

**DORCAS FIRE DISTRICT**  
DEFUNIAK SPRINGS, FLORIDA

AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY  
INFORMATION

YEAR ENDED SEPTEMBER 30, 2018

**JOSEPH A. JONES**  
Certified Public Accountant  
Crestview, Florida  
January 6, 2020

# **DORCAS FIRE DISTRICT**

## **FIRE CHIEF**

JOHN POLINSKY

## **BOARD MEMBERS**

STEVEN MANRING (CHAIRMAN)

DEBORAH WIMER-ZILLS

ROBERT ZILLS

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Dorcas Fire District  
Crestview, Florida

**Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities of Dorcas Fire District (the "District"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which comprise Dorcas Fire District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Basis for Qualified Opinion**

I am unable to conclude that the financial statements as a whole are free from material misstatement for reasons described as follows. The general ledger lists \$15,207.57 of bank deposits as impact fees revenues, but the fire district has no supporting documentation to determine the source of the bank deposits. Since I am unable to determine the source of these bank deposits, I am unable to determine the fairness of the impact fees revenues. The general ledger, and the bank records, listed two repairs expenditures totaling to \$2,982.30, but the fire district has no supporting documentation to determine what was bought from a local vendor. Since I am unable to determine what was bought, I am unable to determine the fairness of the repairs expenditures.

## **Qualified Opinion**

In my opinion, except for the possible effects of the matters discussed in the in “Basis for Qualified Opinion” paragraph listed above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Dorcas Fire District, as of September 30, 2018, and changes in financial position for the year ended in accordance with accounting principles general accepted in the United States of America.

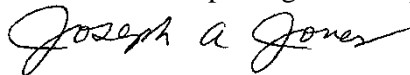
## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United State of America require that the management’s discussion and analysis, and the budgetary comparison schedule (in Required Supplementary Information), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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. I 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 my inquiries, the basis financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express and opinion or provide any assurance.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued a report dated January 6, 2020 on my consideration of Dorcas Fire District’s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Dorcas Fire District’s internal control over financial reporting and compliance.



Joseph A. Jones  
Certified Public Accountant  
Crestview, Florida  
January 6, 2020

## **Management Discussion and Analysis (MD&A)**

My discussion and analysis of the District's financial performance provide an overview of the District's financial activities for the fiscal year ended September 30, 2018. This discussion and analysis should be read in conjunction with the District's financial statements.

### **Overview of the Financial Statements**

The District's financial statements comprise the following elements:

#### Government-wide Financial Statements

Government-wide financial statements provide both long-term and short-term information about the District's overall financial condition. Changes in the District's financial position may be measured over time by increases and decreases in the Statement of Net Position. Information on the how District's net position changed during the fiscal year is presented in the Statement of Activities.

#### Fund Financial Statements

Fund financial statements focus on the individual parts of the District, reporting the District's operations in more detail than government-wide and fund financial statements. Fund financial statements include the statements for governmental funds.

#### Notes to Financial Statements

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. Refer to Note A to the financial statements for more detailed information on the elements of the financial statements.

### **Financial Analysis of the District as a Whole**

One of the most important questions asked about the District's finances is "Is the District, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District's activities in a way that will help answer this question. These two statements report the net assets of the District and the changes in them. You can think of the district's net assets-the difference between assets and liabilities-as one way to measure financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. However, you will need also to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed legislation.

The District's cash in banks increased \$58,274 during the fiscal year.

Total net assets were \$231,855 at the end of the fiscal year.

The following is a condensed statement of net position (Table 1).

**Table 1**

	<u>2018</u>	<u>2017</u>
Cash	\$ 103,270	\$ 44,996
Other Current Assets	7,148	4,154
Capital Assets	445,767	482,042
Total Assets	556,185	531,192
Short Term Debt	60,881	63,922
Long Term Debt	263,449	316,934
Total Debt	324,330	380,856
Net Assets		
Invested in Capital Assets		
Net of Related Debt	131,218	111,029
Unrestricted	70,150	23,995
Restricted	30,487	15,312
Total Net Assets	\$ 231,855	\$ 150,336

Changes in District's net assets can be determined by reviewing the following condensed Statement of Activities (Table 2).

**Table 2**

	<u>2018</u>	<u>2017</u>
Property Taxes	\$ 216,510	\$ 208,919
Impact Fees	15,208	13,526
Insurance Refund	2,633	-
Miscellaneous	1,136	-
Total Revenues	235,487	222,445
Operating Expenses	153,968	193,581
Change in Net Assets	81,519	28,864
Net Assets at Beginning of Year	150,336	121,472
Net Assets at End of Year	\$ 231,855	\$ 150,336

## The District's Funds

The District has one fund, the General Fund, from which all activities are carried out. The General Fund is used to report the cost of services provided to the residents of the District. The District continues to apply for grants to purchase equipment needed to provide improved services to residents of the district.

## Capital Assets and Debt Administration

### Capital Assets

At the end of the fiscal year, the District had \$445,767 invested in capital assets, net of depreciation. The following summarizes Capital Assets net of depreciation.

**Table 3**

	<u>2018</u>	<u>2017</u>
Land	\$ 9,082	\$ 9,082
Buildings	302,058	313,402
Equipment	9,879	11,163
Fire Trucks	124,748	148,396
Total Capital Assets	<u>\$ 445,767</u>	<u>\$ 482,042</u>

The following table summarizes the changes in capital assets. These changes are presented in more detail in Note D to the financial statements.

**Table 4**

	<u>2018</u>	<u>2017</u>
Balance at Beginning of Year	\$ 482,042	\$ 516,869
Additions	4,387	4,499
Deletions	-	-
Depreciation	<u>(40,662)</u>	<u>(39,326)</u>
Total Capital Assets	<u>\$ 445,767</u>	<u>\$482,042</u>

Note: The only capital asset addition, or purchase, was Radios (4), pagers (2) and batteries for \$4,387.



**Debt**

At September 30, 2018, the District had \$324,330 outstanding debt.

The district paid down the debt by \$56,526 during FY2018.

The Community 1st National Bank debt was paid off in February 2019.

Debt by Fiscal year:

	<u>2018</u>	<u>2017</u>
Accounts Payable	\$ 2,121	\$ 2,121
Payroll Liabilities	3,660	3,722
Accrued Interest	1,341	3,644
3 Fire Trucks (Community 1st National Bank)	39,676	77,772
Fire Station, Poverty Creek Rd (JTS Capital II Investors)	273,531	289,597
Due to Volunteer Account	4,000	4,000
Total Debt	<u>\$ 324,330</u>	<u>\$ 380,856</u>

**Economic Factors and Next Year's Budget**

The District expects its revenue to increase during the next fiscal year. As additional residents move into the District's service area, additional equipment and manpower will be needed to service all of these residents. The District has an impact fee in place to help offset these costs, plus the District is applying for various grants to help offset these additional costs.

**Contacting the District's Financial Management**

This financial report is designed to provide the residents of the District, customer and creditors, with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Dorcas Fire District, at 4418 Poverty Creek Rd, Crestview, FL 32539.

## **BASIC FINANCIAL STATEMENTS**

**DORCAS FIRE DISTRICT**  
Statement of Net Position  
September 30, 2018

ASSETS

CURRENT ASSETS

Cash, Unrestricted	\$ 72,783
Cash, Restricted	30,487
Prepaid assets	7,148
Total Current Assets	<u>110,418</u>

CAPITAL ASSETS

Non-depreciable (Land)	9,082
Depreciable, net	436,686
Total Capital Assets	<u>445,767</u>

TOTAL ASSETS	<u><u>\$ 556,185</u></u>
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LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 2,121
Payroll Liabilities	3,660
Accrued Interest	1,341
Leases Payable	39,676
Building mortgage loan payable	14,082
Total Current Liabilities	<u>60,881</u>

LONG-TERM LIABILITIES

Loan from Dorcas Volunteer Account	4,000
Long-term Leases Payable	-
Building mortgage loan payable	259,449
Total Long-Term Liabilities	<u>263,449</u>

TOTAL LIABILITIES	<u><u>\$ 324,330</u></u>
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NET POSITION

Investments in Capital Assets, Net of Debt	131,218
Unrestricted	70,150
Restricted, for Impact Fees	30,487

TOTAL NET POSITION	<u><u>\$ 231,855</u></u>
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TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 556,185</u></u>
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See accompanying notes to the financial statements.

**DORCAS FIRE DISTRICT**  
**STATEMENT OF ACTIVITIES**  
Year Ended September 30, 2018

FUNCTION/PROGRAMS	PROGRAM EXPENSES				NET (EXPENSE)
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUE AND CHANGES IN NET ASSETS
					PRIMARY GOVERNMENTAL ACTIVITIES
PRIMARY GOVERNMENT					
Governmental Activities					
General Government	\$ 153,968	\$ -	\$ -	\$ -	(153,968)
<b>Total Primary Government</b>	<b>\$ 153,968</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(153,968)</b>

GENERAL REVENUES

Property Taxes	\$ 216,510
Impact Fees	15,208
Insurance refund	2,633
Miscellaneous	1,136
<b>Total General Revenues and Special Items</b>	<b>\$ 235,487</b>

CHANGE IN NET POSITION

\$ 81,519

NET POSITION - BEGINNING OF YEAR

150,336

NET POSITION - END OF YEAR

\$ 231,855

See accompanying notes to the financial statements.

**DORCAS FIRE DISTRICT**  
**BALANCE SHEET -**  
**GOVERNMENTAL FUNDS**  
September 30, 2018

ASSETS

Cash, Unrestricted	\$ 72,783
Cash, Restricted	30,487
Total Assets	<u>103,270</u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts Payable	2,121
Payroll Liabilities	3,660
Total Current Liabilities	<u>5,781</u>

FUND BALANCES

General Fund:	
Unassigned	67,002
Restricted	30,487
Total Fund Balances	<u>97,489</u>

TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 103,270</u>
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See accompanying notes to the financial statements.

**DORCAS FIRE DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
September 30, 2018**

Total Fund Balances, governmental fund balance sheet		\$97,489
Plus:		
Prepaid assets in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet		7,148
Plus:		
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet		445,767
Less:		
Long term loan from Dorcas Volunteer Account		(4,000)
Short-term, and Long-Term, Liabilities used to finance capital assets and not reported in the governmental funds balance sheet		
	Accrued interest on leases and loans	1,341
	Short-term Leases Payable	39,676
	Long-term Leases Payable	-
	Short-term Bank Loan	14,082
	Long Term Bank Loan	259,449
	Total Liabilities that are long term or are used to finance capital assets	<u>(314,549)</u>
Total net position – governmental activities		<u><u>\$231,855</u></u>

See accompanying notes to the financial statements.

**DORCAS FIRE DISTRICT****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS**

Year Ended September 30, 2018

Revenues:

Property Taxes	\$ 216,510
Impact Fees	15,208
Insurance Refund	2,633
Miscellaneous	1,136
Total Revenues	<u>235,487</u>

Expenditures:

## Operating Services:

Bank Service Charges	66
Building Repairs	-
Dues and Subscriptions	684
Equipment Supplies	830
Insurance	25,628
Interest expense	22,385
Payroll Expenses	18,500
Postage & Delivery	132
Professional Fees:Accounting	4,800
Professional Fees:Audit	5,600
Property Appraiser Fees	2,904
Supplies	8,625
Telephone	2,034
Truck Fuel	5,504
Truck Repairs and Maintenance	4,483
Uniforms	-
Utilities	11,132
Total General Government, excluding Depreciation	<u>113,306</u>

## Capital Outlay (none):

Radios (4), pagers (2) and batteries	4,387
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Plus long-term debt principal paid down 54,162

Total Expenditures 171,854

Excess of revenues over expenditures (net change in fund balances) 63,633

Fund balance, beginning of year (23,767)

Fund balance, end of year \$ 39,865

See accompanying notes to the financial statements.

**DORCAS FIRE DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

September 30, 2018

Net change in fund balances - governmental fund	\$ 63,633
Capital outlay, reported as expenditures in governmental fund, is shown as capital assets in Statement of Net Position There were no expenditures for Capital Outlay	4,387
Depreciation expense on capital assets included in the Statement of Activities does not require the use of current financial resources; therefore it is not reported as an expenditure in the governmental fund	(40,662)
Repayment of principal on debt is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position	54,162
Change in net position of governmental activities	\$ 81,519

See accompanying notes to the financial statements.



**DORCAS FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2018

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Dorcas Fire District was created by section 2005-331, Laws of Florida. The district is an independent fire control district operating pursuant to the special act and the provisions of Chapter 191, Fl. Statutes. Dorcas Fire District operates as a local government entity (special district), and was organized in Okaloosa County, FL. under County Ordinance 84.39. The Organization provides volunteer fire and rescue support to the local community.

The accounting policies of the District conform to Generally Accepted Accounting Principles (GAAP) as applicable to governments in accordance with those promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

**Measurement Focus, Basis of Accounting and Basis of Presentation**

**Government-wide Financial Statements** – Government-wide financial statements, including the statement of net position and statement of activities, present information about the District as a whole. These statements include the non-fiduciary financial activity of the primary government.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenditures are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Program revenues include grant revenues that are restricted to meeting the operations or capital requirements of a particular grant program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of grant direct expenditures with grant program revenues identifies the extent to which grant direct expenses are self-financing and draw from the grant revenues.

The government-wide financial statements are prepared using the accrual basis of account. Revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

When both restricted and unrestricted resources are available for use, it the government's policy to use restricted resources first and then unrestricted resources, as they are needed.

Government-wide financial statement net position is divided into three components – investment in capital assets, restricted; and unrestricted. These classifications are defined as follows:

**DORCAS FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2018

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investment in capital assets** – This component of net position consists of capital assets, included restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as unspent proceeds.

**Restricted** – This component of net position consists of constraints placed on net positions imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

**Unrestricted** – This component of net position consists of amounts that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

**Fund Financial Statements:**

**Government Funds** are used to account for the general government activities. Governmental fund types use the flow of current financial measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “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 pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after year end.

Expenditures are recorded when the related fund liability is incurred, except for un-matured interest on long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Ad valorem taxes, reimbursements for incidents and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

**DORCAS FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2018

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The District reports the following major governmental fund:

**General Fund** – The General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

The following is a description of the District’s various fund balance accounts:

Non-spendable fund balance includes amounts that are not in a spendable form (such as prepaid insurance) or are required to be maintained intact.

Restricted fund balance includes amounts restricted by creditor, grantors, contributors, laws, or regulations of other governments, constitutional provisions, or enabling legislation. The restricted funds consists of impact fees, which are restricted for purchase or construction of new facilities, or equipment, to provide fire protection and emergency services.

Committed fund balance can be used only for specific purposes as imposed by formal action of the District’s board. There are no committed funds at the end of this fiscal year.

Assigned fund balance includes resources that are intended to be used for specific purposes, but are neither restricted nor committed. These are resources that have been set aside for a specific purpose by the District board. There are no assigned funds as of the end of this fiscal year.

Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. Unassigned funds include the unrestricted funds.

Restricted resources are only used for their specific designation and with approval from the District’s board. Committed and Assigned funds are used for their specific designation. If the District does not have sufficient funds allocated to committed or assigned funds to cover the full cost of an expenditure, then unassigned funds would be used to cover the remaining portion of the expense. In the event that expenditures for new facilities, or fire protection and emergency services, exceeds available restricted funds, the expenditure will be funded out of restricted funds to the extent of the restricted fund balance, and the remainder will be funded by the unrestricted fund balance.

The District considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in unrestricted fund balance classification could be used.

**DORCAS FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2018

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fiduciary Funds** account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. The District currently has no fiduciary funds or trust funds.

***Cash, Deposits and Investments***

The District is authorized to invest in financial instruments as established in Section 218.415, Florida Statutes. The District maintains deposits with “Qualified Public Depositories” as defined in Chapter 280 Florida Statutes. The District has an investment policy that places the highest priority on the safety of principal and liquidity of funds. Funds in excess of amounts needed to meet current expenses are invested in money market accounts or in certificate of deposits of banks that are insured by the Federal Deposit Insurance Corporation. Investments in money market funds are reported at fair value. Funds in the Impact Fund are restricted for purchase of capital assets.

***Interest Rate Risk***

Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District minimizes interest rate risk by structuring investments to mature to meet future operating cash requirements and investing primarily in short-term security such as money market accounts.

***Concentration of Credit Risk***

As mentioned above, the District limits investments to money market accounts or in certificate of deposits of banks that are insured by the Federal Deposit Insurance Corporation.

***Custodial Credit Risk***

For an investment, custodial credit risk is the risk that 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 has no formal policy for custodial risk.

***Capital Assets***

Capital assets, which include property and equipment are reported in the government-wide financial statements but are not recorded in the governmental fund financial statements. Capital assets are defined by the District as assets with an initial/individual cost of more than \$1,000. Such assets are recorded at historical cost and estimated historical cost if purchased or constructed. Donated asset are recorded at estimated fair market value at the date of donation.

**DORCAS FIRE DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property and equipment sold, destroyed or obsolete is removed from the accounts periodically. Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Fire Trucks	10
Equipment	5

Depreciation expense is not reported in the governmental fund financial statements. In the governmental fund financial statements, amounts incurred for acquisition of capital assets are reported as fund expenditures.

**Ad Valorem Tax Revenue**

The Okaloosa County Property Tax Calendar Significant dates relative to ad valorem tax revenue are as follows:

Assessment date, Lien date – January 1  
Levy date – November 1  
Due Date – November 1  
Maximum Discount – November 30  
Past Due or Delinquent date – April 1  
Tax Certificates Sold – June 1

**Budgets and and Budgetary accounting**

The Fire District adopted a formal budget for the fiscal year. A Budgetary Comparison Schedule is included in the Required Supplementary Information.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, results could differ from those estimates.

**DORCAS FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2018

**Note B – Deposits and Investments**

The District has not adopted a written policy for deposits or investing surplus funds. Regarding the investment of surplus funds, the Florida State Statutes were followed. Restricted Fund cash in the Impact Fund is restricted for purchase of capital assets.

**Note C - Contingency**

The District receives most of its support from fire taxes and impact fees. A reduction in growth of new construction would affect the District’s ability to fund its programs and activities.

**Note D - Capital Assets**

Capital asset activity for the fiscal year is as follows:

	Balance 9/30/2017	Current Year:		Balance 9/30/2018
		Additions	Deletions	
<b>GOVERNMENTAL ACTIVITIES:</b>				
Capital assets, not being depreciated:				
Land	\$ 9,082	\$ -	\$ -	\$ 9,082
Total capital assets, not being depreciated	9,082	-	-	9,082
Capital assets, being depreciated:				
Fire Station Buildings (2)	453,758			453,758
Fire & Rescue Equipment	352,254	4,387		356,641
Fire Trucks	558,135			558,135
Total capital assets, being depreciated	1,364,147	4,387	-	1,368,534
Total Capital Assets before depreciation:	1,373,229	4,387	-	1,377,615
Less Accumulated Depreciation for:				
Fire Station Buildings	140,356	11,344		151,700
Fire & Rescue Equipment	341,091	5,671		346,762
Fire Trucks	409,739	23,648		433,386
Total Accumulated Depreciation	891,187	40,662	-	931,849
Total Capital Assets, being depreciated, net	472,961	(36,275)	-	436,685
Governmental activities capital assets, net	\$ 482,042	\$ (36,275)	\$ -	\$ 445,767

**DORCAS FIRE DISTRICT, INC.**  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

**NOTE E - LONG-TERM DEBT**

Summary of Long Term Debt:

	<u>Long Term</u>
Loan from Dorcas Volunteer Account	\$ 4,000
Building Mortgage loan payable	273,531
Long-term Leases Payable	none
Total Long Term Debt	<u>\$ 277,531</u>

Loan from Dorcas Volunteer Account

Years ago, the District borrowed \$4,000 from the Dorcas Volunteer firemen's account. No terms for repayment have been formalized.

Building mortgage loan

The District borrowed \$385,000 from First NBC Bank in FY2006 to construct a Poverty Creek Rd fire station. First NBC Bank failed, and was closed, on April 28, 2017, and the loan was taken over by the Federal Deposit Insurance Corporation (FDIC). The loan was assumed by JTS Capital II Investors LLC on October 18, 2017. The loan was sold to National Loan Investors, L.P. on March 14, 2019. Current monthly payments are \$2,398, and the interest rate is 5.5%.

Building mortgage loan principal balance at 9/30/2017	289,597.44
Principal paid down in FY2018	(16,066.25)
JTS Capital II Investors LLC loan balance at 9/30/2018	<u>273,531.19</u>
Interest and late fees paid in FY2018	<u>17,328.06</u>
Current debt - due within 1 year	14,082.18
Long term debt	<u>259,449.01</u>
JTS Capital II Investors LLC loan balance at 9/30/2018	<u>273,531.19</u>
Accrued interest at 9/30/2018	<u>125.37</u>

Long-term Leases Payable

The District has a long term lease agreement with Community First National Bank of Manhattan, KS, for purchase of 3 Fire Trucks: 1994 Freightliner, 2002 American LaFrance, and 2001 Ford Brush truck. This capital lease financed \$183,190 on 1/7/2014 at 4.15% interest, with annual payments of \$41,322. The following is a detailed schedule of the lease financing of the 3 trucks.

<u>Date Due</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Prin. Balance</u>	
1/7/2017	41,323	4,745	36,577	77,772	
1/7/2018	41,323	3,228	38,095	39,676	
1/7/2019	41,323	1,647	39,676	0	
Current lease payable is					\$ 39,676
Total principal lease payable at September 30, 2018 is					<u>\$ 39,676</u>
Accrued interest at 9/30/2018					<u>\$ 1,216</u>

The lease/loan was paid off on February 4, 2019.

**DORCAS FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2018

**NOTE F – RISK MANAGEMENT**

The District is exposed to various risks of loss related to tort, theft, damage to, and destruction of assets, errors, and omissions, injuries to volunteer firefighters, and natural disasters. The District purchases insurance through commercial carriers and participates in the Florida Municipal Insurance Trust for workmen's compensation coverage. The District maintains minimal insurance deductibles for insurance policies from its carriers. There has been no significant reduction in insurance coverage from the prior fiscal year. Insurance coverage has been sufficient to cover all claims made in the past two years.

**NOTE G – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through January 6, 2020, the date these financial statements were available to be issued, and no event was deemed to warrant recognition or disclosure.



**REQUIRED SUPPLEMENTARY INFORMATION  
(Other than MD&A)**

**DORCAS FIRE DISTRICT**

Budgetary Comparison Schedule

**GOVERNMENTAL FUNDS**

Year Ended September 30, 2018

	<u>Actual</u>	<u>Budget</u>
<b>Revenues:</b>		
Property Taxes	\$ 216,510	\$198,562
Impact Fees	15,208	3,083
Insurance Refund	2,633	
Miscellaneous	1,136	2,241
Total Revenues	<u>235,487</u>	<u>203,886</u>
<b>Expenditures:</b>		
<b>Operating Services:</b>		
Bank Service Charges	66	81
Building Repairs	-	1,296
Dues and Subscriptions	684	590
Equipment Supplies	830	706
Insurance	25,628	31,783
Interest expense	22,385	19,540
Payroll Expenses	18,500	35,087
Postage & Delivery	132	130
Professional Fees, Accounting	4,800	5,000
Professional Fees, Audit	5,600	6,075
Property Appraiser Fees	2,904	4,446
Supplies	8,625	2,951
Telephone	2,034	2,117
Truck Fuel	5,504	5,000
Truck Repairs and Maintenance	4,483	4,748
Uniforms	-	153
Utilities	11,132	8,419
Total General Government, excluding Depreciation	<u>113,306</u>	<u>128,122</u>
Capital Outlay (none):	-	
Radios (4), pagers (2) and batteries	4,387	
Plus long-term debt principal paid down	54,162	54,000
Total Expenditures	<u>171,854</u>	<u>182,122</u>
Excess of revenues over expenditures	<u>\$ 63,633</u>	<u>\$ 21,764</u>

## **COMPLIANCE SECTION**

**JOSEPH A JONES**  
**CERTIFIED PUBLIC ACCOUNTANT**

6075 Bud Moulton Road  
Crestview, Fl. 32536  
Phone (850) 682-8950  
Cell phone (850) 826-0630; Fax Phone (866) 521-9736  
Email jonesja1@cox.net

**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 Directors  
Dorcas Fire District  
Crestview, Florida

I have audited 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, the financial statements of the governmental activities of Dorcas Fire District (“the District”), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District’s basis financial statements, and have issued my report thereon dated January 6, 2020.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the District’s internal control over financial reporting to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, I 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.

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

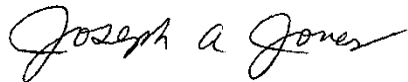
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Dorcas Fire District’s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

provisions was not an objective test of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

This purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance, and accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Joseph A. Jones". The signature is written in a cursive, flowing style.

Joseph A. Jones  
Certified Public Accountant

Crestview, Florida  
January 6, 2020

JOSEPH A JONES  
CERTIFIED PUBLIC ACCOUNTANT  
6075 Bud Moulton Road  
Crestview, Fl. 32536  
Phone (850) 682-8950  
Fax (866) 521-9736  
Email [jonesja1@cox.net](mailto:jonesja1@cox.net)

## MANAGEMENT LETTER

To the Board of Directors  
Dorcas Fire District  
Crestview, Florida

### Report on the Financial Statements

I have audited the financial statements of the Dorcas Fire District, as of and for the fiscal year ended September 30, 2018, and have issued my report thereon dated January 6, 2020. I issued a qualified opinion as I was unable to conclude that the financial statements as a whole are free from material misstatement for the reasons as follows: (1) Impact fees revenues of \$15,208 was listed in the general ledger and bank deposit, but did the district did not maintain required documentary records of impact fees receipts. (2) The district did not maintain required source documentation, such as what was purchased, for \$2,982 of truck repairs expenditures.

### Auditor's Responsibility

I conducted my 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 Florida Auditor General.

### Other Reports and Schedule

I have issued my Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, and Chapter 10.550 Rules of the Florida Auditor General. Disclosures in those reports and schedule, which are dated January 6, 2020, 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 I determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

**Finding 2017-01, which is a repeat of Finding 2016-05, is uncorrected in FY2018:** Impact Fees revenue documentation was missing. The FY2017 general ledger listed \$13,526 of postings to Impact fees revenue, but no source documentation for the general ledger postings and bank deposits was provided. The FY2016 general ledger listed \$3,083 of postings to Impact fees revenue, but no source documentation was provided. As a result, I was unable to determine the source of the postings to impact fees revenue and therefore I was unable to determine the fairness of the amounts reported as impact fees revenues in both FY2017 and FY2016.

**Finding 2017-02 is uncorrected in FY2018:** Paid invoice documentation was missing for some of the expenditures listed in the FY2017 general ledger. The FY2017 general ledger included repairs expenditures in the amounts of \$1,350.35 and \$1,462.13 (total of \$2,812.48), and the district did not maintain required source documentation for these expenditures. Required source documentation should include individual charge slips/invoices that would provide detailed information of what was purchased, for how much, and who did the purchasing. As a result, I was unable to determine the fairness of \$2,812.48 of FY2017 expenditures categorized as repairs.

### **Other 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. Dorcas Fire District has no component units.

### **Financial Condition**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that I apply appropriate procedures and report the results of my determination as to whether or not the Dorcas Fire District 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 my audit, I determined that the Dorcas Fire District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, I applied financial condition assessment procedures. It is management's responsibility to monitor the Dorcas Fire District's financial condition, and my financial condition assessment was based in part on representations made by management and the review of financial information provided by same. I performed this assessment as of the fiscal year end and I did not find any deteriorating conditions.

Section 10.554(1)(i)2., Rules of the Auditor General, require that I communicate any recommendations to improve financial management. In connection with my audit, I did have the following audit findings:

**Finding 2018-01 (repeat finding of finding 2017-01 and finding 2016-05:** Impact Fees revenue documentation was missing.

During my audit of FY2018, I found amounts totaling \$15,208 were posted to the general ledger account for impact fees revenue. However, no impact fees revenue documentation was provided for audit.

Governmental accounting rules and regulations require governments maintain source documentation for all receipts and bank deposits. The fire district did not maintain required documentation of these receipts. As a result, I was unable to determine the source of the \$15,208 postings to impact fees revenue and therefore am unable to determine the fairness of the amounts reported as impact fees revenues.

**Audit Recommendation:** Recommend the district ensure that all transactions are posted to the proper revenue and expenditure accounts and that all revenue and expenditure documentation is maintained in the files.

**Finding 2018-02 (repeat finding of finding 2017-02:** Adequate source documentation was missing for some of the expenditures.

During my audit of FY2018, I found that paid invoice documentation was missing for the following two expenditures, totaling to \$2,982.30: (1) \$1,560.62 paid to Wise Equipment (check no. 5043 dated 11/14/2017) and (2) \$1,421.68 paid to Advanced Auto (check no. 5010 dated 10/12/2017). Governmental accounting rules and regulations require governments maintain adequate source documentation for all expenditures. The fire district did not maintain the individual charge slips/invoices that would provide detailed information of what was purchased, for how much, and who did the purchasing. As a result, I am unable to determine the fairness of \$2,982.30 of expenditures categorized as repairs.

Audit Recommendation: I recommend the District take actions to ensure that adequate supporting documentation, including the individual charge slips/invoices be maintained in the District files to document what was purchased, for how much, and who did the purchasing.

### **Special District Component Units**

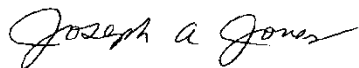
Section 10.554(1)(i)5.c., Rules of the Auditor General, require that I communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. Dorcas Fire District is not a component unit and has no components.

### **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires that I communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are like 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 my audit, I did not note any such findings.

### **Purpose of this letter**

My management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and the Dorcas Fire District management and board, and is not intended to be and should not be used by anyone other than these specified parties.



Joseph A. Jones  
Certified Public Accountant  
Crestview, Florida  
January 6, 2020



Dorcas Fire District  
4418 Poverty Creek Rd  
Crestview, Fl. 32539

Phone (850) 682-7940

January 6, 2020

To: Joseph A. Jones, C.P.A.  
6075 Bud Moulton Road  
Crestview, Fl. 32536

Subject: Dorcas Fire District's response to the FY2018 Audit findings

**Finding 2018-01 (repeat finding of findings 2017-01 and 2016-05):** Impact Fees revenue documentation was missing. Amounts totaling \$15,207.57 were posted to the general ledger account for impact fees revenue. No impact fees revenue documentation was provided for audit. Governmental accounting rules and regulations require governments maintain source documentation for all receipts and bank deposits. The fire district did not maintain required documentation of these receipts. As a result, I was unable to determine the source of the \$15,207.57 postings to impact fees revenue and therefore am unable to determine the fairness of the amounts reported as impact fees revenues.

**Audit Recommendation:** Recommend the district ensure that all transactions are posted to the proper revenue and expenditure accounts and that all revenue and expenditure documentation is maintained in the files.

**Fire District's response:** We will take steps to ensure that we are recording and maintaining all impact receipts in a receipt book or some other written receipt documentation format. For subsequent fiscal years, we will provide receipt documentation for audit.

**Finding 2018-02: (repeat finding of finding 2017-02):** Paid invoice documentation was missing for two expenditures. Paid invoice documentation totaling to \$2,982.30 was missing for the following expenditures: \$1,560.62 paid to Wise Equipment (check no. 5043 dated 11/14/2017), and \$1,421.68 paid to Advanced Auto (check no. 5010 dated 10/12/2017). Governmental accounting rules and regulations require governments maintain adequate source documentation for all expenditures. The district did not maintain the individual charge slips/invoices that would provide detailed information of what was purchased, for how much, and who did the purchasing. As a result, I am unable to determine the fairness of \$2,982.30 of expenditures categorized as Truck repairs.

**Audit Recommendation:** I recommend the District take actions to ensure that adequate supporting documentation, including the individual charge slips/invoices be maintained in the District files to document what was purchased, for how much, and who did the purchasing.

**Fire District's response:** We will take steps to ensure that all individual charge slips/invoices are maintained in the District files to document what was purchased, for how much, and who did the purchasing.

Sincerely yours,

Signature



Title

Board of Commissioners Member

**JOSEPH A JONES**  
**CERTIFIED PUBLIC ACCOUNTANT**

6075 Bud Moulton Road  
Crestview, Fl. 32536  
Phone (850) 682-8950  
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**INDEPENDENT ACCOUNTANT’S REPORT ON COMPLIANCE WITH SECTION 218.415,  
FLORIDA STATUTES, LOCAL GOVERNMENT INVESTMENT POLICIES**

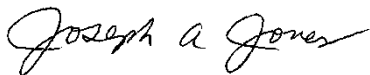
Board of Directors  
Dorcas Fire District  
Crestview, Florida

I have examined the Dorcas Fire District’s (the District) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2018. Management is responsible for the District’s compliance with those requirements. My responsibility is to express an opinion on the District’s compliance based on my examination.

My examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my examination provides a reasonable basis for my opinion. My examination does not provide a legal determination on the District’s compliance with specified requirements.

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

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



Joseph A. Jones, CPA  
Crestview, Florida  
January 6, 2020