

**FLOROSA FIRE CONTROL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2018**

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# **Nicholson, Reeder & Reynolds, P.A.**

## **Certified Public Accountant**

### **INDEPENDENT AUDITOR'S REPORT**

To the Board of Commissioners  
Florosa Fire Control District  
Mary Esther, Florida

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Florosa Fire Control District ("the District") as of and for the year ended September 30, 2018, and the related notes to the financial statements which collectively comprise the District's 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 the financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 judgment, 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of September 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 20, be presented to supplement the basic financial statements. Such information, although not 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. We 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 response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2019, on our consideration of the District's internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Nicholson Reeder & Reynolds*

Fort Walton Beach, Florida  
June 17, 2019

## **FLOROSA FIRE CONTROL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

As management of the Florosa Fire Control District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2018.

### **Financial Highlights**

The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$2,545,471 (*net position*) which represents an increase of \$137,771 over the prior year. Of the total net position, \$982,415 (*unrestricted net position*) may be used to meet the ongoing obligation to citizens and creditors.

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

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of related cash flows.

The government-wide financial statements distinguish between functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) and other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activity of the District is public safety and impact fees. The District does not have a business-type activity.

The government-wide financial statements can be found on pages 8 and 9 of this report.

**FLOROSA FIRE CONTROL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District only has one category; governmental funds.

*Governmental Funds*

*Governmental Funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains two governmental funds: a general fund and a special revenue fund. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance for the two funds. The General Fund is considered to be a major fund.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 10 and 12 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Florosa Fire Control District, assets exceeded liabilities by \$2,545,471 at the close of the most recent fiscal year.

**FLOROSA FIRE CONTROL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**

A large portion of the District's net position (59 percent) is reflected in its investment in capital assets (e.g., land, buildings, improvements other than buildings, and machinery and equipment) less any outstanding debt related to the acquisition of those assets. The District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**FLOROSA FIRE CONTROL DISTRICT  
SEPTEMBER 30, 2018  
RECAPPED FROM PAGE 8**

	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 1,039,594
Due from Other Governments	1,490
Capital Assets (Net of Accumulated Depreciation)	
Land	762,000
Buildings	444,512
Equipment/Machinery	246,189
Improvements Other Than Buildings	53,176
Total Assets	<u>2,546,961</u>
<b>LIABILITIES</b>	
Due to Other Governments	<u>1,490</u>
Total Liabilities	<u>1,490</u>
<b>NET POSITION</b>	
Investment in Capital Assets, Net of Related Debt	1,505,877
Restricted - Impact Fees	57,179
Unrestricted	982,415
Total Net Position	<u>\$ 2,545,471</u>

At the end of the current fiscal year, the District is able to report positive balances in both categories of net position. The same situation held true for the prior fiscal year.

Governmental Activities

Governmental activities increased the District's net position by \$137,771 thereby, accounting for 100 percent of the total growth in the net position.

**FLOROSA FIRE CONTROL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**

**FLOROSA FIRE CONTROL DISTRICT  
SEPTEMBER 30, 2018  
RECAPPED FROM PAGE 9**

Function/Program	Expenses	Program Revenue Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Governmental Activities
Primary Government			
Governmental Activities			
Public Safety	\$ 246,185	\$ -	\$ (246,185)
Total Governmental Activities	246,185	-	(246,185)
Total Primary Government	<u>\$ 246,185</u>	<u>\$ -</u>	<u>\$ (246,185)</u>
General Revenues			
Taxes			370,855
Ad Valorem Tax, levied for general purposes			
Impact Fees			9,600
Miscellaneous			<u>3,501</u>
Total General Revenues			<u>383,956</u>
Change in Net Position			137,771
Net Position - Beginning of Year			<u>2,407,700</u>
Net Position - Ending of Year			<u>\$ 2,545,471</u>

**Financial Analysis of the Government's Funds**

As noted earlier, the District uses fund accounting to insure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported ending fund balance of \$1,039,594, a decrease of \$53,742 compared with the prior year. The \$982,415 constitutes unreserved fund balance, which is available for spending at the government's discretion.



**FLOROSA FIRE CONTROL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**

Capital Asset and Debt Administration

*Capital Assets*

The District's investment in capital assets for its governmental activities as of September 30, 2018, amounts to \$1,505,877 (net of accumulated depreciation). This investment in capital assets includes land, buildings and machinery and equipment.

Fire equipment and improvements for building were the major capital asset purchased during the current fiscal year.

**FLOROSA FIRE CONTROL DISTRICT CAPITAL ASSETS**  
(Net of Depreciation)

	Governmental Activities		Totals	
	2018	2017	2018	2017
Land	\$ 762,000	\$ 762,000	\$ 762,000	\$ 762,000
Building	444,512	168,426	444,512	168,426
Machinery/Equipment	246,189	328,475	246,189	328,475
Improvements Other Than Bldgs	53,176	55,463	53,176	55,463
Total	<u>\$ 1,505,877</u>	<u>\$ 1,314,364</u>	<u>\$ 1,505,877</u>	<u>\$ 1,314,364</u>

**Economic Factors and Next Year's Budgets and Rates**

Florosa Fire Control District receives the majority of its funds from Property Taxes based on value (Ad Valorem). There is currently a system set in place within the Ad Valorem Taxation process that "protects" the taxpayers within our district. It is called Roll-Back Rate. When a taxing authority chooses to levy a roll-back rate millage, it is levying a rate that will bring in the same amount of property taxes as was collected the previous year. So, the taxpayers do not pay any more into the budget. Thus, the taxing authority is depending on any new construction to bring in new or additional revenues. For the Fiscal Year 2018/2019, new construction will not bring in enough new revenues for the needed budget increase to match the same amount of property taxes. Therefore, it is projected that the maximum millage rate of 1.000 will be levied.

**Request for Information**

This financial report is designed to provide a general overview of the Florosa Fire Control District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Board of Directors, 1900 Highway 98 W, Florosa Fire Control District, Mary Esther, Florida, 32569.

**FLOROSA FIRE CONTROL DISTRICT  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018**

EXHIBIT A

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 1,039,594
Due from Other Governments	1,490
Capital Assets (Net of Accumulated Depreciation)	
Land	762,000
Buildings	444,512
Equipment/Machinery	246,189
Improvements Other than Buildings	<u>53,176</u>
Total Assets	2,546,961
<b>LIABILITIES</b>	
Due to Other Governments	<u>1,490</u>
Total Liabilities	<u>1,490</u>
<b>NET POSITION</b>	
Investments in Capital Assets, Net of Related Debt	1,505,877
Restricted - Impact Fees	57,179
Unrestricted	<u>982,415</u>
Total Net Position	<u><u>\$ 2,545,471</u></u>

The accompanying notes are an integral part of these financial statements.

**FLOROSA FIRE CONTROL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

EXHIBIT B

		Program Revenues	Net (Expense) Revenue and Changes In Net Assets
<u>Function/Programs</u>	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Primary Government			
Governmental Activities			
Public Safety	\$ 246,185	\$ -	\$ (246,185)
Total Governmental Activities	246,185	-	(246,185)
Total Primary Government	<u>\$ 246,185</u>	<u>\$ -</u>	<u>(246,185)</u>
General Revenues			
Taxes			
Ad Valorem Tax, levied for general purposes			370,855
Impact Fees			9,600
Miscellaneous			<u>3,501</u>
Total General Revenues			<u>383,956</u>
Change in Net Position			137,771
Net Position - Beginning of Year			<u>2,407,700</u>
Net Position - End of Year			<u>\$ 2,545,471</u>

The accompanying notes are an integral part of these financial statements.

**FLOROSA FIRE CONTROL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018**

EXHIBIT C-1

	General	Special Revenue	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 980,925	\$ 58,669	\$ 1,039,594
Prepaid Insurance	-	-	-
Due from Other Governments	1,490	-	1,490
<b>TOTAL ASSETS</b>	<u>\$ 982,415</u>	<u>\$ 58,669</u>	<u>\$ 1,041,084</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Governments	-	1,490	1,490
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>1,490</u>	<u>1,490</u>
 <b>FUND BALANCE</b>			
Fund Balance			
Restricted	-	57,179	57,179
Unassigned	982,415	-	982,415
<b>TOTAL FUND BALANCE</b>	<u>982,415</u>	<u>57,179</u>	<u>1,039,594</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 982,415</u>	<u>\$ 58,669</u>	<u>\$ 1,041,084</u>

The accompanying notes are an integral part of these financial statements.

**FLOROSA FIRE CONTROL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

EXHIBIT C-2

Fund Balances - Total Governmental Funds - Exhibit C-1 \$ 1,039,594

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds

Those assets consist of:

Land	\$ 762,000	
Building, Net of \$149,134 accumulated depreciation	444,512	
Machinery & Equipment, Net of \$1,419,003 accumulated depreciation	246,189	
Improvements Other than Buildings, Net of \$36,450 accumulated depreciation	<u>53,176</u>	<u>1,505,877</u>

Net Position of Governmental Activities - Exhibit A \$ 2,545,471

The accompanying notes are an integral part of these financial statements.

**FLOROSA FIRE CONTROL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES & CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

EXHIBIT D-1

	General	Special Revenue	Total Governmental Fund
<b>REVENUES</b>			
Taxes			
Ad Valorem Taxes	\$ 370,855	\$ -	\$ 370,855
Licenses & Permit			
Other Licenses, Fees & Permits	3,501	-	3,501
Miscellaneous Revenues			
Impact Fees	-	9,600	9,600
<b>TOTAL REVENUES</b>	<u>374,356</u>	<u>9,600</u>	<u>383,956</u>
<b>EXPENDITURES</b>			
Public Safety - Fire Control			
Operating Expenses			
Professional Services	19,211	-	19,211
Other Contractual Services	55,800	-	55,800
Utility Services	16,112	-	16,112
Insurance	13,647	-	13,647
Repair & Maintenance Services	18,500	-	18,500
Printing & Binding	729	-	729
Promotional Activities	1,421	-	1,421
Other Current Changes & Obligations	4,835	-	4,835
Operating Supplies	23,103	2	23,105
Books, Publications & Memberships	796	-	796
Capital Outlay			
Machinery & Equipment	283,542	-	283,542
<b>TOTAL EXPENDITURES</b>	<u>437,696</u>	<u>2</u>	<u>437,698</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(63,340)	9,598	(53,742)
<b>FUND BALANCE - Beginning of Year</b>	<u>1,045,755</u>	<u>47,581</u>	<u>1,093,336</u>
<b>FUND BALANCE - End of Year</b>	<u><u>\$ 982,415</u></u>	<u><u>\$ 57,179</u></u>	<u><u>\$ 1,039,594</u></u>

The accompanying notes are an integral part of these financial statements.

**FLOROSA FIRE CONTROL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES & CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

EXHIBIT D-2

Amounts reported for governmental activities in the statement  
of activities are different because:

Net Change in Fund Balances - Governmental Fund - Exhibit D-1	\$ (53,742)
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Governmental funds report capital outlays as expenditures. However,  
in the statement of activities, the cost of those assets is allocated  
over their estimated useful lives as depreciation expense. This  
is the amount by which capital outlay (\$283,542) exceeded  
depreciation (\$92,029) in the current period.

191,513

Changes in Net Position of Governmental Activities - Exhibit B	<u><u>\$ 137,771</u></u>
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The accompanying notes are an integral part of these financial statements.

**FLOROSA FIRE CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Florosa Fire Control District (the District) was created as an independent special fire control district as defined under Section 189.403, Florida Statutes, by House Bill Chapter 74-543. The legal name of the district is Florosa Fire Control District. The district operates one fire house and its related equipment and has only volunteer workers.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America applicable to governmental units and the Uniform Accounting System mandated by Section 218.33, Florida Statutes. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting.

The following is a summary of the more significant accounting policies of the District:

**Reporting Entity**

As required by accounting principles generally accepted in the United States of America, these financial statements present Florosa Fire Control District as the primary government. In evaluating the District as a reporting entity, management has considered all potential component units for which the District may or may not be financially accountable and, whether such should be included within the District's financial statements. Management has utilized criteria set forth in GASB No. 61 for determining financial accountability of potential component units in evaluating all potential component units.

In accordance with GASB No. 61, the District (primary government) is financially accountable if a financial benefit or burden relationship exists between the potential component unit and the District. As of September 30, 2018, Florosa Fire Control District had no component units, as defined by GASB 61.

**Government-Wide and Governmental Fund Financial Statements**

The basic financial statements include both government-wide (based on the District as a whole) and governmental fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities (the District has no business-type activities to report on the government-wide financial statements), which rely, to a significant extent, on fees and charges for support.



**FLOROSA FIRE CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Government-Wide and Governmental Fund Financial Statements - Continued**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charge to customers or applicants whom purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The following types of funds are employed by the District in accounting for its financial operations:

**Governmental Funds**

The General Fund is to account for all financial resources except those required to be accounted for in another fund.

The Special Revenue Fund is used to account for the collection and disbursement of earmarked monies.

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

The District utilizes the modified accrual basis of accounting which recognizes revenues in the period in which they become available and measurable, while expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

**Budgets and Budgetary Accounting**

The ordinance creating the District does not mandate an annual budget be adopted, however, the Board of Fire Commissioners adopts one at the start of each fiscal year.

The District generally does not have significant encumbrances (commitments related to unperformed contracts for goods or services) and any such amounts are not recorded in any manner in the accounting books.

**Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand and demand deposits. These are all accounts that can be liquidated without delay or penalties.

**FLOROSA FIRE CONTROL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents (Continued)**

Impact fee revenue is classified as restricted cash and can only be used for the acquisition, purchase, or construction of new facilities and equipment required to provide services to new users in the District.

**Capital Assets**

Capital assets which include land, buildings, machinery and equipment are reported in the governmental-type activities in the government-wide financial statements. Capital assets are defined as acquisitions in excess of \$750 cost and with an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the estimated useful life of the asset as follows:

<u>Type of Asset</u>	<u>Years</u>
Building	39
Machinery & Equipment	5-10
Improvements	39

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and will not be recognized as an outflow of resources (expenses) until then. The District had no deferred outflows of resources as of September 30, 2018.

In addition to liabilities, the statement of net position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, *deferred inflows of resources*, represents a acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until then. The District had no deferred inflows of resources as of September 30, 2018.

**Fund Balance**

The District has implemented GASB No. 54 employing the following terminology and classifications for fund balance.

**FLOROSA FIRE CONTROL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**Fund Balance (continued)**

Nonspendable - This category includes the resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. There are no nonspendable funds as of September 30, 2018.

Restricted - This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. The balance as of September 30, 2018, of \$57,179 is from impact fees which are restricted in use to purchase or construct new facilities to provide fire protection and emergency services to new construction.

Committed - This category includes resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority which is the Board of Commissioners. There are no committed funds as of September 30, 2018.

Assigned - This category includes resources that are intended to be used for specific purposes, but is neither restricted or committed. These resources have been set aside for a specific purpose or encumbered by an authorized government body or official. There are no encumbrances or assigned funds as of September 30, 2018.

Unassigned - This category is the residual classification for the District's fund balance. At September 30, 2018, the District had \$982,415 in unassigned funds.

**Net Position**

Net position is classified in three categories. The general meaning of each is as follows:

Invested in capital assets, net of related debt - represents the difference between the cost of capital assets, less accumulated depreciation reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. At September 30, 2018, the District did not have any outstanding long-term debt.

Restricted - indicates that portion of the net position that is restricted for the purchase of the assets necessary due to new growth in the district.

Unrestricted - indicates that portion of net position that is available for future periods.

**NOTE 2 - DETAILED NOTES ON ALL FUNDS**

**Cash and Investments**

**Authorization**

Investment of surplus funds is governed by Florida State Statute 166.261. At balance sheet date, cash was maintained in an interest bearing checking account.

**FLOROSA FIRE CONTROL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**NOTE 2 - DETAILED NOTES ON ALL FUNDS (Continued)**

**Types of Investments**

Cash deposits as of the balance sheet date are made with a local financial institution that qualifies as a public depository under the State of Florida, Statute 280. In order for financial institutions to qualify as public depositories, they are required to place collateral with the State Treasurer. Where public deposits are made in accordance with Chapter 280, Florida Statutes, the public depositor is not liable for any loss thereof resulting from the default or insolvency of any qualified depository.

The District had no investments at September 30, 2018.

**Deposits**

The bank carrying balances at September 30, 2018, were \$1,048,021. FDIC insurance covers \$250,000, with the remaining amount covered by Chapter 280, Florida Statutes. Reconciled book balances were \$1,039,594.

**Capital Assets**

Capital asset activity for the fiscal year ended September 30, 2018, is as follows:

	<u>Beginning Balance</u>	<u>Increase (Decrease)</u>	<u>Ending Balance</u>
Primary Government			
Governmental Activities			
Capital asset, being depreciated-			
Buildings	\$ 290,812	\$ 283,542	\$ 574,354
Land	762,000		762,000
Machinery & Equipment	1,684,484		1,684,484
Improvements	89,625	-	89,625
Less: Depreciation for -			
Buildings	(141,678)	(7,456)	(149,134)
Machinery & Equipment	(1,336,717)	(82,285)	(1,419,002)
Improvements	(34,162)	(2,288)	(36,450)
Governmental Activities, Capital Assets, Net	<u>\$ 1,314,364</u>	<u>\$ 191,513</u>	<u>\$ 1,505,877</u>

Depreciation has been charged to the functions/programs of the primary government -

Governmental	
Public Safety	<u>\$ 92,029</u>

**FLOROSA FIRE CONTROL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**NOTE 3 - OTHER INFORMATION**

**Risk Management**

The Florosa Fire District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to volunteers; and natural disasters. The District participates in the Florida Municipal Insurance Trust which is a public entity risk pool. Participants in the pool include various governmental units in the State of Florida. Coverage through this program is for Workers Compensation and is self sustained through members' premiums. The District does not retain a risk of loss as a participant in the public entity pool. In addition, the District has Automobile, General/Professional Liability, and Real/Personal Property coverage with independent carriers.

**NOTE 4 - CHANGES IN FUND BALANCE**

The following is a summary of the changes to fund balance for the year ending September 30, 2018.

	Balances at September 30, 2017	Excess of Revenues and Other Sources	Changes in Encumbrances and Prepays	Balance at September 30, 2018
Restricted				
Impact Fees	\$ 47,581	\$ 9,598	\$ -	\$ 57,179
Unassigned	<u>1,045,755</u>	<u>(63,340)</u>	<u>-</u>	<u>982,415</u>
Totals	<u>\$ 1,093,336</u>	<u>\$ (53,742)</u>	<u>\$ -</u>	<u>\$ 1,039,594</u>

**NOTE 5 - SUBSEQUENT EVENTS**

The District did not have any subsequent events through June 17, 2019 (the date the financial statements were available to be issued) required to be recorded or disclosed in the financial statements for the year ended September 30, 2018.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**FLOROSA FIRE CONTROL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN**  
**FUND BALANCES - BUDGET & ACTUAL - GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

EXHIBIT E

	Original	Final	Actual	Variable Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes				
Ad Valorem Taxes	\$ 371,429	\$ 371,429	\$ 370,855	\$ (574)
Licenses & Permit				
Other Licenses, Fees & Permits	4,000	4,000	3,501	(499)
Charges for Services				
Impact Fees	4,000	4,000	9,600	5,600
Miscellaneous Revenues				
Miscellaneous Revenue	1,000	1,000		(1,000)
Building Fund	503,314	503,314		(503,314)
Cash Brought Forward	572,346	572,346	-	(572,346)
<b>TOTAL REVENUES</b>	<u>1,456,089</u>	<u>1,456,089</u>	<u>383,956</u>	<u>(1,072,133)</u>
<b>EXPENDITURES</b>				
Public Safety - Fire Control				
Operating Expenses				
Professional Services	21,100	21,100	19,211	(1,889)
Other Contractual Services	54,500	54,500	55,800	1,300
Utility Services	14,900	14,900	16,112	1,212
Insurance	18,500	18,500	13,647	(4,853)
Repair & Maintenance Services	27,500	27,500	18,500	(9,000)
Promotional Activities	2,500	2,500	1,421	(1,079)
Other Current Changes &				
Obligations	8,500	8,500	4,835	(3,665)
Printing & Binding	1,000	1,000	729	(271)
Operating Supplies	57,900	57,900	23,105	(34,795)
Books, Publications, Subscriptions				
& Memberships	5,000	5,000	796	(4,204)
Travel	1,000	1,000	-	(1,000)
Capital Outlay	300,000	300,000	283,542	(16,458)
Reserved/Cash Carry Forward	943,689	943,689	-	(943,689)
<b>TOTAL EXPENDITURES</b>	<u>1,456,089</u>	<u>1,456,089</u>	<u>437,698</u>	<u>(1,018,391)</u>
<b>EXCESS OF REVENUES OVER</b>				
<b>    (UNDER) EXPENDITURES</b>	-	-	(53,742)	(53,742)
<b>FUND BALANCE - Beginning of Year</b>	-	-	1,093,336	1,093,336
<b>FUND BALANCE - End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,039,594</u>	<u>\$ 1,039,594</u>

## **COMPLIANCE SECTION**



# **Nicholson, Reeder & Reynolds, P.A.**

## **Certified Public Accountant**

### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS***

To the Board of Commissioners  
Florosa Fire Control District  
Mary Esther, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Florosa Fire Control District, ("the District") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 17, 2019.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we 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.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies or material weaknesses, and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we 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 of our audit and, accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our 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. Accordingly, this communication is not suitable for any other purpose.

*Nicholson Reeder & Reynolds*

Fort Walton Beach, Florida

June 17, 2019

# **Nicholson, Reeder & Reynolds, P.A.**

## **Certified Public Accountant**

### **MANAGEMENT LETTER**

To the Board of Commissioners  
Florosa Fire Control District  
Mary Esther, Florida

#### **Report on the Financial Statements**

We have audited the financial statements of the Florosa Fire Control District ("District"), Mary Esther, Florida, as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated June 17, 2019.

#### **Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Audit Standards*, issued by Comptroller General of the United States.

#### **Other Reports**

We have issued our 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 Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports are dated June 17, 2019, and 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 we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.

#### **Office 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. The Florosa Fire Control District was established by House Bill 74-543 October 1, 1965.

#### **Financial Condition**

Sections 10.554 (1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we report the results of our determination as to whether or not Florosa Fire Control 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 our audit, we determined that the Florosa Fire Control District did not meet any of the conditions described by Section 218.503(1), Florida Statutes.

Management Letter (Continued)

Page Two

### **Financial Condition (Continued)**

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Florosa Fire Control District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

### **Other Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we 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 our audit, we did not have any such findings.

### **Purpose of this Letter**

Our 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, the Board of Fire Commissioners, and applicable management, and is not intended to be and should not be used by any other than these specified parties.

We greatly appreciate the assistance and cooperation extended to us during our audit.

*Nicholson Reeder & Reynolds*

Fort Walton Beach, Florida

June 17, 2019

**Nicholson, Reeder & Reynolds, P.A.**  
**Certified Public Accountant**

**INDEPENDENT ACCOUNTANT'S REPORT ON AN EXAMINATION OF COMPLIANCE  
REQUIREMENTS IN ACCORDANCE WITH CHAPTER 10.550, RULES OF THE AUDITOR  
GENERAL**

To the Board of Commissioners  
Florosa Fire Control District  
Mary Esther, Florida

We have examined Florosa Fire Control District's compliance with Florida Statute 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2018. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our 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 Florosa Fire Control District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides reasonable basis for our opinion. Our examination does not provide a legal determination on the Florosa Fire Control District's compliance with specified requirements.

In our opinion, the Florosa Fire Control District complied, in all material respects, with Florida Statute 218.415 with regards to the investments for the year ended September 30, 2018.

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

*Nicholson Reeder & Reynolds*

Fort Walton Beach, Florida  
June 17, 2019