

DORCAS FIRE DISTRICT
CRESTVIEW, FLORIDA

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY
INFORMATION

YEAR ENDED SEPTEMBER 30, 2020

Edward E. Chapman
Certified Public Accountant
Springville, Alabama
October 20, 2021

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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, 2020, 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 on General Fund

The District did not maintain adequate paid expenditure/expense documentation. The Town did not maintain adequate revenue/receivable documentation. Due to the inadequacy of accounting records, I was unable to verify the accuracy and completeness of the accounting records in the General Fund. Since there were many missing accounting records, I am unable to conclude that the financial statements as a whole are free from material

misstatement due to the inability to obtain sufficient appropriate audit evidence. As a result, I was unable to form an opinion regarding the General fund assets, net position, expenditures, and revenue.

Qualified Opinion

In my opinion, except for the effects of the matters described in the “Basis for Qualified Opinion on General Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of the Dorcas Fire District, as of September 30, 2020, 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 basic 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 an 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 October 20, 2021 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.



Edward E. Chapman
Certified Public Accountant
Springville, Alabama
October 20, 2021

Management Discussion and Analysis (MD&A)

This discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2020. The District is a volunteer fire department, and the primary purpose of the District is to provide fire, rescue, and emergency medical assistance for the Dorcas District. Although it is important to the long-term existence of the District to maintain its financial health, net position is accumulated only to the extent required by Florida Statutes to ensure the District has sufficient reserve funds for future operations and anticipated capital acquisitions. This discussion and analysis should be read in conjunction with the District's financial statements.

Highlights

Financial Highlights

Assets, \$579,672, exceeded liabilities, \$254,807, by \$324,865. Total expenses, \$271,263, exceeded total revenue, \$260,417, by \$10,846. There was no grant money received in FY 2020. Depreciation expense for the year was \$53,761. Cash on hand as of the end of the FY was \$124,212, of which \$37,159 was restricted. Capital outlay for equipment was \$84,680.

Using the Financial Statements and Supplementary Data

The Audited Financial Statements consist of a series of financial statements, prepared in accordance with *Governmental Accounting Standards*. The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting. The Statement of Activities provides information on how the District's net position changes during the fiscal year. All of the current year revenues and expenses are taken into account regardless of when cash is received or paid. The Statement of Revenues, Expenditures, and changes in Fund balances provides a more detailed listing of revenues and expenditures.

The District's cash in banks decreased \$63,472 during the fiscal year.

Total net assets were \$324,865 at the end of the fiscal year.

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

Table 1

	<u>2020</u>	<u>2019</u>
Cash	\$ 124,212	\$ 187,684
Other Current Assets	16,958	4,154
Capital Assets	438,502	407,583
Total Assets	<u>579,672</u>	<u>599,421</u>
Short Term Debt	20,999	17,400
Long Term Debt	233,807	246,309
Total Debt	<u>254,807</u>	<u>263,710</u>
Net Assets		
Invested in Capital Assets		
Net of Related Debt	193,030	150,276
Unrestricted	94,676	134,819
Restricted	37,159	50,616
Total Net Assets	<u>\$ 324,865</u>	<u>\$ 335,711</u>

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

Table 2

	<u>2020</u>	<u>2019</u>
Property Taxes	\$ 226,655	\$ 225,698
Impact Fees	33,534	20,166
Insurance Refund	-	-
Miscellaneous	228	145
Total Revenues	<u>260,417</u>	<u>246,009</u>
Operating Expenses	<u>271,263</u>	<u>141,555</u>
Change in Net Assets	(10,846)	104,454
Net Assets at Beginning of Year	335,711	231,258
Net Assets at End of Year	<u>\$ 324,865</u>	<u>\$ 335,711</u>

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year, the District had \$438,502 invested in capital assets, net of depreciation. The following summarizes Capital Assets net of depreciation.

Table 3

	<u>2020</u>	<u>2019</u>
Land	\$ 9,082	\$ 9,082
Buildings	279,370	290,714
Equipment	62,598	6,687
Fire Trucks	87,453	101,101
Total Capital Assets	<u>\$ 438,502</u>	<u>\$ 407,583</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>2020</u>	<u>2019</u>
Balance at Beginning of Year	\$ 407,583	\$ 445,767
Additions	84,680	1,121
Deletions	-	-
Depreciation	(53,761)	(39,305)
Total Capital Assets	<u>\$ 438,502</u>	<u>\$ 407,583</u>

Note: The only capital asset additions for 2020 were:

Appliance	\$1,730
Gym Equipment	\$8,610
Elliptical Equipment	\$10,031
Pump & Hose	\$20,200
Drone	\$4,319
Radios	\$2,928
Mower	\$23,000
Trailer	\$1,362
T3000 Fire Truck	\$3,000
2006 Hummer	\$9,500

Debt

At September 30, 2020, the District had \$254,807 outstanding debt.

The district paid down the debt by \$8,903 during the fiscal year.

<u>Debt by Fiscal year:</u>	<u>2020</u>	<u>2019</u>
Accounts Payable	\$ 2,121	\$ 2,121
Payroll Liabilities	1,338	282
Accrued Interest	1,875	-
Fire Station, Poverty Creek Rd (JTS Capital II Investors)	245,472	257,307
Due to Volunteer Account	4,000	4,000
Total Debt	<u>\$ 254,807</u>	<u>\$ 263,710</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, 2020

ASSETS

CURRENT ASSETS

Cash, Unrestricted	\$ 87,053
Cash, Restricted	37,159
Prepaid assets	16,958
Total Current Assets	<u>141,170</u>

CAPITAL ASSETS

Non-depreciable (Land)	9,082
Depreciable, net	429,420
Total Capital Assets	<u>438,502</u>

TOTAL ASSETS

\$ 579,672

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 2,121
Payroll Liabilities	1,338
Accrued Interest	1,875
Leases Payable	-
Building mortgage loan payable	15,665
Total Current Liabilities	<u>20,999</u>

LONG-TERM LIABILITIES

Loan from Dorcas Volunteer Account	4,000
Long-term Leases Payable	-
Building mortgage loan payable	229,808
Total Long-Term Liabilities	<u>233,808</u>

TOTAL LIABILITIES

\$ 254,807

NET POSITION

Investments in Capital Assets, Net of Debt	191,153
Unrestricted	96,552
Restricted, for Impact Fees	37,159

TOTAL NET POSITION

\$ 324,865

TOTAL LIABILITIES AND NET POSITION

\$ 579,672

See accompanying notes to the financial statements.

DORCAS FIRE DISTRICT
STATEMENT OF ACTIVITIES
Year Ended September 30, 2020

FUNCTION/PROGRAMS	PROGRAM EXPENSES			NET (EXPENSE)
	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUE AND CHANGES IN NET ASSETS
<u>EXPENSES</u>	<u>SERVICES</u>	<u>CONTRIBUTIONS</u>	<u>CONTRIBUTIONS</u>	<u>PRIMARY GOVERNMENTAL ACTIVITIES</u>
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	\$ 271,263	\$ -	\$ -	\$ (271,263)
Total Primary Government	\$ 271,263	\$ -	\$ -	\$ (271,263)

GENERAL REVENUES

Property Taxes	\$ 226,655
Impact Fees	33,534
Insurance refund	-
Miscellaneous	228
Total General Revenues and Special Items	\$ 260,417

CHANGE IN NET POSITION \$ (10,846)

NET POSITION - BEGINNING OF YEAR 335,711
NET POSITION - END OF YEAR \$ 324,865

See accompanying notes to the financial statements.

DORCAS FIRE DISTRICT
BALANCE SHEET -
GOVERNMENTAL FUNDS
September 30, 2020

ASSETS

Cash, Unrestricted	\$ 87,053
Cash, Restricted	37,159
Prepaid Items	16,958
Total Assets	<u>141,170</u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts Payable	2,121
Payroll Liabilities	1,338
Total Current Liabilities	<u>3,459</u>

FUND BALANCES

General Fund:	
Unassigned	83,594
Restricted	54,117
Total Fund Balances	<u>137,711</u>

TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 141,170</u></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, 2020

Total Fund Balances, governmental fund balance sheet		\$137,711
Plus:		
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet		438,502
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	1,875	
Short-term Leases Payable	-	
Long-term Leases Payable	-	
Short-term Bank Loan	15,665	
Long Term Bank Loan	<u>229,808</u>	
Total Liabilities that are long term or are used to finance capital assets		(247,348)
Total net position – governmental activities		<u><u>\$324,865</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, 2020

Revenues:

Property Taxes	\$ 226,655
Impact Fees	33,534
Miscellaneous	228
Total Revenues	<u>260,417</u>

Expenditures:

Operating Services:

Legal Advertising	131
Bank Service Charges	63
Dues and Subscriptions	4,370
Insurance	29,235
Interest expense	18,829
Office Supplies	2,775
Payroll Expenses	61,405
Professional Fees	18,800
Property Appraiser Fees	2,953
Safety & Training	4,510
Supplies	40,649
Telephone & Utilities	8,446
Truck Fuel	6,263
Repairs and Maintenance	19,074
Total General Government, excluding Depreciation	<u>217,502</u>

Capital Outlay:

Fire Equipment	84,680
Plus long-term debt principal paid down	11,835
Total Expenditures	<u>314,017</u>

Excess of revenues over expenditures	(53,600)
Fund balance, beginning of year	165,363
Fund balance, end of year	<u>\$ 111,763</u>

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, 2020**

Net change in fund balances - governmental fund	\$ (53,600)
Capital outlay, reported as expenditures in governmental fund, is shown as capital assets in Statement of Net Position Capital outlay purchases were all for fire equipment	84,680
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	(53,761)
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	11,835
Change in net position of governmental activities	<u>\$ (10,846)</u>

See accompanying notes to the financial statements.

DORCAS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

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 is 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, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in capital assets – This component of net position consists of capital assets, including 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, 2020

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 consist 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, 2020

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 assets are recorded at estimated fair market value at the date of donation.

DORCAS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

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 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, 2019

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:

GOVERNMENTAL ACTIVITIES:	Balance	Current Year:		Balance
	9/30/2019	Additions	Deletions	9/30/2020
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	357,762	72,180		429,942
Fire Trucks	558,135	12,500		570,635
Total capital assets, being depreciated	1,369,655	84,680	-	1,454,335
Total Capital Assets before depreciation:	1,378,736	84,680	-	1,463,416
Less Accumulated Depreciation for:				
Fire Station Buildings	163,044	11,344		174,388
Fire & Rescue Equipment	351,075	16,269		367,344
Fire Trucks	457,034	26,148		483,182
Total Accumulated Depreciation	971,153	53,761	-	1,024,914
Total Capital Assets, being depreciated, net	398,502	30,919	-	429,421
Governmental activities capital assets, net	\$ 407,583	\$ 30,919	\$ -	\$ 438,502

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	229,808
Long-term Leases Payable	none
Total Long Term Debt	<u>\$ 233,808</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 9/30/2019	257,307
Principal paid down in FY2020	(11,835)
National Loan Investors L.P. loan balance at 9/30/2020	<u>245,472</u>
Interest and late fees paid in FY2020	<u>18,816</u>
Current debt - due within 1 year	15,665
Long term debt	229,808
National Loan Investors L.P. loan balance at 9/30/2020	<u>245,472</u>
Accrued interest at 9/30/2020	<u>1,875</u>

DORCAS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

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 October 20, 2021, the date these financial statements were available to be issued, and no event was deemed to warrant recognition or disclosure.

NOTE H – GRANTS

No grant revenue was received in FY 2020.

NOTE I – COVID IMPACT

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Dorcas Fire District could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The Dorcas Fire District has not included any contingencies in the financial statements specific to this issue.

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

DORCAS FIRE DISTRICT

Budgetary Comparison Schedule

GOVERNMENTAL FUNDS

Year Ended September 30, 2020

	<u>Actual</u>	<u>Budget</u>
<u>Revenues:</u>		
Property Taxes	\$ 226,655	\$ 198,562
Impact Fees	33,534	3,083
Insurance Refund	-	
Miscellaneous	228	2,241
Total Revenues	<u>260,417</u>	<u>203,886</u>
<u>Expenditures:</u>		
Operating Services:		
Bank Service Charges	63	81
Dues and Subscriptions	4,370	590
Equipment Supplies	40,648	3,657
Insurance	29,235	31,783
Interest expense	18,829	-
Legal Advertising	131	-
Payroll Expenses	61,405	35,087
Postage & Office Supplies	2,775	130
Professional Fees:	18,800	11,075
Property Appraiser Fees	2,953	4,446
Telephone & Utilities	8,446	10,536
Truck Repairs and Maintenance	25,337	11,044
Uniforms & Safety Training	4,510	153
Total General Government, excluding Depreciation	<u>217,502</u>	<u>108,582</u>
Capital Outlay:		
Fire Equipment	84,680	
Plus long-term debt principal paid down	11,835	11,835
Total Expenditures	<u>314,017</u>	<u>120,417</u>
Excess of revenues over expenditures	<u>\$ (53,600)</u>	<u>\$ 83,469</u>

COMPLIANCE SECTION

EDWARD E CHAPMAN
CERTIFIED PUBLIC ACCOUNTANT

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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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated October 20, 2021.

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.



Edward E. Chapman
Certified Public Accountant

Springville, Alabama
October 20, 2021

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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, 2020, and have issued my report thereon dated October 20, 2021.

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 October 20, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that I determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Dorcas Fire District did have two findings or recommendations in the preceding year audit report. Dorcas Fire District has taken corrective actions to address the FY2018 findings and recommendations, and the FY2018 findings are now closed as mentioned below.

Finding 2019-01 (repeat finding of finding 2016-05, 2017-01, and 2018-01): Impact Fees revenue documentation was missing.

(a) Some impact receipt numbers are missing and (b) some impact fee revenue collections were not timely deposited into the impact bank account.

(a) Some impact receipt numbers were missing, or were unused, or were voided. The following impact receipt numbers were found to be missing or unused or voided: Receipt numbers 1310, 1311, 1320 through 1356, 1359, 1361, 1362, 1364 through 1369, 1371, 1373 through 1445, and 1449. Missing receipt numbers could be an indication of improper record keeping or could be an indication of fraud or theft. Recommendation: Recommend the district ensure that all unused receipt numbers are properly accounted for. If a receipt number is voided, the district should maintain in its files a copy of the voided receipt.

(b) Some impact fee revenue collections were held undeposited for several months before they were deposited into the impact bank account. \$1,834.80 of impact fees were collected in June and August 2018, but were not deposited until Dec 7, 2018. \$3,064.20 of impact fees were collected in January and March 2019, but were not deposited until May 21, 2019. \$6,972.00 of impact fees were collected in May and June 2019, but were not deposited until Aug 16, 2019.

Good money management practices, and good internal accounting controls, require that collections of revenues be deposited into the bank as soon as possible, usually no later than 3 business days after receiving the funds.

Recommendation: Recommend the district ensure that collections of revenues are deposited into the bank as soon as possible and no later than 3 business days after receiving the funds.

Status of Finding 2019-01: During my audit of FY2020, I found that the fire district had not maintained sufficient documentation test properly test impact revenue. As a result I have issued a qualified opinion on the FY 2020 audit.

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.b. 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 finding:

Finding 2020-01: Repeat Finding Impact Fee revenue documentation was not properly maintained.

I obtained all documentation regarding impact fees and noted missing carbon copies, incomplete documentation, and numerous waivers without explanation. Due to the lack of documentation, I was unable to issue an opinion on revenue.

Recommendation: I Recommend the district ensure that all impact fees received are properly documented and all carbon copy receipts are accounted for in a timely manner.

Finding 2020-02: Repeat Finding Adequate source documentation could not be obtained for some expenditures.

I was unable to obtain invoices or receipt for some expenditures. In two instances, I could not obtain source documentation for material invoices that have a direct relation to capital expenditures. Due to the lack of documentation, I was unable to issue an opinion on expenditures and capital assets.

Recommendation: I recommend the district maintain documentation on all expenditures.

Finding 2020-03: Comprehensive Policies and Procedures are not documented.

The District does not have documented comprehensive policies and procedures to govern and direct District activities, functions, and transactions.

Recommendation: Recommend the Town develop/document a comprehensive policy and procedure manual.

Finding 2020-04: Audit Report was not filed by the state imposed due date.

The FY 2020 Audit Report was not timely filed. The audit report was partly delayed due to a change in auditor and the Covid pandemic.

Recommendation: Recommend engaging a CPA to perform the audit as soon as possible in future years. I also recommend that documentation be kept in a way that facilitates a timely completion of the audit.

Finding 2020-05: Board meetings were not regularly held or properly documented.

I obtained all board meeting minutes for FY 2020. I noted that several meetings were not held due to the Covid pandemic. There were also meetings that were not held because a quorum could not be obtained with the existing board members. The lack of meetings diminishes board oversight. I also noted that sometimes the meeting minutes did not note board members in attendance.

Recommendation: Recommend that the District hold monthly board meetings and that key areas of discussion and board members present are documented, approved, and archived.

Finding 2020-06: Approval of financial transactions and proper oversight by the Board.

There is not an appropriate process in place to ensure that all financial transactions are approved/reviewed. This is particularly important with the District due to a lack of segregation of duties and related parties.

Recommendation: Recommend the addition of unrelated parties to the Board and to implement and document an approval process that requires timely approval/review of all financial transaction.

Finding 2020-07: Compliance with FL Section 218.415 (Public Deposit Annual Report and the Public Deposit Identification and Acknowledgment forms).

The District could not provide evidence that they had filed the Public Deposit Annual Report or that they had the Public Identification and Acknowledgment forms on file for each bank account.

Recommendation: Recommend the District to complete and file the Public Deposit Annual Report and that they maintain on file the Florida Deposit Identification and Acknowledgment forms for each bank account.

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 likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with 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.



Edward E. Chapman
Certified Public Accountant
Springville, Alabama
October 20, 2021

**EDWARD E CHAPMAN
CERTIFIED PUBLIC ACCOUNTANT**

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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, 2020. 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 did not comply, in all material respects, with the aforementioned requirements for the year ended September 30, 2020.

This report is intended solely for the information and use of the 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.



Edward E. Chapman, CPA
Springville, Alabama
October 20, 2021

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

Phone (850) 682-7940

Date: 10/19/2021

To: Edward Chapman
7224 Hwy 11
Springville, AL 35146

Subject: Dorcas Fire District's response to the FY2020 Audit findings

Finding 2020-01: Repeat Finding Impact Fee revenue documentation was not properly maintained.

I obtained all documentation regarding impact fees and noted missing carbon copies, incomplete documentation, and numerous waivers without explanation. Due to the lack of documentation, I was unable to issue an opinion on revenue.

Recommendation: I Recommend the district ensure that all impact fees received are properly documented and all carbon copy receipts are accounted for in a timely manner.

Fire Districts Response: We will retrain key personnel to ensure that procedures related to impact fees are followed. This includes properly documenting and collecting of fees. We will also install additional procedures to ensure that all receipts are accounted for at least monthly and that waivers are approved by the board prior to granting.

Finding 2020-02: Repeat Finding Adequate source documentation could not be obtained for some expenditures.

I was unable to obtain invoices or receipt for some expenditures. In two instances, I could not obtain source documentation for material invoices that have a direct relation to capital expenditures. Due to the lack of documentation, I was unable to issue an opinion on expenditures and capital assets.

Recommendation: I recommend the district maintain documentation on all expenditures.

Fire Districts Response: We will retrain key personnel to ensure that all expenditures are supported by adequate documentation.

Finding 2020-03: Comprehensive Policies and Procedures are not documented.

The District does not have documented comprehensive policies and procedures to govern and direct District activities, functions, and transactions.

Recommendation: Recommend the Town develop/document a comprehensive policy and procedure manual.

Fire Districts Response: Although documentation exist, we will consolidate existing procedures into a comprehensive policies and procedure manual. We will use this documentation to train key personnel.

Finding 2020-04: Audit Report was not filed by the state imposed due date.

The FY 2020 Audit Report was not timely filed. The audit report was partly delayed due to a change in auditor and the Covid pandemic.

Recommendation: Recommend engaging a CPA to perform the audit as soon as possible in future years. I also recommend that documentation be kept in a way that facilitates a timely completion of the audit.

Fire District Response: The prior year audit was timely filed. If it wasn't for Covid and a change in auditors we feel that the audit report would have been filed on time. We do not feel that this was the fault of the District. We feel that the District did everything we could to file timely.

Finding 2020-05: Board meetings were not regularly held or properly documented.

I obtained all board meeting minutes for FY 2020. I noted that several meetings were not held due to the Covid pandemic. There were also meetings that were not held because a quorum could not be obtained with the existing board members. The lack of meetings diminishes board oversight. I also noted that sometimes the meeting minutes did not note board members in attendance.

Recommendation: Recommend that the District hold monthly board meetings and that key areas of discussion and board members present are documented, approved, and archived.

Fire District Response: There were only three board members in FY 2020. We are currently seeking additional board members so that if a member is not available during a particular month that the meeting does not have to be cancelled. We will also ensure that all attendees present are clearly identified.

Finding 2020-06: Approval of financial transactions and proper oversight by the Board.

There is not an appropriate process in place to ensure that all financial transactions are approved/reviewed. This is particularly important with the District due to a lack of segregation of duties and related parties.

Recommendation: Recommend the addition of unrelated parties to the Board and to implement and document an approval process that requires timely approval/review of all financial transaction.

Fire Districts Response: There were only three board members in FY 2020. We are currently seeking additional board members so that if a member is not available during a particular month that the meeting does not have to be cancelled. We recognize that it is important to have unrelated parties involved in the approval/review process. We also recognize that the board review of financial transactions must be documented fully and completely.

Finding 2020-07: Compliance with FL Section 218.415 (Public Deposit Annual Report and the Public Deposit Identification and Acknowledgment forms).

The District could not provide evidence that they had filed the Public Deposit Annual Report or that they had the Public Identification and Acknowledgment forms on file for each bank account.

Recommendation: Recommend the District to complete and file the Public Deposit Annual Report and that they maintain on file the Florida Deposit Identification and Acknowledgment forms for each bank account.

Fire Districts Response: We will file the Public Deposit Annual Report as soon as possible. We will also complete and maintain on file the Public Deposit Identification and Acknowledgment forms as soon as possible.

Sincerely yours,

Signature Deborah L. Hines-Jelle

Title Board of Commissioners

Date: 10/19/21