



# **Avalon Beach-Mulat Fire Protection District**

## **Financial Statements**

**September 30, 2022**



**Avalon Beach-Mulat Fire Protection District**  
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**September 30, 2022**

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## INDEPENDENT AUDITORS' REPORT

Board of Fire Commissioners  
Avalon Beach-Mulat Fire Protection District

### Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Avalon Beach-Mulat Fire Protection District (District), as of and for the year ended September 30, 2022, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
General Fund	Unmodified

#### Qualified Opinion on the Governmental Activities

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the District, as of September 30, 2022, and the changes in financial position thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Unmodified Opinion on the General Fund

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the major fund of Avalon Beach-Mulat Fire Protection District, as of September 30, 2022, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Avalon Beach-Mulat Fire Protection District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

## **Matter Giving Rise to the Qualified Opinion on the Governmental Activities**

The District underreported covered wages to the State of Florida Retirement System (FRS) during the year ended September 30, 2022. By underreporting covered wages, and thereby pension contributions, the percentage allocation by FRS to the District is inappropriate for the plan year ended June 30, 2022. The allocation is based on the District's contributions as a weighted average of the total contributions to FRS. This change in allocation affects the District's reported net pension liability, deferred inflows and outflows of resources related to pensions, and the governmental activities pension expense. The effects of this error on the financial statements have not been determined.

## **Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Avalon Beach-Mulat Fire Protection District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Avalon Beach-Mulat Fire Protection District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 8, the budgetary comparison information on page 32, and the schedules of the defined benefit pension plans on pages 33 through 36, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 performed 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 28, 2023, 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, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and on 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.

*Carr, Riggs & Ingram, L.L.C.*

Certified Public Accountants  
Panama City Beach, Florida  
June 28, 2023

## **Management's Discussion and Analysis**

# Management's Discussion and Analysis

## Preamble

Avalon Beach-Mulat Fire Protection District (District) is an autonomous, independent, special purpose government providing fire control and rescue activities which are predominately funded through ad valorem taxes. The District sets the millage rate after public hearings and the tax revenue is used to sustain its fire control and rescue activities.

## Presentation

The requirements of GASB Statement No. 34 mandate that all local government financial statements include Management's Discussion and Analysis (MD&A). The goal of the MD&A is to give readers an objective and easily readable overview of the District's financial performance. The MD&A is designed to focus on the District's most relevant information regarding overall financial performance to aid users in assessing whether financial position has improved or deteriorated as a result of the year's fire protection activities. Hereinafter, the District briefly discusses the attached financial statements and describes the currently known facts, decisions, and conditions that have a significant effect on financial position and results of fire protection activities.

## Financial Highlights

The District's total net position decreased \$121,514 to \$975,184 during fiscal year 2022.

The net change in fund balance was a decrease of \$178,674 for the year ended September 30, 2022. Total revenues were \$1,016,033 and total expenditures were \$1,194,707 for the year.

As of September 30, 2022, the general fund's unassigned fund balance was \$41,780 which was 3% of total general fund expenditures for the year.

Total governmental activities' expenses increased \$341,895 from the prior year, while governmental activities' revenues increased \$216,322.

## 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 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 only governmental fund, the general 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 the *statement of activities*. These statements are designed to provide readers with a broad overview of the District's financial position, in a manner similar to that of private sector companies. Emphasis is placed on the net

position of governmental activities, as well as the change in net position. Governmental activities are primarily supported by ad valorem taxes.

The *statement of net position* presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the District, with the difference between the four reported as *net position*. Increases or decreases in net position over time serve as a useful indicator of the District's improving or declining financial position.

The *statement of activities* presents information on all revenues and expenses of the District and the change in net position for the fiscal year. 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 the statement of activities for some items that will result in cash flows in future fiscal periods (e.g., uncollected fees and earned, but unused vacation/sick leave).

Expenses are reported by major function, along with program revenues relating to those functions, providing the net cost of all functions provided by the District. The District's operations include governmental activities' expenses for administrative services and fire protection.

### **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 purposes or objectives. Individual funds have been established by the District to account for revenues that are restricted to certain uses, or to comply with legal requirements.

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

*Fund financial statements* for the governmental fund include a *balance sheet* and a *statement of revenues, expenditures, and change in fund balance*. The District's general fund includes a *schedule of revenues, expenditures, and change in fund balance – budget and actual*.

The *government-wide financial statements* and the *fund financial statements* provide different presentations of the District's financial position. Categorized as 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, land, and equipment are reported in the *statement of net position*, as well as all liabilities, including outstanding loans and future employee benefits obligated but not yet paid by the District. The *statement of activities* includes depreciation on long lived assets of the District. The *fund financial statements* provide a presentation of the District's general fund. In governmental funds, outlays for long lived assets are reported as expenditures and long-term liabilities 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.



*The 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, investments of the District, and long-term debt 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, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District at September 30, 2022 and 2021.

#### **Governmental Activities Net Position**

<i>September 30,</i>	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 306,653	\$ 389,856
Other current assets	33,234	46,029
Capital assets, net	1,227,981	1,142,059
<b>Total assets</b>	<b>1,567,868</b>	<b>1,577,944</b>
Deferred outflows of resources	266,259	176,169
Current liabilities	195,533	112,857
Long-term liabilities	604,054	166,541
<b>Total liabilities</b>	<b>799,587</b>	<b>279,398</b>
Deferred inflows of resources	59,356	378,017
Net position		
Net investment in capital assets	1,227,981	1,142,059
Restricted	69,340	78,744
Unrestricted	(322,137)	(124,105)
<b>Total net position</b>	<b>\$ 975,184</b>	<b>\$ 1,096,698</b>

Investment in capital assets (e.g., land, buildings, and equipment), net of any related outstanding debt used to acquire those assets, represents the District's largest portion of net position. These capital assets are utilized to provide services to citizens; consequently, they are not available for future spending.

The balance of restricted net position is subject to external restrictions, and thus is limited as to how it may be used. The remaining balance of unrestricted net position may be used to help meet the District's ongoing obligations to citizens and creditors. As of September 30, 2022, the balance of unrestricted net position was a deficit of \$322,137.

The following schedule provides a summary of the change in net position for the years ended September 30, 2022 and 2021.

### Governmental Activities Change in Net Position

<i>Year ended September 30,</i>	<b>2022</b>	<b>2021</b>
Program revenues		
Operating grants and contributions	\$ -	\$ 21,638
Capital grants and contributions	153,038	12,817
General revenues		
Property taxes	826,276	729,494
Impact fees	34,920	26,000
Miscellaneous	1,735	9,690
Interest income	64	72
<b>Total revenues</b>	<b>1,016,033</b>	<b>799,711</b>
Expenses		
Administrative	26,855	23,112
Fire protection	986,560	653,933
Depreciation	124,113	118,607
Interest	19	-
<b>Total expenses</b>	<b>1,137,547</b>	<b>795,652</b>
<b>Change in net position</b>	<b>(121,514)</b>	<b>4,059</b>
<b>Beginning net position</b>	<b>1,096,698</b>	<b>1,092,639</b>
<b>Ending net position</b>	<b>\$ 975,184</b>	<b>\$ 1,096,698</b>

Ad valorem property tax revenue increased \$96,782 over the prior year due to organic growth of property values within the district. The millage rate set by the District for the year ended September 30, 2022 did not change from the 2.0000 mills set in the prior year. The District also received \$139,246 in Local Option Sales Tax funds through Santa Rosa County. Expenses increased 43% over the prior year, mainly due to the purchase of new fire protection vehicles that were reimbursed with Local Option Sales Tax funds and an increase in payroll and payroll costs, including pension and taxes.

For the year ended September 30, 2022 governmental activities' expenses exceeded revenues by \$121,514. Total revenues increased \$216,322 over the previous year primarily due to an increase in property taxes levied and an increase in capital grants and contributions.

For the year ended September 30, 2022 eighty-one percent (81%) of revenues were generated by taxes and 15% were generated by grants and contributions. Most of the governmental resources were expended for fire protection (87%) and depreciation (11%).

### Financial Analysis of the District's Fund

#### Governmental Fund

##### General Fund

The only operating fund of the District is the general fund. As of September 30, 2022, total assets were \$339,887 and total liabilities were \$195,533. At the end of fiscal year 2022, unassigned fund balance of the general fund was \$41,780 while total fund balance was \$144,354.

Actual revenues were greater than the final budgeted amount by \$165,158. Actual expenditures were more than budgeted expenditures by \$343,832.

### Capital Assets Activity

The following schedule provides a summary of the District's capital assets activity. The District's total investment in capital assets as of September 30, 2022, was \$1,227,981 (net of accumulated depreciation). This investment in capital assets includes land and site improvements, buildings, fire equipment, office equipment, fire trucks and other vehicles.

#### Capital Assets (net of depreciation) Governmental Activities

<i>September 30,</i>	<b>2022</b>	<b>2021</b>
Land and site improvements	\$ 131,322	\$ 131,322
Buildings	422,839	400,202
Fire equipment	425,651	397,595
Office equipment and furnishings	18,998	20,277
Fire trucks and other vehicles	1,707,135	2,017,816
	2,705,945	2,967,212
Accumulated depreciation	(1,477,964)	(1,825,153)
<b>Total</b>	<b>\$ 1,227,981</b>	<b>\$ 1,142,059</b>

Additional information on the District's capital assets can be found in note 2: detailed notes on all funds, of the notes to basic financial statements.

### Economic Factors and Next Year's Budget

There are no significant economic factors affecting the District except for an increase in new construction in the area. Management of the District anticipates that operating costs will continue to rise primarily due to increases in salaries. It is expected that this increase will be offset by an increase in ad valorem tax revenue due to the continuing rise in property values within the county and the increase in new construction in the area adding to the total property values in the area.

### Contact Information

Avalon Beach-Mulat Fire Protection District  
Attn: Mark Talbott, Treasurer  
5408 Mulat Road  
Milton, Florida 32583  
Telephone number: (850) 994-4445  
Website: [www.avalonfirerescue.com](http://www.avalonfirerescue.com)

**Avalon Beach-Mulat Fire Protection District**  
**Statement of Net Position**  
**September 30, 2022**

	<b>Governmental Activities</b>
<hr/>	
<b>Assets</b>	
Cash and cash equivalents	\$ 306,653
Prepays	33,234
Capital assets, net	1,227,981
Total assets	1,567,868
<b>Deferred outflows of resources</b>	266,259
Total assets and deferred outflows of resources	1,834,127
<hr/>	
<b>Liabilities</b>	
Accounts payable and accrued expenses	195,533
Net pension liability	604,054
Total liabilities	799,587
<b>Deferred inflows of resources</b>	59,356
Total liabilities and deferred inflows of resources	858,943
<hr/>	
<b>Net position</b>	
Net investment in capital assets	1,227,981
Restricted	69,340
Unrestricted	(322,137)
Total net position	\$ 975,184
<hr/>	

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

**Avalon Beach-Mulat Fire Protection District**  
**Statement of Activities**  
**Year Ended September 30, 2022**

		Program Revenues			Net (Expenses) Revenues and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
	Expenses				
Governmental activities					
Administrative	\$ 26,855	\$ -	\$ -	\$ -	\$ (26,855)
Fire protection	986,560	-	-	153,038	(833,522)
Depreciation	124,113	-	-	-	(124,113)
Interest on long-term debt	19	-	-	-	(19)
Total primary government	\$ 1,137,547	\$ -	\$ -	\$ 153,038	(984,509)
General revenues					
Property taxes					826,276
Impact fees					34,920
Miscellaneous					1,735
Total general revenues					862,931
Interest income					64
Total general revenues and interest income					862,995
Change in net position					(121,514)
Net position - beginning					1,096,698
Net position - ending					\$ 975,184

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

**Avalon Beach-Mulat Fire Protection District**  
**Balance Sheet – Governmental Fund**  
**September 30, 2022**

	<b>General Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 306,653
Prepays	33,234
Total assets	339,887
<b>Liabilities</b>	
Accounts payable and accrued expenses	195,533
Total liabilities	195,533
<b>Fund balance</b>	
Nonspendable	33,234
Restricted	69,340
Unassigned	41,780
Total fund balance	144,354
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 funds.	1,227,981
Deferred outflows and inflows of resources are not financial resources or liabilities and therefore are not reported in the funds.	206,903
Long-term liabilities, including net pension liability, are not due and payable in the current period and therefore are not reported in the funds.	(604,054)
Net position of governmental activities	\$ 975,184

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

**Avalon Beach-Mulat Fire Protection District**  
**Statement of Revenues, Expenditures, and Change in**  
**Fund Balance – Governmental Fund**  
**Year Ended September 30, 2022**

	<b>General Fund</b>
<b>Revenues</b>	
Property taxes	\$ 826,276
Grants	7,543
Impact fees	34,920
Interest income	64
Miscellaneous	147,230
Total revenues	1,016,033
<b>Expenditures</b>	
Current	
Administrative	26,277
Fire protection	957,797
Capital outlay	
Fire protection	210,614
Debt service	
Principal and interest	19
Total expenditures	1,194,707
<b>Net change in fund balance</b>	<b>(178,674)</b>
<b>Fund balance</b>	
Beginning of year	323,028
End of year	\$ 144,354

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

**Avalon Beach-Mulat Fire Protection District**  
**Reconciliation of the Statement of Revenues, Expenditures, and Change in**  
**Fund Balance of the Governmental Fund to the Statement of Activities**  
**Year Ended September 30, 2022**

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

Net change in fund balance - governmental fund (page 12)		\$ (178,674)
The governmental fund reports capital outlays as expenditures. However, in the statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation during the year.		
Capital outlay	\$ 210,614	
Depreciation expense	<u>(124,113)</u>	
		86,501
The net effect of miscellaneous noncash transactions involving capital assets (i.e. sales, trade-ins, adjustments, and donations) is to decrease net position.		
Loss on disposal of capital assets	<u>(579)</u>	
		(579)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (i.e. pension related liabilities, deferred inflows of resources, and deferred outflows of resources).		
Change in net pension	(437,513)	
Change in deferred inflows of resources	318,661	
Change in deferred outflows of resources	<u>90,090</u>	
		(28,762)
Change in net position of governmental activities (page 10)		<u><u>\$ (121,514)</u></u>

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



## Avalon Beach-Mulat Fire Protection District

### Notes to Basic Financial Statements

#### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Avalon Beach-Mulat Fire Protection District (District) was established under HB 1497, Chapter 191, Section 633.15, Florida Statutes in 1980 as a Fire Control and Rescue District to provide fire protection and rescue response services for the Avalon Beach and Mulat, Florida area. As a special-purpose government, the District has only one governmental program.

##### ***Reporting Entity***

The Board of Fire Commissioners (Board) of the District, an elected five member group, is the level of government which has governance responsibility over the activities of the District. Included in the District's financial statements are all programs and organizations for which the District has oversight responsibility which includes, but is not limited to, financial interdependency, designation of management, ability to significantly influence operation and accountability for fixed matters. The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applied to governmental units. The more significant accounting policies used by the District are described below.

##### ***Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who 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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for the general fund which is the only governmental fund. The District does not have any proprietary funds or fiduciary funds.

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are

## Avalon Beach-Mulat Fire Protection District

### Notes to Basic Financial Statements

#### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the District.

#### **Government-wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for the governmental fund.

#### **Fund Financial Statements**

The fund financial statements provide information about the District's funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented when applicable. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for resources devoted to financing the special services that the District performs for its citizens and all financial resources of the general government, except those accounted for in another fund.

## Avalon Beach-Mulat Fire Protection District Notes to Basic Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Budgetary Information***

##### *Budgetary basis of accounting*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund.

The appropriated budget is prepared by fund and function. Florida Statutes provide that it is unlawful to make expenditures that exceed the total amount budgeted for each fund. Chapter 166, Florida Statutes, governs the manner in which the budget may be legally amended once it has been approved. Therefore, the legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

The District's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ending September 30. The District adopts an annual operating budget for the fiscal year beginning on October 1 and it can be amended by the District throughout the year. The budget for the general fund is adopted annually after public hearings are conducted to obtain taxpayer comments. The same basis of accounting is used to reflect actual revenues and expenditures recognized on a GAAP basis. Over expenditure of adopted budget line items are not contrary to law. The District's annual budget does not include unanticipated grant awards.

The District generally follows these procedures in establishing the general fund budgetary data reflected in the basic financial statements:

- In early July, the Board prepares a proposed operating budget for the fiscal year commencing the following October 1.
- During the months of August and September, the District holds public hearings on the operating budget and the proposed expenditures and the means to finance them.
- Prior to October 1, the District's Board formally approves the budget document following the public hearings.
- The approved annual budget is used as a control device for the general fund.

Budgetary data presented in the accompanying required supplementary information in the final budgeted amounts column represents the final budgetary data. In this column, the effects of the latest budget amendments, if any, have been applied to the original budgetary data.

## **Avalon Beach-Mulat Fire Protection District**

### **Notes to Basic Financial Statements**

#### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### ***Excess of Expenditures Over Appropriations***

For the year ended September 30, 2022, expenditures exceeded appropriations in general fund (the legal level of budgetary control) by \$343,832. Overspending is considered a budgetary violation.

##### ***Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance***

##### ***Cash and Cash Equivalents***

The District's cash and cash equivalents include cash on hand, demand deposits, and short-term highly liquid debt instruments with original maturities of three months or less.

##### ***Accounts Receivable***

Receivables are reported at their gross value and, where appropriate, reduced by the estimated portion that is expected to be uncollectible.

##### ***Prepays***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in both the government-wide and fund financial statements. The cost of prepaids are recorded as expenditures/expenses when consumed rather than when purchased.

##### ***Restricted Assets***

Certain assets of the District are classified as restricted assets on the statement of net position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments. The District has no restricted assets as of September 30, 2022.

##### ***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the District has chosen to include all such items regardless of their acquisition date or amount. The District was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the District constructs or acquires additional capital assets each period,

## Avalon Beach-Mulat Fire Protection District

### Notes to Basic Financial Statements

#### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method generally over the following estimated useful lives:

Buildings	40 Years
Fire equipment, office equipment, and furnishings	5 - 10 Years
Fire trucks and other vehicles	10 - 20 Years

#### ***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The District has one item that qualifies for reporting as deferred outflows of resources, the deferred outflows related to pensions, reported in the government-wide statement of net position. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. Deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting as deferred inflows of resources. The deferred inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. Deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years.

#### ***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## Avalon Beach-Mulat Fire Protection District

### Notes to Basic Financial Statements

#### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### ***Accrued Compensated Absences***

The District's policy permits employees to accumulate earned but unused paid time off, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The District annually pays out unused paid time off. The payout for the year ended September 30, 2022 was for \$25,108 which has been reported with accounts payable and accrued expenses in the governmental fund.

##### ***Categories and Classification of Fund Equity***

*Net position flow assumption* – Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

*Fund balance flow assumptions* – Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

*Fund balance policies* – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, specifies the following classifications:

*Nonspendable fund balance* – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Restricted fund balance* – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

## Avalon Beach-Mulat Fire Protection District

### Notes to Basic Financial Statements

#### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Committed fund balance* – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District’s highest level of decision-making authority. The Board of Fire Commissioners is the highest level of decision-making authority for the District that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

*Assigned fund balance* – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Fire Commissioners have by resolution authorized the finance director to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

*Unassigned fund balance* – Unassigned fund balance is the residual classification for the general fund.

#### ***Revenues and Expenditures/Expenses***

*Program revenues* – Amounts reported as *program revenues* include operating grants and contributions and capital grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. Impact fees and taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

*Property taxes* – Property taxes are levied on November 1st based on the assessed value of property as listed the previous January. Property values are assessed by the County Property Appraiser who considers them to be an approximation of market value. Property taxes are recognized as revenue when received because they are considered measurable and available. The Santa Rosa Tax Collector is responsible for collecting and distributing property taxes in accordance with enabling state legislation. Property taxes become due on November 1st. A lien is filed on April 1st for those property taxes that have not paid by March 31st, when the taxes become delinquent. Tax certificates are sold on June 1st for any unpaid taxes.

#### ***Encumbrances***

Encumbrance accounting is not utilized as an extension of the formal budgetary process in the governmental fund. Therefore, no provision for encumbrances has been made.

#### ***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.



## Avalon Beach-Mulat Fire Protection District Notes to Basic Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Subsequent Events***

Management has evaluated subsequent events through June 28, 2023, the date that the financial statements were available to be issued. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

#### ***Recently Issued and Implemented Accounting Pronouncements***

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement 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 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. There were no significant impacts of implementing this Statement. The District did not identify any leases to be reported at year end under this Statement.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. There were no significant impacts of implementing this Statement.

In June 2020, GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. There were no significant impacts of implementing this Statement.



## Avalon Beach-Mulat Fire Protection District

### Notes to Basic Financial Statements

#### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Governmental Accounting Standards Board (GASB) has issued statements that will become effective in future years. These statements are as follows:

In May 2020, GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

GASB Statement No. 100, *Accounting Changes and Error Corrections*, this Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 101, *Compensated Absences*, The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance

## Avalon Beach-Mulat Fire Protection District Notes to Basic Financial Statements

### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

The District is evaluating the requirements of the above statements and their impact on reporting.

### **Note 2: DETAILED NOTES ON ALL FUNDS**

#### ***Deposits and Investments***

As of September 30, 2022, the District's bank balances are covered by federal depository insurance (FDIC). Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the District pursuant to Section 280.08, Florida Statutes.

The investment program is established in accordance with the District's investment policy, pertinent bond resolutions and Section 218.45, Florida Statutes, which allows the District to invest in the Florida State Board of Administration intergovernmental investment pool or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, direct obligations of the United States Government, obligations of the different agencies of the Federal Government, registered money market funds and accounts of state qualified public depositories.

Investment Policies – Florida Statutes, Section 218.415, authorizes the District to invest surplus funds in the following:

- The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Section 163.01
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency
- Interest bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02
- Direct obligations of the U.S. Treasury

All time-deposits held at year-end were considered cash and cash equivalents for financial statement purposes. The District had no investments at September 30, 2022.

## Avalon Beach-Mulat Fire Protection District Notes to Basic Financial Statements

### Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

#### *Deposits and Investments (Continued)*

*Custodial credit risk* – Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. The financial institutions in which the District places its deposits are certified as “qualified public depositories,” as required under the Florida Security for Public Deposits Act. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

*Interest rate risk* – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. The District’s investment policy limits interest rate risk by requiring that an attempt be made to match investment maturities with known cash needs and anticipated cash flow requirements. In addition, investments of current operating funds are required to have maturities of no longer than twelve months.

*Credit risk* – Section 150: Investments of the GASB Codification requires that governments provide information about credit risk associated with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations. The District’s investment policy limit investments to securities with specific ranking criteria.

*Concentration risk* – Section 150: Investments of the GASB Codification requires disclosures of investments in any one issuer that represents five percent or more of total investments, excluding investments issued or explicitly guaranteed by the U.S government, investments in mutual funds, external investments pools and other pooled investments. The District’s investment policy does not address concentration risk.

#### **Capital Assets**

The following is a summary of changes in capital assets during the year ended September 30, 2022.

	September 30, 2021	Increases	Decreases	September 30, 2022
Capital assets, not being depreciated				
Land and site improvements	\$ 131,322	\$ -	\$ -	\$ 131,322
Total capital assets, not being depreciated	131,322	-	-	131,322
Capital assets, being depreciated				
Buildings	400,202	22,637	-	422,839
Fire equipment	397,595	47,453	19,397	425,651

(Continued)

## Avalon Beach-Mulat Fire Protection District Notes to Basic Financial Statements

### Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

#### *Capital Assets (Continued)*

	September 30, 2021	Increases	Decreases	September 30, 2022
Office equipment and furnishings	\$ 20,277	\$ -	\$ 1,279	\$ 18,998
Fire trucks and other vehicles	2,017,816	140,524	451,205	1,707,135
Total capital assets, being depreciated	2,835,890	210,614	471,881	2,574,623
Less accumulated depreciation	(1,825,153)	(124,113)	(471,302)	(1,477,964)
Total capital assets, being depreciated (net of accumulated depreciation)	1,010,737	86,501	579	1,096,659
Total governmental activities' capital assets (net of accumulated depreciation)	\$ 1,142,059	\$ 86,501	\$ 579	\$ 1,227,981

Depreciation expense of \$124,113 was charged to the fire protection function.

#### **Net Position Restrictions**

As of September 30, 2022, the District reported \$69,340 as restricted for impact fees unspent at year-end. This amount is restricted by enabling legislation.

### Note 3: PENSION PLANS

#### *Defined Benefit Plans*

##### *Plan Description*

The District participates in two defined benefit pension plans that are administered by the State of Florida, Department of Management Services, Division of Retirement. The plans provide retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report is available from the Florida Department of Management Services' website ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

## Avalon Beach-Mulat Fire Protection District Notes to Basic Financial Statements

### Note 3: PENSION PLANS (Continued)

The Florida Retirement System (FRS) Pension Plan (Plan) is a cost-sharing, multiple-employer defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, Florida Statutes, or are allowed to participate in a defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

The Retirees' Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state administered retirement systems in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under a state administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

#### ***Benefits Provided***

Benefits provided by FRS are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes.

#### ***Contributions***

The contribution requirements of plan members and the District are established and may be amended by the Florida Legislature. Employees are required to contribute 3% of their salary to FRS. The District's contribution rates for the year ended September 30, 2022 were as follows:

	<b>October 1, 2021 through June 30, 2022</b>		<b>July 1, 2022 through September 30, 2022</b>	
	<b>FRS</b>	<b>HIS</b>	<b>FRS</b>	<b>HIS</b>
Regular class	9.16%	1.66%	10.25%	1.66%
Special risk class	24.23%	1.66%	26.17%	1.66%

## Avalon Beach-Mulat Fire Protection District

### Notes to Basic Financial Statements

#### Note 3: PENSION PLANS (Continued)

The District's contributions for the year ended September 30, 2022, were \$67,940 to FRS and \$5,314 to HIS.

#### *Pension Liabilities and Pension Expenses*

In its financial statements for the year ended September 30, 2022, the District reported a liability for its proportionate share of the net pension liability of FRS and its proportionate share of the net pension liability of HIS. The net pension liabilities were measured as of June 30, 2022. The District's proportions of the net pension liabilities were based on its share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	FRS		HIS		Total
Net pension liability	\$	521,150	\$	82,904	\$ 604,054
Proportion at:					
Current measurement date		0.00140064%		0.00078274%	
Prior measurement date		0.00116178%		0.00064224%	
Pension expense	\$	88,612	\$	13,407	\$ 102,019

#### *Deferred Outflows/Inflows of Resources Related to Pensions*

At September 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,752	\$ -
Changes of assumptions	64,182	-
Net difference between projected and actual earnings on pension plan investments	34,412	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	87,667	43,400
Employer contributions subsequent to the measurement date	20,376	-
Total	\$ 231,389	\$ 43,400

**Avalon Beach-Mulat Fire Protection District**  
**Notes to Basic Financial Statements**

**Note 3: PENSION PLANS (Continued)**

	<b>HIS</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,516	\$ 365
Changes of assumptions	4,752	12,825
Net difference between projected and actual earnings on pension plan investments	120	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	25,935	2,766
Employer contributions subsequent to the measurement date	1,547	-
<b>Total</b>	<b>\$ 34,870</b>	<b>\$ 15,956</b>

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2022. Other pension related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Measurement Period Ending June 30,	<b>FRS</b>	<b>HIS</b>
2023	\$ 43,017	\$ 3,484
2024	24,966	4,905
2025	(3,080)	4,761
2026	92,063	3,021
2027	10,647	997
Thereafter	-	199
<b>Total</b>	<b>\$ 167,613</b>	<b>\$ 17,367</b>

**Actuarial Assumptions**

The total pension liability for each of the defined benefit plans was measured as of June 30, 2022. The total pension liability for both the FRS Pension Plan and for the HIS Program were determined by actuarial valuations dated July 1, 2022. The individual entry age actuarial cost method was used for each plan, along with the following significant actuarial assumptions:

	<b>FRS</b>	<b>HIS</b>
Inflation	2.40%	2.40%
Salary increases	3.25%	3.25%
Investment rate of return	6.70%	N/A
Discount rate	6.70%	3.54%

## Avalon Beach-Mulat Fire Protection District Notes to Basic Financial Statements

### Note 3: PENSION PLANS (Continued)

Mortality assumptions for both plans were based on the PUB-2010 base table, generationally mortality using gender specific MP-2018 mortality improvement projection scale.

For both plans, the actuarial assumptions were based on the results of an actuarial experience study of the FRS for the period July 1, 2013, through June 30, 2018.

The following changes in key actuarial assumptions occurred in 2022:

- FRS: The long-term expected rate of return and the discount rate used to determine the total pension liability was decreased from 6.80% to 6.70%.
- HIS: The municipal bond index rate and the discount rate used to determine the total pension liability increased from 2.16% to 3.54%.

The long-term expected investment rate of return for the FRS Pension Plan was not based on historical returns, but instead was based on a forward-looking capital market economic model developed during 2020 by an outside investment consultant to the Florida State Board of Administration. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption of 2.40%.

For the FRS Pension Plan, the table below summarizes the consulting actuary's assumptions based on the long-term target asset allocation.

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash equivalents	1.0%	2.6%	2.6%	1.1%
Fixed income	19.8%	4.4%	4.4%	3.2%
Global equity	54.0%	8.8%	7.3%	17.8%
Real estate	10.3%	7.4%	6.3%	15.7%
Private equity	11.1%	12.0%	8.9%	26.3%
Strategic investments	3.8%	6.2%	5.9%	7.8%
	<u>100%</u>			

Assumed Inflation - Mean	2.4%	1.3%
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#### **Discount Rate**

The discount rate used to measure the total pension liability for the FRS Pension Plan was 6.80%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.



## Avalon Beach-Mulat Fire Protection District

### Notes to Basic Financial Statements

#### Note 3: PENSION PLANS (Continued)

Because the HIS Program is essentially funded on a pay-as-you-go basis and the depletion date is considered to be immediate, a municipal bond rate of 3.54% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

#### ***Sensitivity Analysis***

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the District's proportionate share of the net pension liability if the discount rate was 1% higher or 1% lower than the current discount rate.

	<b>FRS</b>		
	Current		
	1% Decrease (5.7%)	Discount Rate (6.7%)	1% Increase (7.7%)
Employer's proportionate share of the net pension liability	\$ 901,293	\$ 521,150	\$ 203,305
<b>HIS</b>			
	Current		
	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Employer's proportionate share of the net pension liability	\$ 94,849	\$ 82,904	\$ 73,020

#### ***Pension Plans' Fiduciary Net Position***

Detailed information about the pension plans' fiduciary net position is available in the State's separately issued financial reports.

#### ***Payables to the Pension Plan***

As of September 30, 2022, the District reported payables to the pension plans in the amount of \$146,393.

## Avalon Beach-Mulat Fire Protection District

### Notes to Basic Financial Statements

#### **Note 3: PENSION PLANS (Continued)**

##### ***Defined Contribution Plan***

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan (FRS Investment Plan), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class. Required employer contributions made to the plan during the year ended September 30, 2022, totaled \$10,384.

#### **Note 4: COMMITMENTS, CONTINGENCIES AND RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; injuries to employees and/or the public; damage to property of others; and natural disasters. The District purchases commercial insurance to cover the risk of loss.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures from current or prior years which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts not recorded, if any, to be immaterial.

## **Required Supplementary Information**

**Avalon Beach-Mulat Fire Protection District**  
**Schedule of Revenues, Expenditures, and Change in Fund Balance**  
**Budget and Actual – General Fund**  
**Year Ended September 30, 2022**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Property taxes	\$ 820,056	\$ 820,056	\$ 826,276	\$ 6,220
Grants	10,000	10,000	7,543	(2,457)
Impact fees	18,750	18,750	34,920	16,170
Interest income	150	150	64	(86)
Miscellaneous	1,919	1,919	147,230	145,311
Total revenues	850,875	850,875	1,016,033	165,158
<b>Expenditures</b>				
Current				
Administrative	25,200	25,200	26,277	(1,077)
Fire protection	772,716	772,716	957,797	(185,081)
Capital outlay				
Fire protection	52,959	52,959	210,614	(157,655)
Debt service				
Principal and interest	-	-	19	(19)
Total expenditures	850,875	850,875	1,194,707	(343,832)
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (178,674)</b>	<b>\$ (178,674)</b>

See Independent Auditors' Report.

**Avalon Beach-Mulat Fire Protection District**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**– Florida Retirement System**

<b>June 30,</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013 *</b>
District's proportion of the net pension liability	0.001401%	0.001162%	0.001357%	0.001281%	0.001057%	0.001057%	0.001251%	0.000357%	0.000368%	N/A
District's proportionate share of the net pension liability	\$ 521,150	\$ 87,760	\$ 588,236	\$ 441,112	\$ 318,248	\$ 255,433	\$ 315,786	\$ 46,147	\$ 22,458	N/A
District's covered payroll	285,251	227,370	217,429	192,899	157,998	125,568	192,597	47,034	46,800	N/A
District's proportionate share of the net pension liability as a percentage of its covered payroll	182.70%	38.60%	270.54%	228.68%	201.43%	203.42%	163.96%	98.11%	47.99%	N/A
Plan fiduciary net position as a percentage of the total pension liability	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%	N/A

\* Disclosures for 2013 are N/A because comparable information is not available at this time.

See Independent Auditors' Report.

**Avalon Beach-Mulat Fire Protection District**  
**Schedule of the District's Contributions**  
**– Florida Retirement System**

<b>Year ended September 30,</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013 *</b>
Contractually required contribution	\$ 67,940	\$ 45,547	\$ 45,394	\$ 40,549	\$ 33,372	\$ 22,480	\$ 30,499	\$ 8,711	\$ 8,062	N/A
Contributions in relation to the contractually required contribution	(67,940)	(45,547)	(45,394)	(40,549)	(33,372)	(22,480)	(30,499)	(8,711)	(8,062)	N/A
<u>Contribution deficiency (excess)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>N/A</u>
District's covered payroll	\$ 320,046	\$ 229,671	\$ 224,302	\$ 194,576	\$ 170,964	\$ 131,241	\$ 126,386	\$ 130,432	\$ 46,800	N/A
Contributions as a percentage of covered payroll	21.23%	19.83%	20.24%	20.84%	19.52%	17.13%	24.13%	6.68%	17.23%	N/A

\* Disclosures for 2013 are N/A because comparable information is not available at this time.

See Independent Auditors' Report.

**Avalon Beach-Mulat Fire Protection District**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**– Health Insurance Subsidy Program**

<b>June 30,</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013 *</b>
District's proportion of the net pension liability	0.000783%	0.000642%	0.000626%	0.000577%	0.000484%	0.000394%	0.000562%	0.000155%	0.000158%	N/A
District's proportionate share of the net pension liability	\$ 82,904	\$ 78,781	\$ 76,490	\$ 64,535	\$ 51,200	\$ 42,121	\$ 65,557	\$ 15,811	\$ 14,728	N/A
District's covered payroll	285,251	227,370	217,429	192,899	157,998	125,568	192,597	47,034	46,800	N/A
District's proportionate share of the net pension liability as a percentage of its covered payroll	29.06%	34.65%	35.18%	33.46%	32.41%	33.54%	34.04%	33.62%	31.47%	N/A
Plan fiduciary net position as a percentage of the total pension liability	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%	N/A

\* Disclosures for 2013 are N/A because comparable information is not available at this time.

See Independent Auditors' Report.

**Avalon Beach-Mulat Fire Protection District**  
**Schedule of the District's Contributions**  
**– Health Insurance Subsidy Program**

<b>Year ended September 30,</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014 *</b>	<b>2013 *</b>
Contractually required contribution	\$ 5,314	\$ 3,813	\$ 3,724	\$ 3,231	\$ 2,838	\$ 2,179	\$ 2,883	\$ 593	\$ 540	N/A
Contributions in relation to the contractually required contribution	(5,314)	(3,813)	(3,724)	(3,231)	(2,838)	(2,179)	(2,883)	(593)	(540)	N/A
<u>Contribution deficiency (excess)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>N/A</u>
District's covered payroll	\$ 320,046	\$ 229,671	\$ 224,302	\$ 194,576	\$ 170,964	\$ 131,241	\$ 126,386	\$ 130,432	\$ 46,800	N/A
Contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	2.28%	0.45%	1.15%	N/A

\* Disclosures for 2013 are N/A because comparable information is not available at this time.

See Independent Auditors' Report.



## **Compliance Section**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Fire Commissioners  
Avalon Beach-Mulat Fire Protection District

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 Avalon Beach-Mulat Fire Protection District (District) as of and for the year ended September 30, 2022, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 28, 2023. We reported a qualified opinion on the government-wide financial statements because the District underreported covered wages to the State of Florida Retirement System (FRS) during the year ended September 30, 2022, which affects the District's allocated percentage of the net pension liability and related deferred inflows and outflows of resources.

***Report on 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 were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. However, as described below, we did identify a certain deficiency in internal control that we consider to be a material weakness.

**2022-001 (Prior years 2021-003 and 2020-003) (Initially reported in 2019) – Reporting of wages to FRS understated and lack of reconciliation of wages reported to payroll reports**

Condition: Wages reported to the Florida Retirement System (FRS) for the fiscal year ended September 30, 2022 were understated by an estimated \$84,782, which is in addition to identified underreported wages in previous years. As of September 30, 2022, the District estimated they owe FRS \$146,393 (\$119,131 in employer and employee contributions and \$27,262 in penalties and other fees). The current and prior year underreporting was due to overtime not being reported appropriately, new employees not enrolled properly, paid leave not being reported, and a lack of a reconciliation between the wages reported to FRS and amounts paid in regular salaries (as well as amounts deducted from employees' paychecks) with the wages reported to FRS.

Cause: Wages were understated due to limited knowledge about what are considered pensionable wages by FRS as well as a lack of reconciliation between wages paid and wages reported to FRS.

Criteria: Per the FRS Employer Handbook regular salaries include "all normal earnings of a member paid for work performed during the calendar month being reported and overtime payments."

Effect: Due to the understatement of wages reported to FRS, the contributions for the plan years from June 30, 2019 through 2022 are understated by a material amount to the District. This in turn affects the District's allocation of the net pension liability and related deferred inflows and outflows of resources.

Recommendation: Since initial reporting of this issue, the District has contacted the State and determined how much is due for underreported wages and have implemented procedures to reconcile wages reported to FRS to actual. The District should attempt to pay the amount due as soon as possible to limit penalties. The District should also contact the State of Florida Retirement System to obtain confirmation that their consideration of eligibility of the bookkeeping position with FRS is accurate.

Views of responsible officials and planned corrective action: The District has sold surplus property in fiscal year 2023 to allow for payment of all of the balance due to FRS. The District has paid all contributions for underreported wages in previous years except for the bookkeeper's wages from June 2022 to May 2023, which will be paid before September 30, 2023.

*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. However, as described below, we did identify certain deficiencies in internal control that we consider to be significant deficiencies.

**2022-002 (Prior years 2021-001 and 2020-001) (Initially reported in 2019) – Lack of segregation of duties**

Condition: Certain accounting and administrative duties were not segregated sufficiently to achieve an adequate internal control structure.

Cause: Limited staff available.

Criteria: Record keeping, access to assets, and authorization duties should be adequately segregated.

Effect: Errors or fraud could occur without being detected and corrected in a timely manner.

Recommendation: While the costs associated with achieving proper segregation of duties appear to outweigh their benefits, the District should separate duties as much as possible and continue to implement compensating controls when possible to reduce risk to an acceptable level.

Views of responsible officials and planned corrective action: The issue results from the limited number of people involved at the District. Proper separation of duties is not considered feasible by the District at this time because of its size and limited number of employees. Since fiscal year 2020 the majority of the bookkeeping is being performed by a bookkeeper with oversight provided by the Commission adding some separation of duties. For example, mitigating controls have been put in place to require commissioner approval of all invoices before being paid by the bookkeeper, a commissioner performs the bank reconciliations, and receipts are properly matched for all credit card expenditures and tied to the credit card statement before being presented to Commission for review and approval. The District will continue to evaluate compensating controls that reduce risk to an acceptable level.

**2022-003 (Prior years 2021-002 and 2020-002) (Initially reported in 2019) – Adjustments to financial statements**

Condition: Adjustments to the financial records had to be proposed by the auditors in order for the financial statements to be materially correct and conform to generally accepted accounting principles (GAAP).

Cause: Limited knowledge of adjustments necessary for the financial statements to be in accordance with GAAP.

Criteria: The requirement is for the District to be able to prepare its financial statements in accordance with GAAP.

Effect: Financial statements generated for internal use are materially misstated.

Recommendation: While we realize it would not be feasible to implement procedures necessary to eliminate all proposed adjustments, we recommend striving to reduce the number of adjustments needed as much as possible.

Views of responsible officials and planned corrective action: The District recorded journal entries for the fiscal year ending September 30, 2022, to ensure its financial statements were in compliance with GAAP. Although there were a couple of audit adjustments (excluding entries proposed under nonattest services) identified and proposed by the auditors, this is a significant reduction in the number of adjustments compared to prior years. The District will continue to strive to reduce the number of adjusting journal entries needed to be performed by the auditors.

**2022-004 – Lack of completion of required I-9 documentation for new hires**

Condition: The District was unable to provide completed I-9's for two new hires in fiscal year 2022.

Cause: The bookkeeper was unaware of a particular reason they were not obtained other than lack of knowledge of the requirement.

Criteria: Federal law requires that every employer who hires an individual for employment in the United States must complete Form I-9, Employment Eligibility Verification which helps verify an employee's identity and employment authorization. The form is supposed to be completed within three business days of the date of hire.

Effect: The District could face penalties from the federal government for not completing and retaining the required documentation.

Recommendation: The District should complete I-9's for all current employees, if they are unable to locate them at this time. The District should implement new hiring procedures to complete all necessary onboarding documentation.

Views of responsible officials and planned corrective action: The missing I-9's have been completed at this time. The District has implemented new procedures for hiring to make sure documentation required for the personnel files are complete and accurate.

#### **2022-005 – The District's expenditures exceeded the operating budget**

Condition: General fund expenditures exceeded the approved budget in the general fund. The District did not prepare an amendment related to the excess expenditures.

Criteria: The District may not expend or contract for expenditures in any fiscal year except pursuant to the adopted budget. Amendments to the budget should be approved when expenditures exceed budgeted amounts within the time period allowed by Florida Statutes.

Effect: Expenditures in excess of budget could be the result of unauthorized purchases or fraudulent transactions.

Cause: The District was unaware that they should amend the budget when exceeded.

Recommendation: We recommend that financial statement review be completed in a timely manner at or near year-end so a budget amendment can be completed and approved within 60 days of year-end as required by Florida Statutes, if necessary. That amendment should take into consideration additional revenue streams as well including grants and other miscellaneous revenue streams.

Views of responsible officials and planned corrective action: The District regularly reviews their financial results in comparison with the budget. The District will keep in mind in the future the need to prepare a budget amendment if necessary.

#### ***Report on compliance and other matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***The District's responses to findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's responses to the findings identified in our audit and described above. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

### ***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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Carr, Riggs & Ingram, L.L.C.*

Certified Public Accountants  
Panama City Beach, Florida  
June 28, 2023

## INDEPENDENT AUDITORS' MANAGEMENT LETTER

Board of Fire Commissioners  
Avalon Beach-Mulat Fire Protection District

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

We have audited the financial statements of the Avalon Beach-Mulat Fire Protection District (District), as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated June 28, 2023. We reported a qualified opinion on the government-wide financial statements because the District underreported covered wages to the State of Florida Retirement System (FRS) during the year ended September 30, 2022, which ultimately effects the District's allocated percentage of the net pension liability and related deferred inflows and outflows of resources.

### ***Auditors' Responsibility***

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 and Chapter 10.550, Rules of the Auditor General.

### ***Other Reporting Requirements***

We have issued our Independent Auditors' 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* and Independent Accountants' 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 these reports, which are dated June 28, 2023, 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 financial audit report. Corrective actions have not been taken to fully address findings and recommendations made in the preceding financial audit report as noted below.

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2020-2021 FY Finding #	2019-2020 FY Finding #
2022-001	2021-003	2020-003
2022-002	2021-001	2020-001
2022-003	2021-002	2020-002

### ***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. The Avalon Beach-Mulat Fire Protection District was established by HB 1497, Chapter 191, Section 633.15, Florida Statutes, in 1980. There are no component units related to the District.

### ***Financial Condition and Management***

Sections 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 the 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 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 District. It is management's responsibility to monitor the 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 did not have any such recommendations.

### ***Special District Component Units***

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

### ***Specific Information for an Independent Special District***

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

- a) The total number of district employees compensated in the last pay period of the District's fiscal year as ten.
- b) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year as zero.
- c) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$462,116.
- d) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$0.



- e) Each construction project with a total cost of at least \$65,000 approved by the District that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as none.
- f) A budget variance 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, as a deficit of \$343,832.

***Specific Information for an Independent Special District that Imposes Ad Valorem Taxes***

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, Rules of the Auditor General, the District reported:

- a) The millage rate imposed by the District as 2.0000.
- b) The total amount of ad valorem taxes collected by or on behalf of the district as \$826,276.
- c) The total amount of outstanding bonds issued by the District and the terms of such bonds as \$0.

***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 Joint Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal, state and other granting agencies, the Board of Fire Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, L.L.C.*

Certified Public Accountants  
Panama City Beach, Florida  
June 28, 2023

## **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES**

Board of Fire Commissioners  
Avalon Beach-Mulat Fire Protection District

We have examined Avalon Beach-Mulat Fire Protection District's (District) compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2022. Management of the District is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

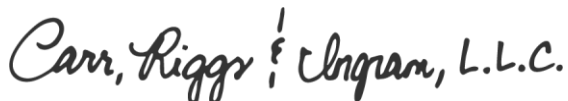
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

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

In our opinion, the District complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2022.

This report is intended solely for the information and use of the Board of Fire Commissioners, 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.



Certified Public Accountants  
Panama City Beach, Florida  
June 28, 2023

## IMPACT FEE AFFIDAVIT

BEFORE ME, the undersigned authority, personally appeared, Mark L. Talbott, Chief Financial Officer of Avalon Fire Rescue District, who being duly sworn, deposes and says on oath that:

1. I am the acting Chief Financial Officer of Avalon Fire Rescue District, which is a local government entity of the State of Florida.
2. The governing body of Avalon Fire Rescue District adopted an ordinance in 2016 implementing an impact fee on new residential or business construction to receive and expend proceeds of an impact fee.
3. The Avalon Fire Rescue District has complied and as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

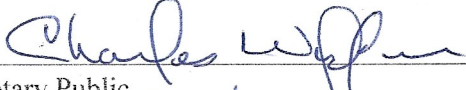
FURTHER AFFIANT SAYETH NAUGHT

  
\_\_\_\_\_  
Mark L. Talbott, Chief Financial Officer

State of Florida  
County of Santa Rosa

SWORN TO AND SUBSCRIBED before me this 19 day of June, 2023.



  
\_\_\_\_\_  
Notary Public  
Print Name Charles Wiggins

Personally known \_\_\_\_\_ or produced identification ☒

Type of authentication produced: Driver license

My commission expires: 08/17/2026