

**Baker Fire District
Financial Statements
September 30, 2021**

Baker Fire District

Table of Contents September 30, 2021

| | Page |
|--|-------|
| Independent Auditor's Report | 1-3 |
| Management's Discussion and Analysis (required supplementary information) | 4-9 |
| Basic Financial Statements | |
| Financial Statements | |
| Governmental Fund Balance Sheet and Statement of Net Position | 10 |
| Governmental Fund Revenues, Expenditures and Changes in Fund Balance and Statement of Activities | 11 |
| Required Supplementary Information | |
| General Fund Statement of Revenues and Expenditures - Budget and Actual | 12 |
| Notes to Financial Statements | 13-26 |
| Reports in Accordance with Government Auditing Standards | |
| 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 | 27-28 |
| Independent Accountants' Report on Compliance Requirements in accordance with Chapter 10.550, Rules of the Auditor General | 29 |
| Management Letter | 30-32 |
| Schedule of Findings and Responses | 33-35 |



770 Industrial Drive, Crestview, FL 32539
Telephone: (850) 398-8934
Fax: (850) 689-4488

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Baker Fire District
1375 19th Street
Baker, FL 32531

We have audited the accompanying financial statements of the governmental activities and the major fund of the Baker Fire District (hereafter referred to as the “District”), as of and for the year ended September 30, 2021, 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 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Baker Fire District as of September 30, 2021, 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.

Emphasis of Matter – Prior period adjustment

As discussed in Note 14 to the financial statements, a dispute over an outstanding payable from a prior period was settled and resulted in forgiveness of the remaining balance. Accordingly, an adjustment has been made to the unassigned fund balance and unrestricted net position as of September 30, 2021. Our opinion is not modified with respect to this matter.

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 4 through 9 and page 12 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. 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 responses 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 the 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 29, 2022 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 the 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 Baker Fire District's internal control over financial reporting and compliance.

 Dawn M. Paul, CPA, P.A.

Crestview, FL
June 29, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis provides an easily readable analysis of Baker Fire District's financial activities. The analysis provides summary financial information and should be read in conjunction with the District's financial statements.

The primary purpose of the District is to provide fire suppression, fire inspection and emergency rescue services for the areas in Okaloosa County as defined under Florida Law Chapter 2000-434. Although it is important to the long-term existence of the District to maintain its financial health, net position is accumulated only to the extent required to ensure that there are sufficient reserve funds for future operations and for new capital needs.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities by \$511,758 (net position) and represents an increase of \$82,921 from the prior year. Of this amount, \$426,056 represents investments in capital assets (e.g. land, building, vehicles, and equipment) net of any related debt, \$50,765 is restricted for capital purposes, and \$34,937 is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's governmental funds reported ending fund balances of \$85,702, a decrease of \$30,913. The District had a prior period adjustment from the settlement of a disputed payable which resulted in an increase to the fund balance in the amount of \$14,880. The decrease in the fund balance from operations was \$45,793 for a total decrease in fund balance of \$30,913.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$31,548, or 9% of the total general fund expenditures.

DISTRICT HIGHLIGHTS

During the fiscal year ended September 30, 2021, the District responded to 459 incidents.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's 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 basic financial statements. The government-wide financial statements present an overall picture of the District's financial position and results of operations. The fund financial statements present financial information for the District's major fund. The notes to basic financial statements provide additional information concerning the District's

finances that are not otherwise disclosed in the government-wide or fund financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements include the statement of net position and statement of activities. These statements are designed to provide readers with a broad overview of the District's finances in a manner like a private-sector business. Emphasis is placed on the net position of governmental activities as well as the change in net position. Governmental activities are the activities where the District's operations are reported. The District does not have any business-type activities.

The Statement of Net Position presents information on all the District's assets and liabilities, with the difference between the two reported as net position. This statement combines and consolidates the governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations. Increases or decreases in net position over time may serve as a useful indicator of the District's improving or declining financial position.

The Statement of Activities presents information on all revenues and expenditures of the District and the change in net position for the 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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District's only fund is the general fund.

Fund financial statements provide financial information about the District's activities. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures), and current available resources.

Fund financial statements for all governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balance. The District's general fund includes a statement of revenues and expenditures - budget and actual.

The government-wide financial statements and the fund financial statements provide different presentations of the District's financial position. Categorized by governmental activities, the government-wide financial statements provide an overall picture of the

District's financial standing. These statements, which are comparable to private-sector companies, provide a good understanding of the District's overall financial health and present the means used to pay for various activities, or functions provided by the District. All assets of the District, including buildings and land are reported in the statement of net position, as well as all liabilities, including outstanding notes payable and capital leases. The statement of activities includes depreciation on all long lived assets of the District. The fund financial statements provide a presentation of the District's major fund. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long-term liabilities, such as notes payable, are not included in the fund financial statements. To facilitate a comparison between the fund financial statements and the government-wide financial statements, a reconciliation is provided.

NOTES TO THE FINANCIAL STATEMENTS

Notes to basic financial statements provide additional detail concerning the financial activities and financial balances of the District. Additional information about the accounting practices of the District, capital assets and long-term liabilities are just a few of the items included in the notes to basic financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT

The following schedule provides a summary of the assets, liabilities and net position of the District as of September 30, 2021 and 2020:

| | Summary of Net Position | |
|---|------------------------------------|-------------------|
| | September 30, 2021 and 2020 | |
| | 2021 | 2020 |
| ASSETS: | | |
| Current and other assets | \$ 88,602 | \$ 138,895 |
| Capital assets | 670,856 | 596,727 |
| Total assets | \$ 759,458 | \$ 735,622 |
| LIABILITIES: | | |
| Current liabilities | \$ 29,763 | \$ 52,875 |
| Non-current liabilities | 217,937 | 253,910 |
| Total liabilities | 247,700 | 306,785 |
| NET POSITION: | | |
| Investment in capital assets, net of related debt | 426,056 | 312,222 |
| Restricted for capital additions | 50,765 | 34,897 |
| Unrestricted | 34,937 | 81,718 |
| Total net position | 511,758 | 428,837 |
| Total Liabilities and Net Position | \$ 759,458 | \$ 735,622 |

Investment in capital assets (e.g., land, buildings, vehicles, and equipment) net of any related outstanding debt used to acquire those assets, represents 83% of the District's net position. The District had outstanding long-term debt related to capital assets of \$244,800 as of September 30, 2021. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. It should be noted that, although the District's investment in its capital assets is reported net of related debt, the resources needed to repay any debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate those liabilities.

Restricted net position as of September 30, 2021 of \$50,765 represents resources derived from impact fees to be used to fund capital assets necessitated by new growth. The remaining balance of net position of \$34,937 is unrestricted.

The following schedule provides a summary of the changes in net position for the years ended September 30, 2021 and 2020:

**Summary of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ending
September 30, 2021 and 2020**

| REVENUES: | 2021 | 2020 |
|---|---------------------------------|---------------------------------|
| <i>Program Revenues</i> | | |
| Fire assessments, net | \$ 184,752 | \$ 167,550 |
| Charges for services | - | 4,150 |
| Impact fees | 44,360 | 30,722 |
| Operating grants | 29,376 | 1,654 |
| Other income | 48,936 | 4,567 |
| Insurance recoveries | 700 | 5,749 |
| Interest revenue | 1 | - |
| Gain on disposal | - | 2,956 |
| Total revenues | <u>308,125</u> | <u>217,348</u> |
| EXPENSES: | | |
| Fire protection | <u>240,084</u> | <u>197,333</u> |
| Total expenses | <u>240,084</u> | <u>197,333</u> |
| Increase in net position | 68,041 | 20,015 |
| NET POSITION - beginning balance | <u>428,837</u> | <u>408,822</u> |
| Prior period adjustment | <u>14,880</u> | <u>-</u> |
| NET POSITION - ending balance | <u><u>\$ 511,758</u></u> | <u><u>\$ 428,837</u></u> |

During the year ended September 30, 2021, net position increased \$68,041. This increase was primarily due to an increase operating grants and donated income.

GOVERNMENTAL FUNDS AND BUDGETARY HIGHLIGHTS

The District's budgeted revenues exceeded actual revenues by \$33,525. The favorable variance was primarily the result of donated income. The District received a donated firetruck (valued at \$30,000) and a cascade system (valued at \$15,000) from other governmental entities.

The District's budgeted expenditures exceeded actual expenditures by \$37,815. This was primarily due to the District's not including capital lease payments as part of its budgeted debt service.

Overall, the general fund had an unfavorable variance in excess expenditures over revenues when compared to budgeted amounts of \$45,793. As of September 30, 2021, the District's unassigned fund balance was \$31,548.

CAPITAL ASSETS

The following schedule provides a summary of the District's capital assets as of September 30, 2021 and 2020:

**Summary of Capital Assets
For the Fiscal Years Ending
September 30, 2021 and 2020**

| | 2021 | 2020 |
|---|--------------------------|--------------------------|
| CAPITAL ASSETS | | |
| Land | \$ 28,490 | \$ 28,490 |
| Total capital assets not depreciated | <u>28,490</u> | <u>28,490</u> |
| Buildings and improvements | 312,926 | 283,761 |
| Equipment, vehicles and trucks | 944,058 | 830,599 |
| Total capital assets being depreciated | <u>1,256,984</u> | <u>1,114,360</u> |
| Accumulated depreciation | | |
| Buildings, improvements, equipment, vehicles and trucks | <u>(614,618)</u> | <u>(546,123)</u> |
| Capital assets net of depreciation | <u>642,366</u> | <u>568,237</u> |
| Total capital assets | <u><u>\$ 670,856</u></u> | <u><u>\$ 596,727</u></u> |

The District's total investment in capital assets activities as of September 30, 2021 and was \$426,056 (net of accumulated related debt). This investment in capital assets includes land, buildings, improvements, vehicles and equipment.

LONG-TERM DEBT ACTIVITY

The following schedule provides a summary of the District's long-term debt.

Summary of Long-term Debt For the Fiscal Years Ending September 30, 2021 and 2020

| | 2021 | 2020 |
|---|--------------------------|--------------------------|
| LONG TERM DEBT | | |
| Notes payable, current portion | \$ - | \$ 4,688 |
| Capital leases payable, current portion | 26,863 | 25,907 |
| Notes payable, net of current portion | - | 9,108 |
| Capital leases, net of current portion | <u>217,937</u> | <u>244,802</u> |
| Total long-term debt | <u>\$ 244,800</u> | <u>\$ 284,505</u> |

Additional information about the District's long-term debt is presented in note 4 to basic financial statements.

FUTURE FINANCIAL FACTORS

Baker Fire District is an independent special district originally established by Ordinance 81-21 by the Okaloosa County Board of Commissioners on April 21, 1981. The District was recreated on June 5, 2000 under the provisions of Florida Law Chapter 2000-434 and Chapters 189 and 191 of the Florida Statutes. The District operates under an elected Board of Fire Commissioners. The Board establishes policy and sets the assessment rates. The District has taxing authority as revenues are generated by fire assessments (non-ad valorem taxes). Rates for fiscal year 2021 have been established to provide for the operations of the District and necessary capital and operating requirements; those rates are \$97.70 for residential and \$152.08 for commercial properties.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Baker Fire District's finances. Questions regarding any information provided in this report or requests for additional information should be addressed to the Baker Fire District, P.O Box 101, Baker, Florida, 32531.

Baker Fire District
Governmental Fund Balance Sheet and Statement of Net Position
September 30, 2021

| | General Fund | Adjustments (Note 2) | Statement of Net Position |
|---|-------------------------|---------------------------------|--------------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 31,136 | \$ - | \$ 31,136 |
| Grant receivable | 3,312 | - | 3,312 |
| Prepaid expenses | 3,389 | - | 3,389 |
| Restricted cash | 50,765 | - | 50,765 |
| Capital assets, net | - | 670,856 | 670,856 |
| Total assets | \$ 88,602 | 670,856 | \$ 759,458 |
| LIABILITIES | | | |
| Accrued interest payable | \$ 2,900 | \$ - | \$ 2,900 |
| Long term liabilities | | | |
| Due within one year | - | 26,863 | 26,863 |
| Due after one year | - | 217,937 | 217,937 |
| Total liabilities | 2,900 | 244,800 | 247,700 |
| FUND BALANCE/NET POSITION | | | |
| Nonspendable | 3,389 | (3,389) | - |
| Restricted for capital additions | 50,765 | (50,765) | - |
| Unassigned | 31,548 | (31,548) | - |
| Total fund balance | 85,702 | (85,702) | - |
| Total liabilities and fund balance | \$ 88,602 | | |
| Net position | | | |
| Investment in capital assets, net of related debt | | 426,056 | 426,056 |
| Restricted for capital additions | | 50,765 | 50,765 |
| Unrestricted | | 34,937 | 34,937 |
| Total net position | | \$ 511,758 | \$ 511,758 |

See accompanying notes to financial statements

Baker Fire District
Governmental Fund Revenues, Expenditures and
Changes in Fund Balance and Statement of Activities
For the Year Ended September 30, 2021

| | <u>General Fund</u> | <u>Adjustments (Note 2)</u> | <u>Statement of Activities</u> |
|--|-------------------------|---------------------------------|------------------------------------|
| REVENUES | | | |
| Fire assessments, net | \$ 184,752 | \$ - | \$ 184,752 |
| Impact fees | 44,360 | - | 44,360 |
| State grants | 9,376 | - | 9,376 |
| Local grants | 20,000 | - | 20,000 |
| Miscellaneous (Note 6) | 48,936 | - | 48,936 |
| Insurance recoveries (Note 7) | 700 | - | 700 |
| Interest revenue | 1 | - | 1 |
| Total revenues | <u>308,125</u> | <u>-</u> | <u>308,125</u> |
| EXPENDITURES/EXPENSES | | | |
| Public Safety | | | |
| Current | | | |
| Fire protection | 161,497 | - | 161,497 |
| Depreciation | - | 68,495 | 68,495 |
| Capital outlay | 142,624 | (142,624) | - |
| Debt service | | | |
| Principal | 39,705 | (39,705) | - |
| Interest | 10,092 | - | 10,092 |
| Total expenditures/expenses | <u>353,918</u> | <u>(113,834)</u> | <u>240,084</u> |
| Excess of revenues over (under) expenditures | <u>(45,793)</u> | <u>113,834</u> | <u>68,041</u> |
| Fund balance/net position | | | |
| Beginning of the year | 116,615 | 314,843 | 428,837 |
| Prior period adjustment - Note 14 | 14,880 | - | 14,880 |
| End of the year | <u>\$ 85,702</u> | <u>\$ 428,677</u> | <u>\$ 511,758</u> |

See accompanying notes to financial statements

Baker Fire District
General Fund Statement of Revenues, Expenditures - Budget and Actual
For the Year Ended September 30, 2021

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|----------------------------|-------------------------|--------------------|---|
| REVENUES | | | | |
| Fire assessments, net | \$ 183,460 | \$ 184,753 | \$ 184,752 | \$ (1) |
| Impact fees | 50,000 | 44,360 | 44,360 | - |
| State grants | - | 10,384 | 9,376 | (1,008) |
| Local grants | - | 20,000 | 20,000 | - |
| Miscellaneous | 5,000 | 14,402 | 48,936 | 34,534 |
| Insurance recoveries | - | 700 | 700 | - |
| Interest revenue | - | 1 | 1 | - |
| Total revenues | <u>238,460</u> | <u>274,600</u> | <u>308,125</u> | <u>33,525</u> |
| EXPENDITURES | | | | |
| Fire Protection | | | | |
| Accounting and auditing | 10,000 | 11,800 | 11,900 | (100) |
| Professional fees | 3,500 | 236 | 1,736 | (1,500) |
| Insurance | 25,000 | 35,403 | 34,320 | 1,083 |
| Legal fees | 5,000 | - | - | - |
| Contract labor | 4,800 | 14,040 | 17,560 | (3,520) |
| Office and operating supplies | 5,000 | 7,900 | 4,302 | 3,598 |
| Other current charges and obligations | 6,000 | 7,303 | 6,784 | 519 |
| Repairs and maintenance | 49,960 | 92,551 | 58,393 | 34,158 |
| Small equipment purchases | - | 2,814 | 3,494 | (680) |
| Grant expenses | - | 1,575 | 1,575 | - |
| Training | 13,000 | 5,197 | 5,357 | (160) |
| Utilities | 10,000 | 13,300 | 9,319 | 3,981 |
| Vehicle fuel | 6,000 | 6,759 | 6,759 | - |
| Capital outlay | 86,000 | 117,225 | 142,624 | (25,399) |
| Debt Service | | | | |
| Principal and interest | 14,200 | - | 49,795 | (49,795) |
| Total expenditures | <u>238,460</u> | <u>316,103</u> | <u>353,918</u> | <u>(37,815)</u> |
| Excess of revenues over expenditures | <u>\$ -</u> | <u>\$ (41,503)</u> | <u>\$ (45,793)</u> | <u>\$ (4,290)</u> |

See accompanying notes to financial statements

Baker Fire District
Notes to Financial Statements
September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

Baker Fire District is an independent special district originally established by Ordinance 81-21 by the Okaloosa County Board of Commissioners on April 21, 1981. The District was recreated on June 5, 2000 under the provisions of Florida Law Chapter 2000-434 and Chapters 189 and 191 of the Florida Statutes. The District operates under an elected Board of Fire Commissioners form of government and provides fire suppression, fire inspection, and emergency rescue services.

Financial reporting entity

Criteria for determining if other entities are potential component units which should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationships with the Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are required to be reported.

Basis of presentation

The District's financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) as applicable to state and local governments with those promulgated by Governmental Accounting Standards Board (GASB).

Governmental funds are used to account for the District's general governmental activities. The District has one fund, the general fund, which is its operating fund and is included in the preparation of the government-wide and fund financial statements.

Measurement focus and basis of accounting

The District's basic financial statements are composed of the following

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

Baker Fire District
Notes to Financial Statements
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide financial statements

Government-wide financial statements display information about the District as a whole and are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows.

Fire assessments (non-ad valorem taxes) are recognized in the year for which they are collected. Revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financial sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as reductions of the related liabilities, rather than as expenditures.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources- committed, assigned, and unassigned- in order as needed.

Fund financial statements

Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Current financial resources measurement focus generally means that only current assets and current liabilities are included in the balance sheet. 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 is known or can be reasonably estimated. “Available” means collectible within the current period or within 60 days after year end.

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

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

Baker Fire District
Notes to Financial Statements
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents, deposits, and investments

The District's demand deposits and short-term investments are considered cash and cash equivalents. For purposes of these statements, all high liquid investments with a maturity of three months or less when purchased are considered cash equivalents. The District has no cash equivalents as of September 30, 2021.

Special Districts must maintain its deposits only with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. The provisions of this statute allow "Qualified Public Depositories" to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All Qualified Public Depositories must place with the Treasurer of the State of Florida, securities which have a market value equal to 50% of all public funds on deposit at the end of each month in excess of any applicable deposit insurance. In the event of default by a qualified public depository, the state treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories. Under this method, the District's deposits would be fully insured or collateralized at the highest level of security. As of September 30, 2021, the District's deposits totaled \$88,813. The District's bank accounts are held as deposits with a "Qualified Public Depository" as required.

The District does not have a formal written investment policy but has adopted the investment policy as defined in Florida Statute Section 218.415, which requires the investment of surplus public funds and prescribes the instruments in which those investments are authorized which consist of:

- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969.
- Securities and Exchange Commission registered money market funds with the highest credit rating from a nationally recognized rating agency
- Direct obligations of the U.S. Treasury.

Baker Fire District
Notes to Financial Statements
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents, deposits, and investments (continued)

As of September 30, 2021, the District did not have any investments.

Capital Assets

Capital assets which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as purchases with an initial, individual cost of \$1,000 or more that benefit a period of more than one year. Capital assets are recorded at historical cost if purchased or constructed or estimated historical cost if actual cost is unknown. Donated assets are recorded at fair market value at the date of donation. The costs 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, plant, and equipment of the primary government are depreciated using the straight-line method over the estimated useful lives. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| | |
|----------------------------|------------|
| Buildings and improvements | 40 years |
| Vehicles and equipment | 5-15 years |

Fire Assessment Tax Revenue

The District levies assessments on residential and commercial properties located within its boundaries. These assessments (non-ad valorem taxes) are billed and collected through the Okaloosa County Tax Collector's Office in accordance with the laws of the State of Florida. The assessments are payable when levied. The following is the current calendar for collection of the taxes:

| | |
|-----------------|--------------------------|
| Levy Date | November 1 st |
| Due Date | November 1 st |
| Delinquent Date | April 1 st |

Discounts are available for each month taxes are paid through February 28th.

Revenue recognition criteria for property taxes under GASB require that taxes expected to be collected within sixty days of the current period be accrued. No accrual has been made for 2021 fire assessments because the non-ad valorem taxes are not legally due until subsequent to the end

Baker Fire District
Notes to Financial Statements
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fire Assessment Tax Revenue (continued)

of the fiscal year. Current year taxes, which are uncollected as of the end of the fiscal year, are generally immaterial in amount and highly susceptible to being uncollectible and, therefore, are not recorded as a receivable on the financial statement date.

The Board of Commissioners approved the annual assessment fee of \$97.70 for residential and \$152.08 for commercial properties for the year ended September 30, 2021.

Fund Balance

The District follows GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, employing the following terminology and classifications for fund balance:

Non-spendable - This category includes the resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The balance as of September 30, 2021 of \$3,389 is resulting from prepaids, which are not in spendable form.

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, 2021 of \$50,765 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 is no committed fund balance as of September 30, 2021.

Assigned - This category 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 an authorized government body or official. There is no assigned fund balance as of September 30, 2021.

Unassigned - This category is the residual classification for the District's fund balance. The balance as of September 30, 2021 is \$31,548.

Baker Fire District
Notes to Financial Statements
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

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

Net investment in capital assets - represents 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. The balance as of September 30, 2021 is \$426,056.

Restricted - indicates that portion of net position that is restricted for the purchase of assets necessary due to new growth in the District. The balance as of September 30, 2021 is \$50,765.

Unrestricted - indicates that portion of net position that is available for future periods. The balance as of September 30, 2021 is \$34,937.

Budget

A budget is legally adopted for the general fund. In instances where budget appropriations and estimated revenues have been revised during the year, the budget is revised. Any revision to the budget must be approved by the Board of Fire Commissioners. The budget data presented in the final column of the financial statements represents final authorized amounts.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the Fire Chief and a committee appointed by the Board of Fire Commissioners submit to the Board a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. The budget is submitted in summary form, but a more detailed line item budget is included for administrative control. The level of control for the detailed budget is at the department head level.
2. Upon tentative approval by the Board of Fire Commissioners, public hearings are conducted to obtain taxpayer comment.
3. Prior to September 30, the budget is legally enacted through approval by the Board.
4. Formal budgetary integration is employed as a management control device during the year for the general fund.
5. Appropriations lapse at the end of each fiscal year.
6. The Board of Fire Commissioners may authorize supplemental appropriations during the year.

Baker Fire District
Notes to Financial Statements
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent events

Management has evaluated subsequent events through June 29, 2022, which is the date the financial statements were available to be issued.

Capital leases

GASB Statement No. 87, Leases, issued in June 2017, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The District did have one capital lease as of September 30, 2021 (see note 4).

Baker Fire District
Notes to Financial Statements
September 30, 2021

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The total fund balance of the District’s governmental general fund of \$85,702 differs from the net position of governmental activities of \$511,758 reported in the statement of net position and governmental fund balance sheet. This difference results primarily from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet. The following is an explanation of differences between the general fund balance sheet and statement of net position.

| | | |
|--|----|--------|
| Total fund balance for governmental fund | \$ | 85,702 |
|--|----|--------|

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 fund. | | 670,856 |
|---|--|---------|

Liabilities not due and payable in the current period are not reported in the governmental fund. Interest on debt is not accrued in the governmental fund, but rather is recognized as an expenditure when due. These liabilities at year end consist of:

| | | |
|---|-----------|------------------|
| Capital lease due in one year | | (26,863) |
| Capital lease due after one year | | <u>(217,937)</u> |
| Total net position of governmental activities | <u>\$</u> | <u>511,758</u> |

Baker Fire District
Notes to Financial Statements
September 30, 2021

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

The following is an explanation of differences between the governmental funds statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

| | |
|--|-------------|
| Net change in fund balance - governmental fund | \$ (45,793) |
|--|-------------|

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

The general fund reports 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.

| | |
|---------------------------------|----------|
| Expenditures for capital assets | 142,624 |
| Less: current year depreciation | (68,495) |

| | |
|--|--------|
| Repayment of capital lease principal is an expenditure in the governmental fund, but the repayment reduces liabilities in the Statement of Net Assets. | 25,909 |
|--|--------|

| | |
|---|--------|
| Repayment of note payable principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the Statement of Net Position. | 13,796 |
|---|--------|

| | |
|---|------------------|
| Net change in net position of governmental activities | \$ <u>68,041</u> |
|---|------------------|

Baker Fire District
Notes to Financial Statements
September 30, 2021

NOTE- 3 – CHANGES IN CAPITAL ASSETS

The following is a summary of changes in capital assets for the fiscal year ended September 30, 2021:

| Governmental Activities: | Balance 9/30/2020 | Additions | Disposals | Balance 09/30/2021 |
|---|----------------------|-----------|-----------|-----------------------|
| Capital Assets not being depreciated | | | | |
| Land | \$ 28,490 | \$ - | \$ - | \$ 28,490 |
| Capital Assets being depreciated: | | | | |
| Buildings and improvements | 283,761 | 29,165 | - | 312,926 |
| Furniture and equipment | 237,226 | 68,459 | - | 305,685 |
| Vehicles and trucks | 593,373 | 45,000 | - | 638,373 |
| Total capital assets being depreciated | 1,114,360 | 142,624 | - | 1,256,984 |
| Less accumulated depreciation | (546,123) | (68,495) | - | (614,618) |
| Total Capital Assets being depreciated, net | 568,237 | 74,129 | - | 642,366 |
| Governmental activities capital assets, net | \$ 596,727 | \$ 74,129 | \$ - | \$ 670,856 |

Depreciation expense for the fiscal year ended September 30, 2021 totaled \$68,495.

NOTE- 4 – CHANGES IN LONG-TERM LIABILITIES

Long-term debt on September 30, 2021 consisted of a note payable with a local bank due in monthly installments of \$432, including interest payments at 4.25% per annum through July 2023, collateralized by a 2001 Freightliner. The District paid the note payable in full during 2021.

During 2019, the District entered into a lease-purchase agreement for a new fire engine for \$295,694. The agreement requires annual installments of \$35,896, including interest payments at 3.69% per annum through June 2029. As of September 30, 2021, the balance of the net book value of the asset under lease was \$251,340.

Baker Fire District
Notes to Financial Statements
September 30, 2021

NOTE- 4 – CHANGES IN LONG-TERM LIABILITIES (CONTINUED)

| | September 30, 2020 | Additions | Reductions | September 30, 2021 | Due Within One year |
|-----------------------------|-----------------------|-------------|--------------------|-----------------------|------------------------|
| Notes payable | \$ 13,796 | \$ - | \$ (13,796) | \$ - | \$ - |
| Capital leases payable | \$ 270,709 | \$ - | \$ (25,909) | \$ 244,800 | \$ 26,863 |
| Total long term liabilities | <u>\$ 284,505</u> | <u>\$ -</u> | <u>\$ (39,705)</u> | <u>\$ 244,800</u> | <u>\$ 26,863</u> |

Maturities of the capital lease for years subsequent to September 30, 2021 are as follows:

| | Principal | Interest | Total |
|------|----------------|---------------|----------------|
| 2022 | 26,863 | 9,033 | 35,896 |
| 2023 | 27,854 | 8,042 | 35,896 |
| 2024 | 28,882 | 7,014 | 35,896 |
| 2025 | 29,948 | 5,948 | 35,896 |
| 2026 | 31,053 | 4,843 | 35,896 |
| 2027 | 32,198 | 3,698 | 35,896 |
| 2028 | 33,387 | 2,509 | 35,896 |
| 2029 | 34,615 | 1,279 | 35,896 |
| | <u>244,800</u> | <u>42,366</u> | <u>287,168</u> |

NOTE 5 - RECEIVABLES

The District does not typically have receivables since the fire tax assessment revenues are not recorded as a receivable (see note 1). As of September 30, 2021, the District was awarded a 50/50 Forestry Grant in the amount of \$3,312. The District subsequently received the grant monies in October 2021. Since receivables were subsequently collected, an allowance for doubtful accounts was not established.

Baker Fire District
Notes to Financial Statements
September 30, 2021

NOTE 6 – MISCELLANEOUS REVENUES

During 2021, the District included donated income in its miscellaneous revenues which represented a donated fire truck (valued at \$30,000), a donated cascade system (valued at \$15,000) from other governmental entities and \$300 from a local resident. Other miscellaneous revenues included various refunds and other donations from residents as follows:

| | |
|----------------------|------------------------|
| Donation income | \$45,300 |
| Miscellaneous income | <u>3,636</u> |
| | <u><u>\$48,936</u></u> |

NOTE 7 – INSURANCE RECOVERIES

In October 2020, the District received an insurance recovery in the amount of \$700 for damage to storage doors because of Hurricane Sally.

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage for each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured loss to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 9 – CONTRACTS AND COMMITMENTS

On May 1, 2021, the District entered into a twelve-month interlocal agreement with North Okaloosa Fire District to lease 1 bay at Station 83 for a fire engine and equipment storage in the amount of \$1 annually. As part of the agreement, the District agrees to provide on an automatic-aid basis a fire engine stored at Station 83 and certified personnel trained and authorized to conduct firefighting activities in the State of Florida. The District also agrees to participate in any Insurance Services Office, Inc, (ISO) inspections, audits or other inquiries. The agreement may be renewed annually as agreed by both parties.

Baker Fire District
Notes to Financial Statements
September 30, 2021

NOTE 10 – CONTINGENCIES

The District’s Charter states that “the total principal and interest outstanding shall not exceed 50% of the total annual budgeted revenues of the District”. At the current level of indebtedness, the District is not in violation of either stipulation.

NOTE 11 – RELATED PARTY TRANSACTIONS

During 2021, the District purchased a truck from its fire chief and paid fire district members and a family member for janitorial service and other services as follows:

| | Contract Labor | Vehicle Purchase | Total |
|------------------|-------------------|---------------------|--------------|
| Brian Easterling | \$ 7,360.00 | \$ 15,000.00 | \$ 22,360.00 |
| Mark McKenzie | 160.00 | - | 160.00 |
| Jacob McKenzie | 480.00 | - | 480.00 |
| | \$ 8,000.00 | \$ 15,000.00 | \$ 23,000.00 |

NOTE 12 – BUDGET VARIANCES

For the year ended September 30, 2021, the District exceeded budgeted expenditures by \$37,815 as the result of the District failing to include the capital lease payments in its budgeted expenditures.

Baker Fire District
Notes to Financial Statements
September 30, 2021

NOTE 13 – COVID-19

During 2020 and 2021, the impact of COVID-19 on the District's operational and financial performance depended on certain developments, including the duration and spread of the outbreak, impact on our citizens, employees, vendors, and economical mitigation measures to be taken by federal and state government, all of which are uncertain and cannot be predicted. As of September 30, 2021, COVID-19 did not have a major impact on the District's financial condition or results of operations. In May 2021, the District received a \$20,000 grant as part of the CARES Act for Coronavirus Aid and Relief.

NOTE 14 – PRIOR PERIOD ADJUSTMENT

During 2021, the District settled a dispute with Century Link over an outstanding bill that was accrued in prior years for \$4,500. The remaining balance of \$14,880 was forgiven. An adjustment has been made to the to the unassigned fund balance and unrestricted net position as of September 30, 2021.



770 Industrial Drive, Crestview, FL 32539
Telephone: (850) 398-8934
Fax: (850) 689-4488

**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***

To the Board of Commissioners
Baker Fire District
1375 19th Street
Baker, FL 32531

We have audited, in accordance with the 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 and the major fund of the Baker Fire District (hereinafter called the “District”), as of and for the year ended September 30, 2021, which collectively comprise the District’s basic financial statements and have issued our report thereon dated June 29, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the schedule of findings and responses (2021-01), we did identify certain deficiencies in internal control that we consider to be material weaknesses.

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 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. We consider the deficiencies described in the accompanying schedule of findings and responses (2021-01) as items to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses (2021-02 and 2021-03) as significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Baker Fire 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 financial statements. 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 results of our tests disclosed two instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards* as described in the accompanying schedule of findings and responses (2021-04 and 2021-05).

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of the 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 the audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

 Dawn M. Paul, CPA, P.A.

Crestview, FL
June 29, 2022



770 Industrial Drive, Crestview, FL 32539
Telephone: (850) 398-8934
Fax: (850) 689-4488

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

To the Board of Commissioners
Baker Fire District
1375 19th Street
Baker, FL 32531

We have examined Baker Fire District's (hereafter referred to as "the District") compliance with Florida Statute 218.415 in regards to investments for the year ended September 30, 2021. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion about compliance with the specified requirements is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about whether management's assertion is fairly stated, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgement, including as assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.

Dawn M. Paul, CPA, P.A.

Crestview, FL
June 29, 2022



770 Industrial Drive, Crestview, FL 32539
Telephone: (850) 398-8934
Fax: (850) 689-4488

MANAGEMENT LETTER

To the Board of Commissioners
Baker Fire District
1375 19th Street
Baker, FL 32531

Report on the Financial Statements

We have audited the financial statements of the Baker Fire District, Florida (hereinafter called the "District"), as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated June 29, 2022.

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 Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated June 29 2022, 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.

| Tabulation of Uncorrected Audit Findings | | |
|--|-------------------|-------------------|
| Current Year Finding # | 2020 FY Finding # | 2019 FY Finding # |
| 2021-01 | 2020-01 | 2019-01 |
| 2021-02 | 2020-07 | 2019-07 |

Official 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. This information required is disclosed in the notes to the financial statements (see Note 1).

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not Baker Fire District met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Baker Fire District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Baker Fire District. It is management's responsibility to monitor the Baker Fire District's financial condition, and our financial condition assessment was based in part on representations made by management and 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 reported several deficiencies in internal control that we considered to be material weaknesses (see accompanying schedule of findings and responses 2021-01).

Specific Information

As required by section 218.39(3)(c), Florida Statutes, and section 10.554(1)(i)6, Rules of the Auditor General, Baker Fire District reported:

- a) The total number of district employees compensated in the last pay period of the district's fiscal year as 0.
- b) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the fiscal year as 10.

- c) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$0.
- d) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$20,360.
- e) No construction projects with a total cost of at least \$65,000 approved by the district that are scheduled to begin on or after October 1 of the fiscal year being reported.
- f) A budget variance report based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes (see page 12). However, see finding 2021-05 in the schedule of findings and responses for additional information (Page 35).

As required by section 218.39(3)(c), Florida Statutes, and section 10.554(1)(i)6, Rules of the Auditor General, Baker Fire District reported:

- a) The rate of non-ad valorem special assessments imposed by the District as \$97.70 for residential property owners and \$152.08 for non-residential property owners.
- b) The total amount of special assessments collected by or on behalf of the District as \$184,752.
- c) The District has issued no outstanding bonds.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note 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 Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Deann M. Paul, CPA, P.A.

Crestview, FL
June 29, 2022

Baker Fire District
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended September 30, 2021

Current Year's (Prior Year) Findings

#2021-01 - (Prior Years 2020-01 and 2019-01) Financial Statement Preparation, Knowledge and Audit Adjustments (Initially reported in 2015)
(Internal Control - Material Weakness)

Finding:

The District is required to prepare financial statements in accordance with generally accepted accounting principles which requires knowledge of the accounting principles affecting the entity, including financial statement disclosure requirements, the awareness of changes occurring in the accounting industry that could impact the entity's financial statements, and the knowledge of resources for researching accounting issues. Due to the size of the entity, the District has elected to rely on an external auditor to propose audit adjustments and prepare its annual financial statements in accordance with generally accepted accounting principles.

District's Response:

The District believes the cost in correcting the weakness outweighs the benefits derived from additional controls. The District understands its responsibility as management to review and approve the draft financial statements and audit adjustments.

#2021-02 – (Prior Years 2020-07 and 2019-07) Capital Asset Inventory
(Initially reported in 2018)
(Internal Control – Significant Deficiency)

Finding:

The District does not maintain an inventory of capital asset purchases that meets the District's capitalization policy.

Recommendation:

The District should prepare a capital asset inventory and review the listing annually to evaluate for the existence and disposals of capital assets.

District's Response:

The District provided a capital asset inventory for 2021, however it did not include capital asset additions. The District will work in 2022 to develop a system for properly tracking its capital asset inventory.

Baker Fire District
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended September 30, 2021

#2021-03 – Improper Account Coding
(Internal Control – Significant deficiency)

Finding:

During the testing we discovered that multiple expenditures entered into the general ledger were not coded to the proper expense account. This creates an understatement of expenses and overstatement of liabilities. We also determined that the District recorded revenues such as grants as miscellaneous revenues rather than in a revenue account in accordance with the Uniform Chart of Accounts.

Recommendation:

We recommend that the District review its general ledger activity at least annually to ensure that expenditures are properly coded into the general ledger. We also recommend that the District review its chart of accounts in relation to the Uniform Chart of Accounts provided by the State of Florida Department of Financial Services.

District's Response:

The District will review its general ledger activity or revenues and expenditures annually to ensure that transactions are properly recorded into the proper account.

#2021-04 - Non-compliance with IRS Regulations – 1099-NEC reporting
(Compliance)

Finding:

The District issued payments to independent contractors for contract labor expenses in excess of \$600 but failed to prepare and file forms 1096 and form 1099-NEC to the Internal Revenue Services on or before January 31, 2022 and also failed to provide copies to the individuals.

Recommendation:

The District should review its vendor payments for non-employee compensation annually in January and prepare and file the required reports by the annual filing deadline.

District's Response:

The District will prepare and file the 2021 1099-NEC's within 30 days of the issuance of the audit. The District will review its vendor activity annually for required filing and reporting to the Internal Revenue Service.

#2021-05 - Non-compliance with Regulations – Actual expenditures exceed budgeted amounts

Baker Fire District
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended September 30, 2021

(Compliance)

Finding:

The District's actual expenditures exceeded the budgeted amounts by \$37,815 for the fiscal year ending September 30, 2021. Section 189.016(3) of the Florida Statutes requires expenditures incurred to be pursuant to the adopted budget.

Recommendation:

The District should only expend resources pursuant to the adopted budget, or amend the budget at or near the end of the fiscal year in order to ensure all expenditures for the year have been approved and are included in the final approved budget.

District's Response:

The District amended its budget for 2021 but failed to include the capital lease debt service obligations. The District will review its actual expenditures at or near the fiscal year end and amend the budget as needed to reflect the approved expenditures in the final approved budget.