

# JOSEPH A JONES, CPA

6075 Bud Moulton Road  
Crestview, FL 32536  
Phone (850) 682-8950  
Cell phone (850) 826-0630  
Fax 1-866-521-9736  
Email [jonesja1@cox.net](mailto:jonesja1@cox.net)

March 10, 2016

To: Almarante Fire District

**Subject: Addendum to the Almarante Fire District "Management Letter" dated December 8, 2015, which was included in with the audited financial statements for FY2014**

The purpose of this addendum is to address the auditor findings for fiscal year ending September 30, 2008 (fiscal year 2008), as these findings were not addressed in the Management letter dated December 8, 2015, which was included in with the audited financial statements for FY2014.

## **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. There was no audit for FY2013, because District's revenues were less than \$100,000 and the District's expenditures were less than \$100,000. There were 3 findings in the FY2008 audit as follows:

**Finding 2008-01, Establish a Policy to Acquire, Safeguard, and Dispose of Capital Assets (This finding is repeated in Finding 2012-02):** Internal controls and recordkeeping surrounding capital asset acquisitions, disposals and tracking are not adequate. Capital assets are material to the financial statements of the Almarante Fire District. The District does not conduct an annual inspection of its capital asset inventory and reconcile the capital asset inventory schedules to the general ledger on a regular basis in order to properly record purchases and disposals. The District does not have a policy to record, safeguard, and dispose of capital assets. Material audit entries were proposed to correct capital asset balances. The auditor recommendation was that the District should adopt a formal capitalization policy and clearly identify purchases of capital assets on the purchase order or invoice to ensure that the item is recorded in the proper capital asset account. The District should also reconcile the capital asset schedule to the general ledger on a regular basis.

*View of the Responsible Officials and Planned Corrective Actions.*

The District will work to incorporate these procedures into its accounting policies.

*FY2014 auditor's determination as whether or not corrections actions have been taken to address findings and recommendations made in the preceding annual financial audit reports.*

During my audit of FY2014, I have found that Finding 2008-01 has not been corrected. As mentioned above, Finding 2012-02 is a repeat finding for Finding 2008-01. Internal controls and record keeping surrounding capital asset acquisitions, disposals and tracking continue to be not adequate. The District does not conduct an annual inspection of its capital asset inventory schedules to the general ledger on a regular basis in order to properly record purchases and disposals. The District does not have a policy to record, safeguard and dispose of capital assets. The District does not conduct an annual inspection of its capital asset inventory. This finding has not been corrected in FY2014, and this finding continues to be uncorrected.

**Finding 2008-02, Establish a Record Retention Policy (Internal Control over Financial Reporting/Compliance):** Florida Statute requires the District maintain its financial records for a five year period. During the auditor's consideration of dcash disbursement from prior periods to validate opening balances, the auditor was unable to locate supporting documentation for certain expenditures. As a result the District Board turnover and lack of formal policies, prior records are missing. The District record retention is not in compliance with Florida Statute. The District should establish a formal record retention policy and maintain supporting documentation for all receipts and disbursements according to that policy.

*View of the Responsible Officials and Planned Corrective Actions.*

The District is now ensuring all officials records are kept intact.

*FY2014 auditor's determination as whether or not corrections actions have been taken to address findings and recommendations made in the preceding annual financial audit reports.*

During my audit of FY2014, I have found that Finding 2008-02 has been corrected. I have found that the District is now in compliance with the requirement to maintain financial records for at least 5 years. This finding is no longer appropriate and is closed.

**Finding 2008-03, Financial Statement Preparation, Knowledge and Audit Adjustments (This finding is repeated in Finding 2012-04):** The District is required to prepare financial statements in accordance with generally accepted accounting principles with requires knowledge of the accounting principles affecting the entity, including financial statement disclosure requirements, the

awareness of changes occurring in the accounting industry that could impact the entity's financial statements, and the knowledge of resources for researching accounting issues. The District must rely on an external auditor to propose adjustments and prepare its annual financial statements in accordance with generally accepted accounting principles. The District's management consists of individuals who volunteer their services and do not have the education or experience needed to prepare full disclosure financial statements. Audit adjustments were proposed for the recording of accruals, depreciation expense, reclassification of revenues and disbursements, and capitalizing of capital asset purchases. The auditor understands that this situation is already known to management and represents a conscious decision by the District to accept that degree of risk because of cost and other considerations. However, the ultimate goal of the organization should be to improve its knowledge of accounting and required financial reporting.

*View of the Responsible Officials and Planned Corrective Actions.*

The District does not foresee the ability to change in this area without substantial funding increases.

*FY2014 auditor's determination as whether or not corrections actions have been taken to address findings and recommendations made in the preceding annual financial audit reports.*

During my audit of FY2014, I have found that Finding 2008-03 has not been corrected. As mentioned above, Finding 2012-04 is a repeat finding for Finding 2008-03. The District did provide me with complete financial statements, based on a general ledger accounting system. The District does not list capital assets in its accounting system. The financial statements provided were not prepared in accordance with generally accepted accounting principles as they were not in the correct format and title for a governmental entity, and they did not include notes to the financial statements. This finding has not been corrected in FY2014, and this finding continues to be uncorrected.

**Finding 2008-04, Audit and Annual Financial Report submission**

**(Compliance) (This finding is repeated in Finding 2012-05):** Florida Statutes require special districts whose revenues or combined expenditures, falling between \$50,000 and \$100,000, to have an audit at least once every three years. The audit is due to the Florida Auditor General no later than 12 months after year-end. The District must file an annual report with the Department of Financial Services. The Annual Financial Report (AFR) is due in accordance with the timeline of the financial audit or by April 30<sup>th</sup> if a financial audit is not required. The District was required to have a financial audit for the year ended September 30, 2008, as it was the third year in the cycle and the expenditures were in excess of \$100,000. The financial audit, nor AFR, was submitted within the timeline prescribed by Statute. District management was not aware of the statutory requirements. The District is noncompliant with Florida Statutes, which could ultimately impact its ability to operate (collect fire assessments). The

auditor recommended the District file reports with the appropriate agencies and develop policies to educate future boards on required financial filings.

*View of the Responsible Officials and Planned Corrective Actions.*

The District is now aware of the requirements and will file future reports timely.

*FY2014 auditor's determination as whether or not corrections actions have been taken to address findings and recommendations made in the preceding annual financial audit reports.*

During my audit of FY2014, I have found that Finding 2008-04 has not been corrected. As mentioned above, Finding 2012-05 is a repeat finding for Finding 2008-04. The financial audit, nor the AFR, was submitted within the timeline prescribed by statute. The District is not in compliance with Florida statutes requiring timely submission of audited financial statements and the AFR.

Please call me if you have any questions.

Thank you,

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

Joseph A. Jones, CPA