



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

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2006

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

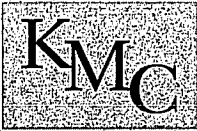
BASIC FINANCIAL STATEMENTS

September 30, 2006

**KEY LARGO FIRE RESCUE AND
EMERGENCY MEDICAL SERVICES DISTRICT
BASIC FINANCIAL STATEMENTS
September 30, 2006**

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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 statement of net assets and balance sheet of the governmental fund and major fund of Key Largo Fire Rescue and Emergency Medical Services District (the District) as of September 30, 2006, and the statement of activities, statements of revenues, expenditures and change in fund balance for the year then ended, 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 major fund of the Key Largo Fire Rescue and Emergency Medical Services District as of September 30, 2006, and the change in its financial position 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 September 20, 2007, on our consideration of the District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Key Largo Fire Rescue and Emergency Medical Services District

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.


KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
September 20, 2007

**KEY LARGO FIRE RESCUE AND
EMERGENCY MEDICAL SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2006**

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, 2006. Please read it in conjunction with the District's basic financial statements, which immediately follow this discussion. Since this is the initial period of operations for the District, there is no previous year comparable data available. A comparative analysis of government-wide data will be presented in future years when such information is available.

FINANCIAL HIGHLIGHTS

The following are the highlights of financial activity for the year ended September 30, 2006:

- The District's total assets exceeded its liabilities at September 30, 2006 by \$ 29,028.
- The District's total revenues were \$ 103,063, \$ 100,000 from operating contributions and \$ 3,063 from investment income. The District's expenses for the year were \$ 74,035

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 MEDICAL SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2006**

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 and 10 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 11 through 15 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, 2006:

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

	2006
Current and other assets	\$ <u>61,106</u>
Current liabilities	<u>32,078</u>
Net assets:	
Unrestricted	\$ <u><u>29,028</u></u>

**KEY LARGO FIRE RESCUE AND
EMERGENCY MEDICAL SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2006**

Governmental Activities

Governmental activities for the year ended September 30, 2006 increased the District's net assets by \$ 29,028, as reflected in the table below:

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

	2006
REVENUES:	
Program revenue:	
Operating grants and contributions	\$ 100,000
General revenue:	
Interest income	3,063
Total revenues	103,063
EXPENSES:	
General government	52,562
Public safety	21,473
Total expenses	74,035
Change in net assets	29,028
NET ASSETS, October 1, 2005	--
NET ASSETS, September 30, 2006	\$ 29,028

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, unreserved 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 \$ 29,028.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

One of the factors considered by the District's officials when adopting the fiscal year 2006-2007 budget was the impact of rising property values on the property taxes paid by both citizens and residents of Key Largo. The District Board adopted a final millage rate of 0.7537 for its first full fiscal year of operations which is less than the maximum amount of 1.0 mills which the District can levy.

**KEY LARGO FIRE RESCUE AND
EMERGENCY MEDICAL SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2006**

Another consideration for the fiscal year 2006-2007 budget is the need to program funds for the replacement of aging fire rescue and emergency medical services vehicles and equipment. The budget adopted by the District for 06-07 includes contributions of \$ 790,000 for the initial establishment of a Vehicle & Equipment Replacement Fund.

The adopted budget for 2006/07 also targets an ending unreserved fund balance of 15% of operating expenditures which was determined by the District Board to be a prudent reserve for unanticipated events such as hurricanes.

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 371023, Key Largo, Florida 33037-1023.

**BASIC
FINANCIAL STATEMENTS**

**KEY LARGO FIRE RESCUE AND
 EMERGENCY MEDICAL SERVICES DISTRICT**
STATEMENT OF NET ASSETS
 September 30, 2006

	<u>Governmental Activities</u>
ASSETS:	
Cash	\$ <u>61,106</u>
Total assets	<u>61,106</u>
 LIABILITIES:	
Accounts payable	31,772
Accrued liabilities	<u>306</u>
Total liabilities	<u>32,078</u>
 NET ASSETS:	
Unrestricted	<u>29,028</u>
Total net assets	\$ <u><u>29,028</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 ACTIVITIES
For the Year Ended September 30, 2006

		Program Revenues			<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	Net Revenues and Change in Net Assets
FUNCTIONS/PROGRAMS:					
Governmental Activities:					
General government	\$ 52,562	\$ --	\$ --	\$ --	\$ (52,562)
Public safety	<u>21,473</u>	<u>--</u>	<u>100,000</u>	<u>--</u>	<u>78,527</u>
 Total governmental activities	 \$ <u>74,035</u>	 \$ <u>--</u>	 \$ <u>100,000</u>	 \$ <u>--</u>	 25,965
 General revenues:					
Interest income					<u>3,063</u>
Change in net assets					29,028
Net assets, October 1, 2005					<u>--</u>
Net assets, September 30, 2006					\$ <u>29,028</u>

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, 2006

A S S E T S

	Major Governmental Fund <hr/> General Fund
ASSETS:	
Cash	\$ <u>61,106</u>
Total assets	\$ <u><u>61,106</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES:	
Accounts payable	\$ 31,772
Accrued liabilities	<u>306</u>
Total liabilities	<u>32,078</u>
FUND BALANCE:	
Unreserved	<u>29,028</u>
Total liabilities and fund balance	\$ <u><u>61,106</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 BALANCE -
 GOVERNMENTAL FUND**
 For the Year Ended September 30, 2006

	Major Governmental Fund <hr style="width: 100%;"/> General Fund <hr style="width: 100%;"/>
REVENUES:	
Intergovernmental	\$ 100,000
Interest income	<u>3,063</u>
Total revenues	<u>103,063</u>
 EXPENDITURES:	
Current:	
General government	52,562
Public safety	<u>21,473</u>
Total expenditures	<u>74,035</u>
Net change in fund balance	29,028
FUND BALANCE, October 1, 2005	<u>—</u>
FUND BALANCE, September 30, 2006	\$ <u><u>29,028</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, 2006**

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 fund). 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, if any, would be 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, 2006, the District had program revenues of \$ 100,000.

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, 2006

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 derived from startup contributions received from Monroe County.

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.

Budget:

A budget will be adopted for the General Fund on an annual basis. Appropriations will 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. No budget was adopted for the fiscal year ended September 30, 2006 since this was the initial period of operations.

The District will follow these procedures in establishing future 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.
- d. The budgets are adopted on a basis consistent with generally accepted accounting principles.

**KEY LARGO FIRE RESCUE AND
EMERGENCY MEDICAL SERVICES DISTRICT**
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 held no investments at September 30, 2006.

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 District had no capital assets at September 30, 2006.

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."

Fund statements

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**KEY LARGO FIRE RESCUE AND
EMERGENCY MEDICAL SERVICES DISTRICT**
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Village is allowed to assess is 1.0 mills (\$ 1.000 for each \$ 1,000 of assessed valuation).

The tax levy is established by the Board of Commissioners prior to October 1 of each year during the budget process. For the year ended September 30, 2006, there was no millage rate assessed, as this was the initial year of District operations. For the fiscal year ended September 30, 2007 the adopted millage rate is .7537 mills (\$.7537 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. Delinquent taxes on real property bear interest at 18% per year until the tax is satisfied either by seizure and sale of property or by the five-year statute of limitations.

NOTE 3 - DEPOSITS

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 \$ 200,000, \$ 100,000 for demand deposits and \$ 100,000 for savings deposits. 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 \$ 61,106 and the bank balance was \$ 68,093.

NOTE 4 - COMMITMENTS

The District has 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 contracts expire on September 30, 2007 and may continue on a month-to-month basis after that point until they are renegotiated. The District may terminate the contracts at any time during its term if the Department or the Ambulance Corps default under certain provisions detailed in the agreement; otherwise, the District may terminate the agreement without cause by giving sixty (60) days written notice. 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.

**KEY LARGO FIRE RESCUE AND
EMERGENCY MEDICAL SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2006**

NOTE 4 - COMMITMENTS (continued)

The District has also entered into an interlocal 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 is effective as of 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. Additionally, the District is to accept title to certain real property previously held by the County, equipment owned by the County, and leases previously entered into by the County, all of which are related to providing fire rescue and emergency medical services. The agreement also provides for the transfer of the remaining fund balance of the County's Special Revenue Fund as presented on the County's audited financial statements as of September 30, 2006.

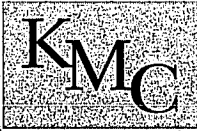
NOTE 5 - RISK MANAGEMENT

In accordance with the agreements with the Department and Ambulance Corps (Note 4), as of October 1, 2006, the District is required to provide workers' compensation insurance, including \$ 500,000 in employers liability insurance coverage, on the volunteers of the Department and Ambulance Corps, as required by Florida Statutes Chapter 440. Additionally, beginning October 1, 2006, the District must maintain general liability and automobile liability insurance with minimum coverage limits of \$ 2,000,000.

NOTE 6 - SUBSEQUENT EVENTS

On October 1, 2006, the District took title to certain real property and equipment previously owned by Monroe County (Note 4). The District is in the process of determining the fair value of property and equipment received in order to record them on the District's books. Additionally, the District received transfers representing the remaining fund balance of \$ 725,233 related to the County's Special Revenue Fund as of September 30, 2006.

**OTHER REPORTS OF
INDEPENDENT AUDITORS**



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CERTIFIED PUBLIC ACCOUNTANTS

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**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 statement of net assets and balance sheet of the governmental fund of Key Largo Fire Rescue and Emergency Medical Services District (the "District") as of September 30, 2006, and the statement of activities, and the statement of revenues, expenditures and change in fund balance for the year then ended and have issued our report thereon dated September 20, 2007. 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 Key Largo Fire Rescue and Emergency Medical Services District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by management in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Key Largo Fire Rescue and Emergency Medical Services District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of basic financial statement 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
September 20, 2007



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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, 2006, and have issued our report thereon dated September 20, 2007.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. Disclosures in that report, which are dated September 20, 2007, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.554(1)(h)1.) require that we address in the management letter, if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings, whether or not recommendations made in the preceding annual financial audit report have been followed. Since the District first commenced operations for the year ended September 30, 2006, this is the initial period of operations.

As required by the Rules of the Auditor General (Section 10.554(1)(h)2.), the scope of our audit included 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.

The Rules of the Auditor General (Section 10.554(1)(h)3.) require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such findings or recommendations.

Key Largo Fire Rescue and Emergency Medical Services District

The Rules of Auditor General (Section 10.554(1)(h)4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs and are not clearly inconsequential: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the basic financial statements); (4) failure to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed no matters requiring disclosure in the management letter or the basic financial statements.

The Rules of the Auditor General (Section 10.554(1)(h)5.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the basic 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 191, Florida Statutes. The District has no component units.

As required by the Rules of the Auditor General (Section 10.554(1)(h)6.a.), a statement must be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes. 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.

As required by the Rules of the Auditor General (Section 10.554(1)(h)6.b.), we determined that the annual financial report for the District for the fiscal year ended September 30, 2006, 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, 2006.

As required by the Rules of the Auditor General (Section 10.554(h)6.c. and 10.556(7)), we applied financial assessment procedures. It is management's responsibility to monitor the entity'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.

This management letter 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
September 20, 2007