

LIBERTY FIRE DISTRICT
DEFUNIAK SPRINGS, FLORIDA

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY
INFORMATION

YEAR ENDED SEPTEMBER 30, 2018

JOSEPH A. JONES
Certified Public Accountant
Crestview, Florida
February 27, 2019

LIBERTY FIRE DISTRICT

FIRE CHIEF

JOHN DUNHAM

BOARD MEMBERS

KENNETH EVANS (CHAIRMAN)

TONY ROY (VICE-CHAIRMAN)

PHILLIP CANTERBERRY (SECRETARY)

JOHN BOTTOMS (TREASURER)

GARY HAMILTON (BOARD MEMBER)

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	4
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)	6
BASIC FINANCIAL STATEMENTS	10
Statement of Net Position	11
Statement of Activities	12
Balance Sheet – Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds To the Statement of Activities	16
NOTES TO FINANCIAL STATEMENTS	17
REQUIRED SUPPLEMENTARY INFORMATION (other than MD&A)	25
Budgetary Comparison Schedule	26
COMPLIANCE SECTION	27
Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes, Local Government Investment Policies	28
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	29
Management Letter	31
The District's response to audit findings	34

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Liberty Fire District
Defuniak Springs, Florida

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities of Liberty Fire District, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which comprise Liberty Fire District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall

presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Liberty Fire District, as of September 30, 2018, and changes in financial position for the year ended in accordance with accounting principles general accepted in the United States of America.

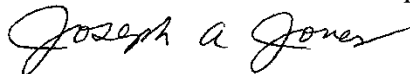
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the budgetary comparison schedule (in Required Supplementary Information), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basis financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued a report dated February 27, 2019 on my consideration of Liberty Fire District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Liberty Fire District's internal control over financial reporting and compliance.



Joseph A. Jones
Certified Public Accountant
Crestview, Florida
February 27, 2019

Management Discussion and Analysis (MD&A)

The MD&A of the District's financial performance provides an overview of the District's financial activities for the fiscal year. The District is a volunteer fire department, and the primary purpose of the District is provide fire, rescue and emergency medical assistance for the District. This discussion and analysis should be read in conjunction with the District's financial statements.

Overview of the Financial Statements

The District's financial statements comprise the following elements:

Government-wide Financial Statements

Government-wide financial statements provide both long-term and short-term information about the District's overall financial condition. Changes in the District's financial position may be measured over time by increases and decreases in the Statement of Net Assets. Information on the how District's net assets changed during the fiscal year is presented in the Statement of Activities.

Fund Financial Statements

Fund financial statements focus on the individual parts of the District, reporting the District's operations in more detail than government-wide and fund financial statements. Fund financial statements include the statements for governmental funds.

Notes to Financial Statements

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. Refer to Note A to the financial statements for more detailed information on the elements of the financial statements.

Financial Analysis of the District as a Whole

One of the most important questions asked about the District's finances is "Is the District, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Net Assets report information about the District's activities in a way that will help answer this question. These two statements report the net assets of the District and the changes in them. You can think of the district's net assets-the difference between assets and liabilities-as one way to measure financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. However, you will need also to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed legislation.

The District's total net assets were \$1,933,009 at the end of the fiscal year. The following is a condensed statement of net position (Table 1).

Table 1

	<u>2018</u>	<u>2017</u>
Capital Assets	\$1,847,545	\$ 1,730,013
Current Assets	85,464	164,986
Total Assets	<u>1,933,009</u>	<u>1,894,998</u>
Short Term Debt	-	-
Long Term Debt	-	-
Total Debt	<u>-</u>	<u>-</u>
Net Assets		
Invested in Capital Assets		
Net of Related Debt	1,847,545	1,730,013
Unrestricted	75,121	157,789
Restricted	10,343	7,197
Total Net Assets	<u>\$1,933,009</u>	<u>\$ 1,894,998</u>

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

Table 2

	<u>2018</u>	<u>2017</u>
Taxes (MSBU)	\$ 167,871	\$ 173,933
Grants	86,156	264,254
Impact Fees	3,150	2,176
Interest Income	4	2
Insurance Refunds	1,836	
Sale of fire truck	9,599	
Donations	50	15
Chelco capital credits	146	
Total Revenues	<u>268,812</u>	<u>440,380</u>
Operating Expenses	<u>230,801</u>	<u>218,271</u>
Change in Net Assets	38,011	222,109
Net Assets at Beginning of Year	<u>1,894,998</u>	<u>1,672,889</u>
Net Assets at End of Year	<u>\$1,933,009</u>	<u>\$ 1,894,998</u>

The District's Funds

The District has one fund, the General Fund, from which all activities are carried out. The General Fund is used to report the cost of services provided to the residents of the District. The District continues to apply for grants to purchase equipment needed to provide improved services to residents of the district.

Capital Assets and Debt Administration

Capital Assets

At the end of 2018, the District had \$1,847,545 invested in capital assets net of accumulated depreciation. Capital asset increases were \$209,209 for trucks and equipment as described below. Capital assets decreased \$91,676 for depreciation. The following summarizes Capital Assets net of depreciation.

Table 3

	<u>2018</u>	<u>2017</u>
Land	\$ 224,415	\$ 224,415
Equipment	272,519	275,301
Improvements	4,320	5,040
Buildings	934,048	962,365
Vehicles	410,752	260,578
Office Equipment	1,491	2,314
Total Capital Assets	<u>\$1,847,545</u>	<u>\$1,730,013</u>

The following table summarizes the changes in capital assets. These changes are presented in more detail in Note D to the financial statements.

Table 4

	<u>2018</u>	<u>2017</u>
Balance at Beginning of Year	\$1,730,013	\$1,549,110
Additions	\$ 209,208	292,437
Depreciation	<u>(91,676)</u>	<u>(111,533)</u>
Total Capital Assets	<u>\$1,847,545</u>	<u>\$1,730,013</u>

This year's capital asset additions were as follows:

<u>Description</u>	<u>Category</u>	<u>Amount Paid</u>
Imaging camera	Equipment	\$ 9,159
Rescue jacks & equipment	Equipment	7,600
Cribbing rescue equipment	Equipment	12,184
2016 Ford F-550 brush truck	Trucks	61,266
2018 Ford F-550 11' mini-pumper	Trucks	119,000
Total Capital Asset Increases		<u>\$209,208</u>

The attack 7 truck was sold for \$9,599 (original cost was \$18,000 and accumulated depreciation was \$18,000).

Debt

At September 30, 2018, the District has no debts.

Economic Factors and Next Year's Budget

FY2014 was the last year that Walton County provided quarterly funding to the District. Walton County no longer provided a funding distribution beginning in fiscal year 2015. To replace the Walton County funding, on August 26, 2015, the voters of Liberty Fire District approved an increase in the Municipal Service Benefit Unit (MSBU) non-advalorem fire assessment fee to \$75. As more residents move into the District's service area, additional equipment and manpower will be needed to service all of these residents. The District has an impact fee in place to help offset these costs, plus the District is applying for various grants to help offset these additional costs.

Contacting the District's Financial Management

This financial report is designed to provide the residents of the District, customer and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Chief at 3278 US Hwy 90 W, Defuniak Springs, Florida 32433.

BASIC FINANCIAL STATEMENTS

LIBERTY FIRE DISTRICT
Statement of Net Position
September 30, 2018

ASSETS

CURRENT ASSETS

Cash	\$ 71,546
Restricted Assets:	
Cash	10,343
Utility Deposit	75
Prepaid Insurance	3,500
Total Current Assets	<u>85,464</u>

CAPITAL ASSETS

Non-depreciable	224,415
Depreciable, net	1,623,130
Total Capital Assets	<u>1,847,545</u>

TOTAL ASSETS	<u><u>1,933,009</u></u>
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LIABILITIES

Accounts Payable	<u>-</u>
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TOTAL LIABILITIES	<u><u>-</u></u>
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NET POSITION

Investments in Capital Assets, Net of Debt	1,847,545
Unrestricted	75,121
Restricted - Impact Fees	10,343

TOTAL NET POSITION	<u><u>\$ 1,933,009</u></u>
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See accompanying notes to the financial statements.

LIBERTY FIRE DISTRICT
STATEMENT OF ACTIVITIES
Year Ended September 30, 2018

FUNCTION/PROGRAMS	PROGRAM EXPENSES				NET (EXPENSE)
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUE AND CHANGES IN NET ASSETS
PRIMARY GOVERNMENT					
Governmental Activities					
General Government	\$ 230,801	\$ -	\$ -		\$ 230,801
Total Primary Government	\$ 230,801	\$ -	\$ -	\$ -	\$ 230,801

GENERAL Revenues	
Taxes (MSBU)	\$ 167,871
Impact Fees	3,150
Unrestricted Investment Income	4
Insurance Refunds	1,836
Sale of fire truck	9,599
Grants	86,156
Donations	50
Chelco Capital Credits	146
Total General Revenues and Special Items	<u>268,812</u>
Change in Net Position	38,011
NET POSITION - BEGINNING OF YEAR	<u>1,894,998</u>
NET POSITION - END OF YEAR	<u>\$ 1,933,009</u>

See accompanying notes to the financial statements.

LIBERTY FIRE DISTRICT
BALANCE SHEET -
GOVERNMENTAL FUNDS
September 30, 2018

ASSETS

Cash		\$ 71,546
Restricted Assets:		
	Cash	10,343
Total Assets		<u>81,889</u>

LIABILITIES AND FUND BALANCES

LIABILITIES

None		-
Total Liabilities		<u>-</u>

FUND BALANCES

General Fund:		
	Unassigned	71,546
	Restricted	10,343
Total Fund Balances		<u>81,889</u>

TOTAL LIABILITIES AND FUND BALANCES		<u>\$ 81,889</u>
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See accompanying notes to the financial statements.

LIBERTY FIRE DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2018

Total Fund Balances, governmental fund balance sheet	\$ 81,889
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet	1,847,545
Prepaid Insurance in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet	3,500
Utility Deposits in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet	75
Accounts Payable is not reported in governmental funds balance sheet	-
Total net position – Statement of Activities	<u>\$ 1,933,009</u>

See accompanying notes to the financial statements.

LIBERTY FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended September 30, 2018

Revenues:

Taxes (MSBU)	\$ 167,871
Impact Fees	3,150
Interest	4
Insurance Refunds	1,836
Sale of fire truck	9,599
Grants	86,156
Donations	50
Chelco capital credits	146
Total Revenues	<u>268,812</u>

Expenditures:

Operating Services:

Appreciation Meals & Awards	637
Advertising	251
Accounting & Auditing Services	6,300
Contracted Services	14,296
Grant Writer	2,000
Utilities and Telephone	7,653
Insurance & Bonds	38,270
Repair & Maintenance	22,216
Fuel	8,827
Taxes, Licenses, & Fees	2,123
Office & Misc. Supplies	12,677
Training & Fitness	3,975
Volunteer Reimbursement	19,900
Total General Government, excluding Depreciation	<u>139,124</u>

Capital Outlay:

Equipment and Vehicles	<u>209,208</u>
Total Expenditures	<u>348,333</u>

Excess of revenues over expenditures (79,521)

Fund balance, beginning of year	<u>162,531</u>
Fund balance, end of year	<u>\$ 83,010</u>

See accompanying notes to the financial statements.

LIBERTY FIRE DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

September 30, 2018

Net change in fund balances - governmental fund	\$ (79,521)
Capital outlay, reported as expenditures in governmental fund, is shown as capital assets in Statement of Net Position	209,208
Depreciation expense on capital assets included in the Statement of Activities does not require the use of current financial resources; therefore it is not reported as an expenditure in the governmental fund	(91,676)
Change in net position of Statement of Activities	<u>\$ 38,011</u>

See accompanying notes to the financial statements.

LIBERTY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Liberty Fire District (the District) is an independent, all volunteer fire district. It was created and is governed by House Bill 1685, dated July 15, 2003. It operates for the benefit of the residents of Walton County who reside within the geographical limits of the Liberty Fire District. The Board members are elected by the voters in the Liberty Fire District.

The accounting policies of the District conform to Generally Accepted Accounting Principles (GAAP) as applicable to governments in accordance with those promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

Measurement Focus, Basis of Accounting and Basis of Presentation

Government-wide Financial Statements – Government-wide financial statements, including the statement of net position and statement of activities, present information about the District as a whole. These statements include the non-fiduciary financial activity of the primary government.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District’s governmental activities. Direct expenditures are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Program revenues include grant revenues that are restricted to meeting the operations or capital requirements of a particular grant program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of grant direct expenditures with grant program revenues identifies the extent to which grant direct expenses are self-financing and draw from the grant revenues.

The government-wide financial statements are prepared using the accrual basis of account. Revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

When both restricted and unrestricted resources are available for use, it the government’s policy to use restricted resources first and then unrestricted resources, as they are needed.

Government-wide financial statement net position is divided into three components – investment in capital assets, restricted; and unrestricted. These classifications are defined as follows:

LIBERTY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in capital assets – This component of net position consists of capital assets, included restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as unspent proceeds.

Restricted – This component of net position consists of constraints placed on net positions imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of amounts that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Financial Statements:

Government Funds are used to account for the general government activities. Governmental fund types use the flow of current financial measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after year end.

Expenditures are recorded when the related fund liability is incurred, except for un-matured interest on long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

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

LIBERTY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District reports the following major governmental fund:

General Fund – The General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

The following is a description of the District’s various fund balance accounts:

Non-spendable fund balance includes amounts that are not in a spendable form (prepaid insurance \$3,500 and Utility Deposits \$75) or are required to be maintained intact.

Restricted fund balance includes amounts restricted by creditor, grantors, contributors, laws, or regulations of other governments, constitutional provisions, or enabling legislation. The restricted balance at the end of this fiscal year end is \$10,343, and this consists of impact fees, which are restricted for purchase or construction of new facilities, or equipment, to provide fire protection and emergency services.

Committed fund balance can be used only for specific purposes as imposed by formal action of the Fire District’s board. There are no committed funds at the end of this fiscal year.

Assigned fund balance includes resources that are intended to be used for specific purposes, but are neither restricted nor committed. These are resources that have been set aside for a specific purpose by the District board. There are no assigned funds as of the end of this fiscal year.

Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

Restricted resources are only used for their specific designation and with approval from the District’s board. Committed and Assigned funds are used for their specific designation. If the District does not have sufficient funds allocated to committed or assigned funds to cover the full cost of an expenditure, then unassigned funds would be used to cover the remaining portion of the expense. In the event that an expenditures for new facilities, fire protection and emergency services exceeds available restricted funds, the expenditure will be funded out of restricted funds to the extent of the restricted fund balance, and the remainder will be funded by the unrestricted fund balance.

The District considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in unrestricted fund balance classification could be used.

LIBERTY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. The District currently has no fiduciary funds or trust funds.

Cash, Deposits and Investments

The District is authorized to invest in financial instruments as established in Section 218.415, Florida Statutes. The District maintains deposits with “Qualified Public Depositories” as defined in Chapter 280 Florida Statutes. The District has an investment policy that places the highest priority on the safety of principal and liquidity of funds. Funds in excess of amounts needed to meet current expenses are invested in money market accounts or in certificate of deposits of banks that are insured by the Federal Deposit Insurance Corporation. Investments in money market funds are reported at fair value. Funds in the Impact Fund are restricted for purchase of capital assets.

Interest Rate Risk

Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District minimizes interest rate risk by structuring investments to mature to meet future operating cash requirements and investing primarily in short-term security such as money market accounts.

Concentration of Credit Risk

As mentioned above, the District limits investments to money market accounts or in certificate of deposits of banks that are insured by the Federal Deposit Insurance Corporation.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District has no formal policy for custodial risk.

Capital Assets

Capital assets, which include property and equipment are reported in the government-wide financial statements but are not recorded in the governmental fund financial statements. Capital assets are defined by the District as assets with an initial/individual cost of more than \$1,000. Such assets are recorded at historical cost and estimated historical cost if purchased or constructed. Donated asset are recorded at estimated fair market value at the date of donation.

LIBERTY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property and equipment sold, destroyed or obsolete is removed from the accounts periodically. Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15 – 39
Equipment	7 – 15
Improvements	25
Office Equipment	5

Depreciation expense is not reported in the governmental fund financial statements. In the governmental fund financial statements, amounts incurred for acquisition of capital assets are reported as fund expenditures.

Long Term Obligations

The District has no long term debt.

Ad Valorem Tax Revenue

The Walton County Property Tax Calendar Significant dates relative to ad valorem tax revenue are as follows:

- Assessment date, Lien date – January 1
- Levy date – November 1
- Due Date – November 1
- Maximum Discount – November 30
- Past Due or Delinquent date – April 1
- Tax Certificates Sold – June 1

Budgets and and Budgetary accounting

The Fire District adopted a formal budget for the fiscal year. A Budgetary Comparison Schedule is included in the Required Supplementary Information.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, results could differ from those estimates.

LIBERTY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE B - DEPOSITS AND INVESTMENTS

Liberty Fire District, Inc. has not adopted a written policy for deposits or investing surplus funds. Regarding the investment of surplus funds, the Florida State Statutes were followed. Restricted Fund cash in the Impact Fund is restricted for purchase of capital assets.

NOTE C - CONTINGENCY

In FY2014, the Fire District received a significant amount of its support from Walton County, Florida. Any reduction in support by the County would affect the Fire District's programs and activities for those previous years. This is no longer a contingency since the fire district no longer receives funding from Walton County, and now receives fire district fire taxes assessed by the Walton County Tax Collector and collected/dispursed by the Walton County Property Appraiser.

NOTE D - CAPITAL ASSETS

Capital asset activity for the fiscal year was as follows:

GOVERNMENTAL ACTIVITIES:	Balance	Current Year:		Balance
	9/30/2017	Additions	Deletions	9/30/2018
Capital assets, not being depreciated:				
Land	\$ 224,415	\$ -	\$ -	\$ 224,415.18
Total capital assets, not being depreciated	224,415	-	-	\$ 224,415.18
Capital assets, being depreciated:				
Equipment	\$ 705,402	\$ 28,942		\$ 734,344
Improvements	18,000			18,000
Buildings	1,081,315			1,081,315
Vehicles	753,622	180,266	18,000	915,888
Office Equipment	6,165			6,165
Total capital assets, being depreciated	2,564,505	209,208	18,000	2,755,713
Total Capital Assets before depreciation:	2,788,920	209,208	18,000	2,980,128
Less Accumulated Depreciation for:				
Equipment	430,101	31,724		461,825
Improvements	12,960	720		13,680
Buildings	118,951	28,317		147,267
Vehicles	493,044	30,093	18,000	505,136
Office Equipment	3,851	823		4,674
Total Accumulated Depreciation	1,058,907	91,676	18,000	1,132,583
Total Capital Assets, being depreciated, net	1,505,598	117,532	-	1,623,130
Governmental activities capital assets, net	\$ 1,730,013	\$ 117,532	\$ -	\$ 1,847,545

LIBERTY FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
9/30/2018

NOTE E - GRANTS

The district received the following grant from the Federal Emergency Management Agency (FEMA)

FEMA grant no. EMW-2016-V-02106.

Assistance to Firefighters grant: To protect the health and safety of the public and firefighting personnel against fire and fire-related hazards.

CFDA No. 97.044. Period of performance August 11, 2017 - August 10, 2018.

For Vehicle acquisition

Grant received	\$ 86,156
Grant expended to purchase a 2018 Ford F-550 11' mini-pumper	<u>119,000</u>
District funded	<u>\$ 32,844</u>

NOTE F – RISK MANAGEMENT

The District is exposed to various risks of loss related to tort, theft, damage to, and destruction of assets, errors, and omissions, injuries to volunteer firefighters, and natural disasters. The District purchases insurance through commercial carriers and participates in the Florida Municipal Insurance Trust for workmen's compensation coverage. The District maintains minimal insurance deductibles for insurance policies from its carriers. There has been no significant reduction in insurance coverage from the prior fiscal year. Insurance coverage has been sufficient to cover all claims made in the past two years.

NOTE G – SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 27, 2019, the date these financial statements were available to be issued, and no event was deemed to warrant recognition or disclosure.

**REQUIRED SUPPLEMENTARY INFORMATION
(Other than MD&A)**

LIBERTY FIRE DISTRICT
 Budgetary Comparison Schedule
 GOVERNMENTAL FUNDS
 Year Ended September 30, 2018

	<u>Actual</u>	<u>Final Budget</u>
Beginning surplus	\$ 75,000	\$ -
<u>Revenues:</u>		
Taxes (MSBU)	167,871	\$ 167,871
Impact Fees	3,150	3,000
Interest	4	
Insurance Refunds	1,836	
Sale of fire truck	9,599	
Grants	86,156	
Donations	50	
Chelco capital credits	146	
Total Revenues	<u>268,812</u>	<u>170,871</u>
Beginning surplus plus revenues	343,812	170,871
<u>Expenditures:</u>		
Appreciation Meals & Awards	637	750
Advertising	251	
Accounting & Auditing Services	6,300	8,500
Attorney		
Contracted Services	14,296	4,000
Grant Writer	2,000	
Utilities and Telephone	7,653	3,550
Insurance & Bonds	38,270	19,500
Repair & Maintenance	22,216	20,250
Fuel	8,827	8,000
Taxes, Licenses, & Fees	2,123	
Office & Misc. Supplies	12,677	39,488
Training & Fitness	3,975	
Volunteer Reimbursement	19,900	
Total General Government, excluding Depreciation	<u>139,124</u>	<u>104,038</u>
Capital Outlay:		
Equipment	209,208	
Total Expenditures	<u>348,333</u>	<u>104,038</u>
Beginning surplus, plus revenues, minus expenditures	<u>\$ (4,521)</u>	<u>\$ 66,833</u>

COMPLIANCE SECTION

JOSEPH A JONES
CERTIFIED PUBLIC ACCOUNTANT

6075 Bud Moulton Road
Crestview, Fl. 32536
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**INDEPENDENT ACCOUNTANT’S REPORT ON COMPLIANCE WITH SECTION
218.415, FLORIDA STATUTES, LOCAL GOVERNMENT INVESTMENT POLICIES**

Board of Directors
Liberty Fire District
Defuniak Springs, Florida

I have examined the Liberty Fire District’s (the District) compliance with the following requirements for the year ended September 30, 2018.

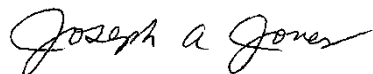
- (1) Section 218.415, Florida Statutes, regarding the investment of public funds

Management is responsible for the District’s compliance with those requirements. My responsibility is to express an opinion on the District’s compliance based on my examination.

My examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my examination provides a reasonable basis for my opinion. My examination does not provide a legal determination on the District’s compliance with specified requirements.

In my opinion, the Liberty Fire District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

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



Joseph A. Jones, CPA
Crestview, Florida
February 27, 2019

JOSEPH A JONES
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INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Liberty Fire District
Defuniak Springs, Florida

I have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities of Liberty Fire District (“the District”), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District’s basis financial statements, and have issued my report thereon dated February 27, 2019.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the District’s internal control over financial reporting to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, I do not express an opinion on the effectiveness of the District’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

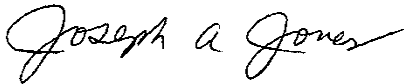
My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit, I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Liberty Fire District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective test of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance, and accordingly, this communication is not suitable for any other purpose.



Joseph A. Jones
Certified Public Accountant

Crestview, Florida
February 27, 2019

**JOSEPH A JONES
CERTIFIED PUBLIC ACCOUNTANT**

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MANAGEMENT LETTER

To the Board of Directors
Liberty Fire District
Defuniak Springs, Florida

Report on the Financial Statements

I have audited the financial statements of the Liberty Fire District, as of and for the fiscal year ended September 30, 2018, and have issued my report thereon dated February 27, 2019.

Auditor's Responsibility

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General.

Other Reporting Requirements

I have issued my Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, and Chapter 10.550 Rules of the Florida Auditor General. Disclosures in those reports and schedule, which are dated February 27, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that I determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Liberty Fire District did not have any findings or recommendations in the preceding year annual financial audit report.

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. Liberty Fire District has no component units.

Financial Condition and Management

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

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, I applied financial condition assessment procedures for the Liberty Fire District. It is management's responsibility to monitor the Liberty Fire District's financial condition, and my financial condition assessment was based in part on representations made by management and the review of financial information provided by same. I performed this assessment as of the fiscal year end and I did not find any deteriorating conditions.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that I communicate any recommendations to improve financial management. In connection with my audit, I do have two audit findings or recommendations as follows:

Finding 2018-01: Lack of sufficient documentation of some bank deposits.

The district did not always provide sufficient documentation of the source of bank deposits. Sufficient documentation is required for the quickbooks bookkeeper to record the bank deposits to the correct revenue account. Failure to provide sufficient documentation of the source of bank deposits has resulted in the following bookkeeping errors:

- (a) \$2,925.00 of impact fees were erroneously recorded as donations.
- (b) \$12,397.48 of Walton County tax distribution was recorded as donations.
- (c) \$9,598.60 sale of Attack 7 fire truck was recorded as Walton County tax revenue.
- (d) \$1,836.00 worker compensation insurance refund was recorded as a grant.

Recommend the district provide to the quickbooks bookkeeper sufficient documentation of all bank deposits, so that the bookkeeper has the information needed to record the bank deposits into the correct revenue account.

Finding 2018-02: Lack of sufficient documentation for some check disbursements.

The district did not always provide sufficient documentation for check disbursements. Sufficient documentation is required for the quickbooks bookkeeper to record the check disbursements to the correct expenditure account. Failure to provide sufficient documentation on all check book stubs has resulted in the following bookkeeping errors: Approximately 20 checks, totaling to approximately \$3,000.00, in payment of contractor services were erroneously recorded as volunteer reimbursements. For payments to individuals, the district's check book stubs reflected descriptions such as coordinator, reimbursement, a number next to the word hours, SAFER grant work, repair work, Go Daddy reimbursements, etc. Recommend the district provide to the quickbooks bookkeeper sufficient documentation (including the correct quickbooks expenditure account) on the check books stubs so that the quickbooks bookkeeper has the information needed to record the check disbursements to the correct expenditure account

Special District Component Units

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires, if appropriate, that I communicate the

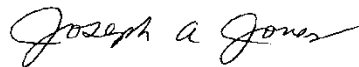
failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with my audit, I 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. Liberty Fire District is not a component unit and has no components.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires that I address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with my audit, I did not have any such findings.

Purpose of this letter

My management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and the Liberty Fire District management and board, and is not intended to be and should not be used by anyone other than these specified parties.



Joseph A. Jones
Certified Public Accountant

Crestview, Florida
February 27, 2019

Liberty Fire District
3278 US Highway 90
Defuniak Springs, FL. 32433

Phone (850) 892-5833

February 26, 2019

To: Joseph Jones, CPA
6075 Bud Moulton Road
Crestview, FL.32536

Subject: The District's response to the FY 2018 Audit Findings

Finding 2018-01: Lack of sufficient documentation of some bank deposits.

The district did not always provide sufficient documentation of the source of bank deposits. Sufficient documentation is required for the quickbooks bookkeeper to record the bank deposits to the correct revenue account. Failure to provide sufficient documentation of the source of bank deposits has resulted in the following bookkeeping errors:

- (a) \$2,925.00 of impact fees were erroneously recorded as donations.
- (b) \$12,397.48 of Walton County tax distribution was recorded as donations.
- (c) \$9,598.60 sale of Attack 7 fire truck was recorded as Walton County tax revenue.
- (d) \$1,836.00 worker compensation insurance refund was recorded as a grant.

Recommend the district provide to the quickbooks bookkeeper sufficient documentation of all bank deposits, so that the bookkeeper has the information needed to record the bank deposits into the correct revenue account.

District's response: The District concurs with finding 2018-01 and will take necessary actions to provide sufficient detailed documentation of the source of bank deposits to the quickbooks bookkeeper.

Finding 2018-02: Lack of sufficient documentation for some check disbursements.

The district did not always provide sufficient documentation for check disbursements. Sufficient documentation is required for the quickbooks bookkeeper to record the check disbursements to the correct expenditure account. Failure to provide sufficient documentation on all check book stubs has resulted in the following bookkeeping errors: Approximately 20 checks, totaling to approximately \$3,000.00, in payment of contractor services were erroneously recorded as volunteer reimbursements.

For payments to individuals, the district's check book stubs reflected descriptions such as coordinator, reimbursement, a number next to the word hours, SAFER grant work, repair work, Go Daddy reimbursements, etc. Recommend the district provide to the quickbooks bookkeeper sufficient documentation (including the correct quickbooks expenditure account) on the check books stubs so that the quickbooks bookkeeper has the information needed to record the check disbursements to the correct expenditure account.

District's response: The District concurs with finding 2018-02 and will take necessary actions to provide sufficient detailed documentation on the checkbook stubs (including the quickbooks expenditure account) to the quickbooks bookkeeper.

Signed by Tony D. Roy, Jr.

Title Vice Chairman, Liberty Fire
District _____