renewal date, informs the other party of a desire to terminate or modify this agreement. The agreement with the Ambulance Corps is effective through April 29, 2014, with an automatic renewal for an additional three-year period, unless either party in writing, no fewer than thirty (30) days prior to the renewal date, informs the other party of a desire to terminate or modify this agreement. Both agreements contain provisions under which either party may terminate the agreement. The agreements call for payments to be made from the District to the Department and the Ambulance Corps, either in the form of advances, direct payment of expenses or reimbursements. These payments shall be in accordance with the budget appropriations request submitted by the Department and the Ambulance Corps to the District prior to the adoption of the District’s annual budget on October 1 of each year. The budget may be amended during the year to reflect increases in actual expenses and to reflect the increase or decrease in the level of services provided to the District due to the occurrence of certain events. Additionally, the agreement contains certain other provisions such as the District, the Department and the Ambulance Corps providing for adequate maintenance of emergency vehicles and for the District to have access to the Department’s and the Ambulance Corps’ financial records related to expenditures incurred under the agreement.

Litigation:

The District is currently the defendant in a litigation issue that arose in the normal course of operations. District management has indicated that they intend to vigorously defend this matter, the ultimate outcome of which, in the opinion of management, will not have a material adverse effect on the financial condition of the District.

NOTE 8 - RISK MANAGEMENT

In accordance with the agreements with the Department and Ambulance Corps (Note 7), the District is required to provide workers’ compensation insurance, including \$ 500,000 in employer’s liability insurance coverage, on the volunteers of the Department and Ambulance Corps, as required by Florida Statutes Chapter 440. Additionally, the District must maintain general liability and automobile liability insurance with minimum coverage limits of \$ 2,000,000.

**OTHER REPORTS OF  
INDEPENDENT AUDITORS**



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

To the Board of Commissioners  
Key Largo Fire Rescue and Emergency Medical Services District  
Monroe County, Florida

We have audited the financial statements of the governmental activities and each major fund of Key Largo Fire Rescue and Emergency Medical Services District (the "District") as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 1, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

Key Largo Fire Rescue and Emergency Medical Services District

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

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
May 1, 2012



## INDEPENDENT AUDITORS' REPORT TO DISTRICT MANAGEMENT

To the Board of Commissioners  
Key Largo Fire Rescue and Emergency Medical Services District  
Monroe County, Florida

We have audited the basic financial statements of Key Largo Fire Rescue and Emergency Medical Services District (the "District"), as of and for the year ended September 30, 2011, and have issued our report thereon May 1, 2012.

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. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which are dated May 1, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports.

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

## Key Largo Fire Rescue and Emergency Medical Services District

Section 10.554(1)(i)6., 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. Key Largo Fire Rescue and Emergency Medical Services District was established on June 8, 2005 by Florida Legislature H.B. No. 1291, pursuant to the provisions of Chapter 190, of the laws of the State of Florida. The District does not have any component units.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of 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.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the District for the fiscal year ended September 30, 2011, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2011. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. 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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
May 1, 2012