

DORCAS FIRE DISTRICT
DEFUNIAK SPRINGS, FLORIDA

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY
INFORMATION**

YEAR ENDED SEPTEMBER 30, 2016

JOSEPH A. JONES
Certified Public Accountant
Crestview, Florida
July 25, 2018

DORCAS FIRE DISTRICT

FIRE CHIEF

JOHN POLINSKY

BOARD MEMBERS

TOM CANNON (CHAIRMAN)

DEBORAH WIMER-ZILLS

STEVE MANRING

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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 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, 2016, 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. Impact bank statements were not reconciled on a monthly basis. Some general ledger postings did not agree with the bank statements. General ledger postings of \$5,085.64 were made to a “reconciliation discrepancies” account in an attempt to make the general ledger agree with the bank statement. No documentation was provided in support of the postings to “reconciliation discrepancies.” Impact fee receipts and disbursements posted to the general ledger did not agree with the bank statement. The impact bank statements listed bank deposits of \$7,733.46, but impact receipt records were missing. The impact bank statements listed disbursements of \$2,621.74, but documentation was missing.

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, 2016, 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 and 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 July 25, 2018 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
July 25, 2018

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, 2016. 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 total net assets were \$116,360 at the end of the fiscal year.
The following is a condensed statement of net position (Table 1).

Table 1

	<u>2016</u>	<u>2015</u>
Capital Assets	\$ 516,869	\$ 558,909
Current Assets	24,800	17,168
Total Assets	<u>541,669</u>	<u>576,077</u>
Short Term Debt	53,939	53,496
Long Term Debt	371,369	434,909
Total Debt	<u>425,309</u>	<u>488,405</u>
Net Assets		
Invested in Capital Assets		
Net of Related Debt	99,491	84,359
Unrestricted	14,084	(2,263)
Restricted	2,785	5,577
Total Net Assets	<u>\$ 116,360</u>	<u>\$ 87,672</u>

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

Table 2

	<u>2016</u>	<u>2015</u>
Property Taxes	\$ 199,286	\$ 190,366
Impact Fees	3,083	7,309
Refunds of insurance and taxes	2,241	-
Miscellaneous	-	1,072
Total Revenues	<u>204,611</u>	<u>198,747</u>
Operating Expenses	<u>175,922</u>	<u>194,414</u>
Change in Net Assets	28,688	4,333
Net Assets at Beginning of Year	<u>87,672</u>	<u>83,339</u>
Net Assets at End of Year	<u>\$ 116,360</u>	<u>\$ 87,672</u>

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 \$516,869 invested in capital assets, net of depreciation. The following summarizes Capital Assets net of depreciation.

Table 3

	<u>2016</u>	<u>2015</u>
Land	\$ 9,082	\$ 9,082
Buildings	324,746	336,090
Equipment	10,998	18,047
Fire Trucks	172,043	195,691
Total Capital Assets	<u>\$ 516,869</u>	<u>\$ 558,909</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>2016</u>	<u>2015</u>
Balance at Beginning of Year	\$ 558,909	\$ 613,576
Additions	-	-
Deletions	-	-
Depreciation	<u>(42,040)</u>	<u>(54,667)</u>
Total Capital Assets	<u>\$ 516,869</u>	<u>\$ 558,909</u>

Debt

At September 30, 2016, the District had \$425,309 outstanding debt as follows:

<u>Debt by Fiscal year:</u>	<u>2016</u>	<u>2015</u>
Accounts Payable	\$ 2,686	\$ 12,910
Payroll Liabilities	1,246	590
Accrued Interest	4,681	4,521
3 Fire Trucks (Community 1st National Bank)	114,349	149,469
Fire Station, Poverty Creek Rd (First NBC Bank)	298,347	316,560
Due to Volunteer Account	4,000	4,000
Total Debt	<u>\$ 425,309</u>	<u>\$ 488,051</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, 2016

ASSETS**CURRENT ASSETS**

Cash, Unrestricted	\$ 17,862
Cash, Restricted	2,785
Prepaid Insurance	4,154
Total Current Assets	<u>24,800</u>

CAPITAL ASSETS

Non-depreciable (Land)	9,082
Depreciable, net	507,787
Total Capital Assets	<u>516,869</u>

TOTAL ASSETS	\$ 541,669
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LIABILITIES**CURRENT LIABILITIES**

Accounts Payable	\$ 2,686
Payroll Liabilities	1,246
Accrued Interest	4,681
Leases Payable	36,577
Bank loan payable	8,750
Total Current Liabilities	<u>53,939</u>

LONG-TERM LIABILITIES

Loan from Dorcas Volunteer Account	4,000
Long-term Leases Payable	77,772
Bank loan payable	289,597
Total Long-Term Liabilities	<u>371,369</u>

TOTAL LIABILITIES	\$ 425,309
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NET POSITION

Investments in Capital Assets, Net of Debt	99,491
Unrestricted	14,084
Restricted - Impact Fees	2,785

TOTAL NET POSITION	\$ 116,360
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See accompanying notes to the financial statements.

DORCAS FIRE DISTRICT
STATEMENT OF ACTIVITIES
Year Ended September 30, 2016

		PROGRAM EXPENSES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
<u>FUNCTION/PROGRAMS</u>	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>PRIMARY GOVERNMENTAL ACTIVITIES</u>
PRIMARY GOVERNMENT					
Governmental Activities					
General Government	\$ 175,922	\$ -	\$ -	\$ -	(175,922)
Total Primary Government	\$ 175,922	\$ -	\$ -	\$ -	(175,922)

GENERAL Revenues

Property Taxes	199,286
Impact Fees	3,083
Refunds of insurance and taxes	2,241
Total General Revenues and Special Items	204,611

Change in Net Position 28,688

NET POSITION - BEGINNING OF YEAR	87,672
NET POSITION - END OF YEAR	\$ 116,360

See accompanying notes to the financial statements.

DORCAS FIRE DISTRICT
BALANCE SHEET -
GOVERNMENTAL FUNDS
September 30, 2016

ASSETS

Cash, Unrestricted	\$ 17,862
Cash, Restricted	2,785
Total Assets	<u>20,647</u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts Payable	2,686
Payroll Liabilities	1,246
Total Current Liabilities	<u>3,931</u>

FUND BALANCES

General Fund:	
Unassigned	13,931
Restricted	2,785
Total Fund Balances	<u>16,715</u>

TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 20,647</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, 2016

Total Fund Balances, governmental fund balance sheet			\$16,715
Plus:			
Prepaid Insurance in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet			4,154
Plus:			
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet			516,869
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	\$ 4,681	
	Short-term Leases Payable	36,577	
	Long-term Leases Payable	77,772	
	Short-term Bank Loan	8,750	
	Long Term Bank Loan	289,597	
	Total Liabilities that are long term or are used to finance capital assets		(417,377)
Total net position – governmental activities			<u>\$116,360</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, 2016

Revenues:

Property Taxes	\$ 199,286
Impact Fees	3,083
Refunds of insurance and taxes	2,241
	<hr/>
	204,611

Expenditures:

Operating Services:

Ask Accountant	2,415
Bank Service charges	87
Dues and Subscriptions	590
Equipment Repairs	1,296
Insurance	27,469
Interest Expense	23,299
Payroll Expenses	35,087
Postage and Delivery	130
Professional Fees:Accounting	4,000
Professional Fees:Audit	5,500
Property Appraiser Fees	2,871
Reconciliation Discrepancies	5,086
Supplies	3,337
Taxes and Penalties	2,130
Telephone	2,117
Truck Fuel	3,823
Truck Repairs and Maintenance	5,925
Utilities	8,722
Total General Government, excluding Depreciation	<hr/>
	133,883

Capital Outlay (none):

Plus Long-Term Debt Paid Down	-
	<hr/>
Total Expenditures	53,333
	<hr/>
	187,216

Excess of revenues over expenditures	17,395
Fund balance, beginning of year	(60,983)
	<hr/>
Fund balance, end of year	\$ (43,588)

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, 2016

Net change in fund balances - governmental fund	\$ 17,395
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	-
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	(42,039)
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	53,333
Change in net position of governmental activities	<hr/> <hr/> \$ 28,688

See accompanying notes to the financial statements.

DORCAS FIRE DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

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, 2016

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, 2016

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, 2016

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, 2016

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 did not adopt a formal budget for the fiscal year. Therefore a Budgetary Comparison Schedule was not 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, 2016

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 9/30/2015	Current Year:		Balance 9/30/2016
		Additions	Deletions	
GOVERNMENTAL ACTIVITIES:				
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	347,755			347,755
Fire Trucks	558,135			558,135
Total capital assets, being depreciated	1,359,648	-	-	1,359,648
Total Capital Assets before depreciation:	1,368,730	-	-	1,368,730
Less Accumulated Depreciation for:				
Fire Station Buildings	117,668	11,344		129,012
Fire & Rescue Equipment	329,709	7,049		336,757
Fire Trucks	362,444	23,648		386,091
Total Accumulated Depreciation	809,821	42,040	-	851,861
Total Capital Assets, being depreciated, net	549,827	(42,040)	-	507,787
Governmental activities capital assets, net	\$ 558,909	\$ (42,040)	\$ -	\$ 516,869

DORCAS FIRE DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE E - LONG-TERM DEBT

Summary of Long Term Debt:

	<u>Long Term</u>
Loan from Dorcas Volunteer Account	\$ 4,000
Bank Loan, First NBC Bank	289,597
Long-term Leases Payable	77,772
Total Long Term Debt	<u>\$ 371,369</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.

Bank Loan

The District borrowed \$385,000 in FY2006 to construct a fire station on Poverty Creek Road. Required monthly payments are \$2,863 with 5.5% interest. In FY2016 the loan was payable to First NBC Bank.

First NBC Bank loan balance at 9/30/2015	\$ 316,560
Principal paid down in FY2016	(18,213)
First NBC Bank loan balance at 9/30/2016	<u>\$ 298,347</u>
Interest and late fees paid to First NBC Bank in FY2016	<u>\$ 16,937</u>
Current debt - due within 1 year	\$ 8,750
Long term debt	289,597
First NBC Bank loan balance at 9/30/2016	<u>\$ 298,347</u>

First NBC Bank failed, and was closed, on April 28, 2017, and this loan was taken over by the FDIC. This loan was assumed by JTS Capital II Investors on October 18, 2017.

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>	<u>Accrued Interest</u>
1/7/2014				183,190	
1/7/2015	41,323	7,602	33,721	149,469	
1/7/2016	41,323	6,203	35,120	114,349	
9/30/2016					3,107
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	

at September 30, 2016:	Long term lease payable is	\$ 77,772
	Current lease payable is	36,577
	Total principal lease payable is	<u>\$ 114,349</u>

DORCAS FIRE DISTRICT**NOTES TO FINANCIAL STATEMENTS**

September 30, 2016

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 July 25, 2018, 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)**

A budgetary comparison schedule was not prepared because the Dorcas Fire District did not adopt a budget for FY2016.

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, 2016, and the related notes to the financial statements, which collectively comprise the District's basis financial statements, and have issued my report thereon dated July 25, 2018.

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.

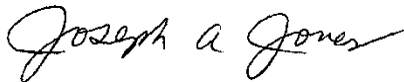
Compliance and Other Matters

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
July 25, 2018

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

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, 2016, and have issued my report thereon dated July 25, 2018. 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. Bank statements were not reconciled on a monthly basis. Some general ledger postings did not agree with the bank statements. General ledger postings of \$5,085.64 were made to a "reconciliation discrepancies" account in an attempt to make the general ledger agree with the bank statement. No documentation was provided in support of the postings to "reconciliation discrepancies." Impact fee receipts and disbursements posted to the general ledger did not agree with the bank statement. The impact bank statements listed bank deposits of \$7,733.46, but impact receipt records were missing. The impact bank statements listed disbursements of \$2,621.74, but documentation was missing.

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 July 25, 2018, 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.

FY2014 audit finding number 2014-1: I found some expense payments, for which adequate supporting documentation was not provided. Adequate supporting documentation was not provided in support of some payments to auto parts stores, and hardware stores. I recommended that the District take actions to ensure that adequate supporting documentation is maintained to document what was purchased, for what vehicle, for what purpose, and who did the purchasing. When personnel are reimbursed, I recommend

invoices and other documentation be maintained in files to document for what purpose were the funds spent and was the amount of reimbursement appropriate and allowable.

Finding 2014-1 is repeated in Finding 2015-1 (below) as the District, in some instances, continues to not keep adequate supporting documentation. In some instances, detailed invoices of individual charges from auto parts stores and hardware stores are not being maintained in the District files.

Finding 2015-1 (Repeat finding of finding 2014-1), Lack of adequate supporting documentation: During my audit, I determined that, in some instances, adequate supporting documentation was not maintained in the District's files to document repairs expense charges from auto parts stores and hardware stores. Monthly statements from these auto parts stores, and hardware stores, were maintained in the files, and these statements listed the charges, but did not provide information that shows what was purchased, for what purpose, and who purchased it. Detailed, individual, charge slips were not always maintained in the District's files. Adequate supporting documentation is required to document what was purchased, for what vehicle, for what purpose, and who did the purchasing.

Audit Recommendation: I recommend the District take actions to ensure that adequate supporting documentation (detailed, individual, charge slips) be maintained in the District files to document what was purchased, for what vehicle, for what purpose, and who did the purchasing.

Status of Finding 2015-1 (Repeat finding of 2014-1): During the audit of FY2016, I did not see any instances of failure to maintain detailed charge slips in support of monthly statements from auto parts stores and hardware stores. This finding is closed.

Finding 2015-2, Internal controls are weakened when large expenses of the District are paid by personal funds of District Commissioners, and supporting documentation is not maintained in the District's files:

A commissioner used his personal funds to pay \$3,778 to a District's insurance provider, because the District's cash flow was insufficient to pay the District's insurance bill when it came due. Another commissioner used her personal funds to pay \$6,040 of the District's fire chief's payroll expenses, because the District's cash flow was insufficient to pay the fire chief's payroll expenses for two months. Adequate supporting documentation was in the District's files for the insurance expense mentioned above. During my audit, adequate supporting was not in the District's files for the payroll expense mentioned above, but was provided by the commissioner to me after I requested that documentation.

Audit Recommendation: I recommend the District commissioners do not use their personal funds to pay for large expenses of the District. The District's expenses should be paid for using the District's bank account, and adequate documentation of those expenses should be maintained in the District's files. When large District expenses are paid for with commissioners' personal funds, internal control of District's financial management is negatively impacted. If the District is having cash flow problems, and is unable to pay for District expenses, in a timely manner, I recommend the District commissioners consider making a personal, interest-free, loan to the District. Such loan(s) should be formally documented with a signed loan agreement, and should be approved by the District's board.

Status of Finding 2015-2: During the audit of FY2016, I did not see any instances of commissioners using their personal funds to pay for large expenses of the District. This finding is closed.

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.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that I report the results of my determination as to whether the annual financial report for the Dorcas Fire District for fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with my audit, I determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d., Rules of the Auditor General, require that I determine whether or not a special district that is a component unit of a county, municipality, or special district, provided 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.

Other Matters

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

Finding 2016-01: Impact bank account transactions for March through September 2016 were not posted to the general ledger.

Governmental funds bookkeeping and accounting procedures require bookkeepers and accountants to post all transactions to the general ledger. The fire district personnel did not post all transactions to the general ledger.

Impact bank account deposits of \$7,733.46, and Impact bank account checks and debits of \$2,621.74, for the months of March through September 2016 were not posted to the general ledger. During my audit, I was not provided with records to determine the source of these bank deposits. Regarding the bank debits, I determined that \$96.00 of bank debits were bank service charges. During my audit, I was not provided with records to determine to whom the following \$2,525.74 checks were paid to, and for what purpose they were issued: March 1, 2016 check 505 for \$464.30, March 11, 2016 check 509 for \$1,420.23, and July 12, 2016 check 510 for \$641.21.

As a result, I am unable to determine the fairness of the revenues and expenditures pertaining to the Impact bank account.

Recommendation: Recommend the district post all transactions into the general ledger.

Finding 2016-02: Bank reconciliations were not performed for the Impact bank account, on a monthly basis.

Governmental funds bookkeeping and accounting procedures require bookkeepers and accountants to reconcile the bank accounts on a monthly basis. The fire district personnel did not perform bank reconciliations on a monthly basis. When bank accounts are not reconciled on a monthly basis, there is a risk that all transactions may not be properly posted to the general ledger, and may not be properly

classified to the correct revenue or expenditure account, and that the general ledger postings may not be in agreement with the bank statements.

Postings were made to a "Reconciliation Discrepancies" expenditure account in an attempt to make the bank accounts in the general ledger agree with the general account bank statement.

As a result, I am unable to determine the fairness of the bank account asset accounts, the impact revenues, and the expenditures categorized as "Reconciliation Discrepancies."

Recommendation: Recommend the district reconcile all bank accounts on a monthly basis.

Finding 2016-03: Postings were made to a "Reconciliation Discrepancies" expenditure account in an attempt to make the general ledger bank accounts agree with the bank statements.

Governmental funds bookkeeping and accounting procedures require bookkeepers and accountants to properly classify all transactions and post them to the proper revenue and expenditure accounts. The fire district personnel did not properly classify all transactions and did not properly post all transactions to the proper expenditure account.

Three postings, totaling \$3,913.12, were posted to the "Reconciliation Discrepancies" expenditure account in an attempt to make the general bank account in the general ledger agree with the general account bank statement. One posting of \$1,172.52 was posted to the "Reconciliation Discrepancies" expenditure account in an attempt to make the impact bank account in the general ledger agree with the impact account bank statement.

As a result, I am unable to determine the fairness of the expenditures categorized as "Reconciliation Discrepancies."

Recommendation: Recommend the district reconcile all bank accounts on a monthly basis and ensure that all transactions are posted to the proper revenue and expenditure account.

Finding 2016-04: Postings were made to a "Ask Accountant" expenditure account apparently when the bookkeeper was unable to determine what expense account to post an expenditure to.

Three expenditures, totaling to \$2,414.91, were posted to the "Ask Accountant" expenditure account. As a result of my audit of the records provided to me, I was unable to find to whom, and for what purpose, the following two expenditures were made: an August 8, 2016 bank debit of \$1,500.00 and an August 22, 2016 bank debit of \$757.11. I did find expenditures documents to substantiate the third expenditure on that occurred on August 26, 2016 in the amount of \$157.80.

As a result, I am unable to determine the fairness of the two expenditures, totaling to \$2,257.11, categorized as "Ask Accountant."

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

Finding 2016-05: Impact Fees revenue documentation was missing.

Amounts totaling \$3,083.22 was posted to the general ledger account for impact fees revenue. No impact fees revenue documentation was provided for audit.

As a result, I was unable to determine the source of the \$3,083.22 postings to impact fees revenue and therefore am unable to determine the fairness of the amounts reported as impact fees revenues.

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 2016-06: The fire district did not adopt a budget for FY2016.

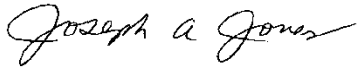
Florida Statute 189.016 requires the governing body of each special district to adopt a budget by resolution each fiscal year. The fire district did not adopt a budget for FY2016 and is not in compliance with Florida statutes regarding the requirement to adopt a budget.

Recommendation: Recommend the district adopt a budget for each fiscal year.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that I address 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 which warrants the attention of those charged with governance. In connection with my audit, I did not have 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.

A handwritten signature in cursive script that reads "Joseph A. Jones".

Joseph A. Jones
Certified Public Accountant

Crestview, Florida
July 25, 2018

Dorcas Fire District

4418 Poverty Creek Rd
Crestview, FL 32539

Phone (850) 682-7940

July 25, 2018

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

Subject: Dorcas Fire District's response to the FY2016 Audit findings

Finding 2016-01: Impact bank account transactions for March through September 2016 were not posted to the general ledger.

We are in agreement with this audit finding and for future audits we will take steps to ensure that all bank account transactions are posted to the general ledger.

Finding 2016-02: Bank reconciliations were not performed for the Impact bank account on a monthly basis.

We are in agreement with this audit finding. For subsequent fiscal years, we will take steps to ensure that bank reconciliations are performed on all bank accounts on a monthly basis, and we will take steps to ensure that all bank transactions are posted to the general ledger. South station was broken into by vandals and they stole the Impact receipt books and checkbooks, general account checkbook, computer and backup files.

Finding 2016-03: Postings were made to a "Reconciliation Discrepancies" expenditure account in an attempt to make the general ledger bank accounts agree with the bank statements.

We are in agreement with this audit finding. For subsequent fiscal years, we will take steps to ensure that we properly classify all transactions and post them to the proper revenue and expenditure accounts and not to a "Reconciliation Discrepancies" account.

Finding 2016-04: Postings were made to a "Ask Accountant" expenditure account apparently when the bookkeeper was unable to determine what expense account to post an expenditure to.

We are in agreement with this audit finding. For subsequent fiscal years, we will take steps to ensure that we properly classify all transactions and post them to the proper revenue and expenditure accounts and not to an "Ask Accountant" account.

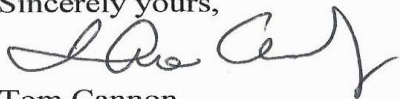
Finding 2016-05: Impact Fees revenue documentation was missing.

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 2016-06: The fire district did not adopt a budget for FY2016.

We agree that Florida Statute 189.016 requires the governing body of each special district to adopt a budget by resolution each fiscal year. For subsequent fiscal years, we will adopt a budget.

Sincerely yours,



Tom Cannon
Board Chairman