

**LIBERTY FIRE DISTRICT**  
DEFUNIAK SPRINGS, FLORIDA

**FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2023**

**EDWARD CHAPMAN**  
**Certified Public Accountant**  
**Springville, Alabama**

**July 3, 2024, except as to note 2, which is as of September 10, 2024**

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### **INDEPENDENT AUDITORS' REPORT**

To:  
Board of Commissioners  
Liberty Fire District  
Defuniak Springs, Florida

### **Opinions**

I have audited the accompanying financial statements of the governmental activities of Liberty Fire District, Defuniak Springs, Florida, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which comprise Liberty Fire District's basic financial statements as listed in the table of contents.

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, 2023 and respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of my report. I am required to be independent of the Liberty Fire District, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **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 the Liberty Fire 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.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My 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 auditor's report that includes my 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, misrepresentation, or override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 Liberty Fire 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Liberty Fire District's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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. The budget was not adopted by the board, therefore the Budget Comparison Schedule and Required Supplementary Information section of the audit report is not presented in the audit report. 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 basic 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 July 3, 2024 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.



Edward E. Chapman  
Certified Public Accountant  
Springville, Alabama  
July 3, 2024, except as to note 2, which is as of September 10, 2024

**LIBERTY FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2023**

As management of Liberty Fire District (the District), we offer readers of the financial statements this narrative overview and analysis of the District's financial activities for the fiscal year ended September 30, 2023.

**FINANCIAL HIGHLIGHTS**

*Financial Highlights*

- The assets of the District exceeded liabilities by \$2,102,308 and represents a change of (\$157,689) from the prior year. Of this amount, \$2,080,392 represents investment in capital assets and \$18,361 is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's governmental fund reported an ending balance of \$21,916 and represents a change of (\$61,196) from the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$14,754 or 5%, of the general fund expenditures.

**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 comprise three components: 1. government-wide financial statements 2. fund financial statements 3. notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

The government-wide financial statements distinguish and demonstrate that, as a governmental activity, the District is principally supported by special assessments and intergovernmental revenues. The governmental activities of the District include public safety services (fire and emergency medical services). The government-wide financial statements are found on pages 13 - 14 of this report.

**LIBERTY FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2023  
(CONTINUED)**

**FUND FINANCIAL STATEMENTS**

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has only a governmental fund.

**FUNDS**

***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Such information may be useful in evaluating a government's near-term financial requirements. The basic governmental fund financial statements are found on pages 15-18 of this report.

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

The District maintains one governmental fund (general fund). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, which is considered a major fund.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule is not provided for the general fund to demonstrate compliance with this budget because the budget was never formally adopted by the District.

**NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information, which is essential to the full understanding of the data provided in the government-wide and fund financial statements. Beginning on page 19 of this report are the notes to the financial statements.

**LIBERTY FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2023  
(CONTINUED)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the district, assets exceeded liabilities by \$2,102,308 (net position) as of September 30, 2023, as reported in Table 1.

The District's net position, \$2,102,308, reflects unrestricted funds of \$18,361, and investment in capital assets of \$2,080,392 less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**Table 1  
Condensed Summary of Net Position  
September 30, 2022 and 2023**

	<b>2022</b>	<b>2023</b>
<b>Assets</b>		
Current and Other Assets	\$86,547	\$30,941
Capital Assets	\$2,314,145	\$2,146,710
Total Assets	\$2,400,692	\$2,177,651
<b>Liabilities</b>		
Current and Other Liabilities	\$140,695	\$75,343
Total Liabilities	\$140,695	\$75,343
<b>Net Position</b>		
Invested in Capital Assets	\$2,176,885	\$2,080,392
Unrestricted	\$23,621	\$18,361
Restricted	\$59,491	\$3,555
Total Net Position	\$2,259,997	\$2,102,308
<b>Total Liabilities and Net Position</b>	<b>\$2,400,692</b>	<b>\$2,177,651</b>



**LIBERTY FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2023  
(CONTINUED)**

**Table 2**

**Condensed Summary of Revenues, Expenses, and Changes in Net Position  
For the Fiscal Years Ending September 30, 2022 and 2023**

	2022	2023
<b>Revenues</b>		
Special assessment	\$178,175	\$184,207
Grants	\$122,465	\$16,101
Impact fees	\$8,150	\$8,325
Interest	\$0	\$56
Fundraising	\$6,135	\$484
Insurance	\$3,733	\$0
Sale of asse	\$0	\$3,900
Interlocal agreement	\$0	\$31,250
<b>Total Revenues</b>	<b>\$318,658</b>	<b>\$244,323</b>
<b>Expenses</b>		
Public Safety - Fire	\$380,466	\$402,012
<b>Total Expenses</b>	<b>\$380,466</b>	<b>\$402,012</b>
<b>Change in Net Position</b>	(\$61,808)	(\$157,689)
<b>Net Position at Beginning of Year</b>	\$2,321,805	\$2,259,997
<b>Net Position at End of Year</b>	<b>\$2,259,997</b>	<b>\$2,102,308</b>

During 2023, the change in net position was a decrease of \$95,881. This decrease was the result of increased spending and decreased grant revenue. As of September 30, 2023, expenditures exceeded revenues by \$157,689.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The District did not adopt a budget for fiscal year 2023. No budget versus actual comparison is reported in the required supplementary information. See notes to the financial statements for additional detail on the District not adopting a budget.

**LIBERTY FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2023  
(CONTINUED)**

**CAPITAL ASSETS**

The District's investment in capital assets for its governmental activities as of September 30, 2023 amounts to \$2,146,710 (net of depreciation). Capital assets include equipment, vehicles, buildings, land, and improvements.

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital Assets, not being Depreciated:				
Land	\$278,024	\$0	\$0	\$278,024
Total Cost of Capital Assets, not being Depreciated	<u>\$278,024</u>	<u>\$0</u>	<u>\$0</u>	<u>\$278,024</u>
Capital Assets, being Depreciated:				
Equipment	\$966,070	\$1,864	\$0	\$967,934
Improvements	\$20,600	\$0	\$0	\$20,600
Buildings	\$1,086,522	\$4,280	\$0	\$1,090,802
Vehicles	\$1,499,055	\$0	\$6,500	\$1,492,555
Office Equipment	\$6,165	\$0	\$0	\$6,165
Total Cost of Capital Assets, being Depreciated	<u>\$3,578,412</u>	<u>\$6,144</u>	<u>\$6,500</u>	<u>\$3,578,056</u>
Total Cost of Capital Assets before Depreciation	<u>\$3,856,436</u>	<u>\$6,144</u>	<u>\$6,500</u>	<u>\$3,856,080</u>
Less Accumulated Depreciation for:				
Equipment	\$657,339	\$59,242	\$0	\$716,582
Improvements	\$16,733	\$893	\$0	\$17,626
Buildings	\$260,861	\$28,792	\$0	\$289,653
Vehicles	\$601,192	\$84,653	\$6,500	\$679,345
Office Equipment	\$6,165	\$0	\$0	\$6,165
Total Accumulated Depreciation	<u>\$1,542,290</u>	<u>\$173,580</u>	<u>\$6,500</u>	<u>\$1,709,370</u>
Total Capital Assets being Depreciated, Net	<u>\$2,036,122</u>	<u>(\$167,436)</u>	<u>\$0</u>	<u>\$1,868,686</u>
Governmental Activities Capital Assets, Net	<u>\$2,314,146</u>	<u>(\$167,436)</u>	<u>\$0</u>	<u>\$2,146,710</u>

Depreciation for the fiscal year 2023 amounted to \$173,580.

Additions for the fiscal year 2023 amounted to \$6,144, retirements for fiscal year 2023 amounted to \$6,500 but the assets were fully depreciated with a net book value of \$0. Additional information regarding capital assets can be found in the notes to the financial statements.

**LIBERTY FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2023  
(CONTINUED)**

**LEASES**

The District has no leases. GASB 87 implementation was considered but no adjustments were required.

**DEBT**

The District has one loan. On 01/22/2020 the District obtained a loan from Ameris Bank for \$233,721 to purchase a new pumper truck. During FY 2023, \$70,943 of principal was paid. The loan balance as of September 30, 2023 is \$66,318.

**ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES**

The District relies on the special assessments (non-ad valorem special assessments & impact fees) to fund their governmental activities. There are a limited number of recurring and non-recurring grants from both state and federal governments, which provide funding for specific programs, projects, or activities. The District has also entered into an agreement with Walton County to provide funds for operations. Florida's continued economic uncertainty and rise in cost will continue to affect the District's operational funding.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide the reader an overview of the District's finances. Questions regarding any information provided in this report should be directed to Commissioner (Chairman) Michael Engel, 3278 US Hwy 90 W, Defuniak Springs, FL 32433.

## **BASIC FINANCIAL STATEMENTS**

**LIBERTY FIRE DISTRICT**  
**Statement of Net Position**  
**September 30, 2023**

	Governmental Activities
<b>ASSETS</b>	
Cash	\$17,454
Cash Restricted	\$3,554
Inventory	\$6,250
Utility Deposit	\$75
Prepaid Insurance	\$3,608
Capital Assets, Non-depreciable	\$278,024
Capital Assets, Depreciable, net	\$1,868,686
<b>TOTAL ASSETS</b>	<u><u>\$2,177,651</u></u>
<b>LIABILITIES</b>	
Accounts Payable	\$9,025
Short Term Liability	\$42,226
Long Term Liability	\$24,092
<b>TOTAL LIABILITIES</b>	<u><u>\$75,343</u></u>
<b>NET POSITION</b>	
Investments in Capital Assets, Net of Debt	\$2,080,392
Unrestricted	\$18,361
Restricted	\$3,555
<b>TOTAL NET POSITION</b>	<u><u>\$2,102,308</u></u>

See accompanying notes to the financial statements.

**LIBERTY FIRE DISTRICT**  
**Statement of Activities**  
**Year Ended September 30, 2023**

	Governmental Activities
Expenditures	
Public Safety - Fire Protection	(\$162,793)
Public Safety - Personnel Service	(\$65,639)
Public Safety - Depreciation	(\$173,580)
Total Expenditures	<u>(\$402,012)</u>
Program Revenues	
Operating Grants	<u>\$16,101</u>
General Revenues	
Special Assessment	\$184,207
Discretionary Funding Agreement	\$31,250
Impact Fees	\$8,325
Fundraising	\$484
Sale of Asset	\$3,900
Interest	\$56
Total General Revenues	<u>\$228,222</u>
Total Revenues	<u>\$244,323</u>
Change in Net Position	(\$157,689)
Net Position Beginning	\$2,259,997
Net Position Ending	<u>\$2,102,308</u>

See accompanying notes to the financial statements.

**LIBERTY FIRE DISTRICT**  
**Balance Sheet - Governmental Fund**  
**September 30, 2023**

	General Fund
<b>ASSETS</b>	
Cash	\$17,454
Cash Restricted	\$3,554
Inventory	\$6,250
Utility Deposit	\$75
Prepaid Insurance	\$3,608
Total Assets	<u>\$30,941</u>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Accounts Payable	<u>\$9,025</u>
Total Liabilities	<u>\$9,025</u>
<b>FUND BALANCES</b>	
General Fund:	
Nonspendable	\$3,608
Unassigned	\$14,754
Restricted for Capital Outlay	\$3,554
Total Fund Balances	<u>\$21,916</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$30,941</u></u>

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, 2023

Total Fund Balances, governmental fund balance sheet	\$21,916
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	\$2,146,710
Short-Term and Long-Term liabilities used to finance capital assets are not reported in the governmental funds balance sheet.	
Short-Term Loans	(\$42,226)
Long-Term Loans	(\$24,092)
Total Net Position per Statement of Net Position	<u>\$2,102,308</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, 2023**

	General Fund
<b><u>Revenues:</u></b>	
Special Assessment	\$184,207
Discretionary Funding Agreement	\$31,250
Impact Fees	\$8,325
Fundraising	\$484
Sale of Asset	\$3,900
Interest	\$56
Grants	\$16,101
Total Revenues	<u>\$244,323</u>
<b><u>Expenditures:</u></b>	
Current	
Fire Protection	\$162,793
Personnel Services	\$65,639
Capital Outlay	\$6,144
Debt Service	\$70,943
Total Expenditures	<u>\$305,519</u>
<b>Excess of revenues over expenditures</b>	<b>(\$61,196)</b>
<b>Fund balance, beginning of year</b>	<b>\$83,112</b>
<b>Fund balance, end of year</b>	<b><u>\$21,916</u></b>

See accompanying notes to the financial statements.

**LIBERTY FIRE DISTRICT**

Reconciliation of the Statement of Revenues, Expenditures, and Change  
in Fund Balances of Governmental Funds to the Statement of Activities  
Year Ended September 30, 2023

Net change in fund balances - governmental fund	(61,196)
Capital outlay, reported as expenditures in governmental fund, is shown as capital assets in Statement of Net Position.	\$6,144
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.	(\$173,580)
Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position.	\$70,943
Change in net position of Statement of Activities	<u>(\$157,689)</u>

See accompanying notes to the financial statements.

**LIBERTY FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE DISTRICT**

**Nature of operations**

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 financial statements of the District have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America applicable to governmental units and the Uniform Accounting System mandated by Section 218.3, Florida Statutes. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting.

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

**The Reporting Entity**

As required by accounting principles generally accepted in the United States of America, these financial statements present the District as the primary government. In evaluating the District as a reporting entity, management has considered all potential component units for which the District may or may not be financially accountable and, as such, be included within the District's financial statements. As of September 30, 2023, the District had no component units.

**Government-Wide and Fund Financial Statements**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) 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 or segment. Special assessments and other items not properly included among program revenues are reported instead as general revenue.

**LIBERTY FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023  
(CONTINUED)**

**Measurement Focus and Basis of Accounting**

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. Fire assessments are recorded 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.

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 District 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.

The Walton County Tax Collector bills and collects property special assessments for the District in accordance with the laws of the State of Florida. Property special assessments attach as an enforceable lien on property as of the date of assessment and remain in effect until discharged by payment. Special assessments are payable when levied (on November 1<sup>st</sup>, or as soon thereafter as the assessment roll becomes available to the Tax Collector).

The following is the current Property tax calendar:

Levy Date	November 1 <sup>st</sup>
Due Date	November 1 <sup>st</sup>
Delinquent Date	April 1 <sup>st</sup>

Revenue recognition criteria for property special assessments requires that property special assessments expected to be collected within 30 days of the current period be accrued. No accrual has been made for special assessments because the special assessments are not legally due until subsequent to the end of the fiscal year. Current year special assessments, which are uncollected as of the end of the fiscal year, are generally immaterial in amount and highly susceptible to being uncollectible and therefore, are not recorded as a receivable at the balance sheet date.

**Basis of Presentation**

The financial transactions of the District are recorded using fund accounting. A fund is a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities of balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

**LIBERTY FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023  
(CONTINUED)**

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all special assessments.

The following classification is used to categorize the fund used by the District:

**Governmental**

Governmental funds focus on the determination of financial position and changes in financial position (sources, uses and balances of financial resources) and not net income. The District has the following major governmental fund:

*General Fund* – This is the District’s primary operating fund and is used to account for all financial resources except those required to be accounted for in another fund.

**Assets, Liabilities, and Net Position or Fund Balance**

***Cash and Cash Equivalents***

The District’s cash on hand, demand deposits and short-term investments are considered cash and cash equivalents for purposes of these statements, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

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

***Deposits and Investments***

The District maintains its deposits only with “Qualified Public Depositories” as defined in chapter 280, Florida Statutes. The provisions of this statute allow “Qualified Public Depositories” to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All “Qualified Public Depositories” must place with the Treasurer of the State of Florida securities which have a market value equal to 50% of all public funds on deposit at the end of each month in excess of any applicable deposit insurance. In the event of default by a qualified public institution, the state treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments among all “Qualified Public Depositories”.

The District does not have a formal written investment policy, but has adopted the investment policy as defined in Section 218.415, Florida Statutes, which requires the investment of surplus public funds and prescribes certain allowable investments including the Local Government Surplus Funds Trust Fund, Securities and Exchange Commission registered money market funds with the highest credit quality rating from the nationally recognized rating agency, interest-bearing time deposits or savings accounts in qualified public depositories or direct obligations of the U.S. Treasury. The District had no investments at September 30, 2023.

**LIBERTY FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023  
(CONTINUED)**

***Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and governmental fund financial statements.

***Capital Assets***

Capital assets, which include property, plant and equipment, 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 \$1,000. Capital assets must also have an estimated useful life of longer than one year. Capital assets are recorded at cost where historical cost records are available and at an estimated historical cost when no historical records exist. Donated capital assets are reported at their estimated acquisition value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Major improvements are capitalized and depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	15-39
Improvements other than buildings	25
Vehicles and equipment	5-15

***Classification of Fund Balance***

GASB guidance establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications are comprised of the following:

- *Nonspendable* – includes amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: prepaid items.
- *Restricted* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed* – includes amounts that can only be used for the specific purposes determined by a formal resolution of the District’s highest level of decision-making authority, the Commission. Commitments may be changed or lifted only by the District taking the same formal resolution that imposed the constraint originally.

**LIBERTY FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023  
(CONTINUED)**

- *Assigned* – comprises amounts intended to be used by the District for specific purposes that are neither restricted nor committed. *Intent* can be expressed by (a) the Commission or (b) a body (for example: a budget or finance committee) or official to which the Commission has delegated the authority to assign amounts to be set for specific purposes.
- *Unassigned* – 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.

These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the general fund. The general fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. The District does not have a formal fund balance policy.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally considered to be expended from the most restrictive classification first.

**Net Position**

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**New Accounting Pronouncement**

There were no new accounting pronouncements relevant to the District in FY 2023.

**LIBERTY FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023  
(CONTINUED)**

**Subsequent Events**

The District has evaluated events and transactions that occurred between September 30, 2023 and July 3, 2024, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. In October of 2023 the District did not have the funds available to pay for the required workers compensation insurance. At that time Walton County took over operation of the fire district. In December of 2023 the District was able to pay for the workers compensation insurance and resumed operations of the fire district. On March 12, 2024 Walton County released an additional \$93,750 to the Liberty Fire District to cover cost associated with operations. The District has also been approved for an additional \$125,000 of funding from Walton County for FY 2024. As of the date of this report the District has not received any of the \$125,000 approved for the FY 2024. In November of 2023 the District appointed a new Chairman. During January through April two new board members were appointed. There were no other subsequent events that warranted additional disclosure.

**2. REISSUANCE OF FINANCIAL STATEMENTS DUE TO POST AUDIT REVIEW BY THE FLORIDA AUDITOR GENERAL**

After the issuance of the September 30, 2023 audited financial statements the Florida Auditor General requested that the Independent Auditor's Report be revised to note that the Required Supplementary Information section was omitted from the audit report. The specific change to the Independent Auditor's Report is noted below:

- The following sentence has been added to the Required Supplementary Information section of the Independent Auditor's Report. "The budget was not adopted by the board, therefore the Budget Comparison Schedule and Required Supplementary Information section of the audit report is not presented in the audit report."

**3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets**

The District prepares an annual operating budget for the fiscal year commencing October 1<sup>st</sup>. Prior to September 1<sup>st</sup> of each year, the Secretary/Treasurer of the District's Board of Commissioners prepares a proposed budget for the upcoming fiscal year. The budget is based on an analysis of prior year actual revenues and expenditures, along with anticipated spending and revenue sources. The proposed budget was never adopted by the Board.

**Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances outstanding at year-end are reported as assigned fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. For the year ended September 30, 2023, the District had no encumbrances.



**LIBERTY FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023  
(CONTINUED)**

**4. CASH DEPOSITS**

On September 30, 2023 the value of the District's deposits was \$21,008, all of which were held by Qualified Public Depositories under Chapter 280, Florida Statutes.

**5. CONTINGENCY**

There are no known contingencies other than the risks of accident or injury. The District maintained liability insurance to cover risks of accident or injury.

**6. CHANGES IN CAPITAL ASSETS**

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital Assets, not being Depreciated:				
Land	\$278,024	\$0	\$0	\$278,024
Total Cost of Capital Assets, not being Depreciated	<u>\$278,024</u>	<u>\$0</u>	<u>\$0</u>	<u>\$278,024</u>
Capital Assets, being Depreciated:				
Equipment	\$966,070	\$1,864	\$0	\$967,934
Improvements	\$20,600	\$0	\$0	\$20,600
Buildings	\$1,086,522	\$4,280	\$0	\$1,090,802
Vehicles	\$1,499,055	\$0	\$6,500	\$1,492,555
Office Equipment	\$6,165	\$0	\$0	\$6,165
Total Cost of Capital Assets, being Depreciated	<u>\$3,578,412</u>	<u>\$6,144</u>	<u>\$6,500</u>	<u>\$3,578,056</u>
Total Cost of Capital Assets before Depreciation	<u>\$3,856,436</u>	<u>\$6,144</u>	<u>\$6,500</u>	<u>\$3,856,080</u>
Less Accumulated Depreciation for:				
Equipment	\$657,339	\$59,242	\$0	\$716,582
Improvements	\$16,733	\$893	\$0	\$17,626
Buildings	\$260,861	\$28,792	\$0	\$289,653
Vehicles	\$601,192	\$84,653	\$6,500	\$679,345
Office Equipment	\$6,165	\$0	\$0	\$6,165
Total Accumulated Depreciation	<u>\$1,542,290</u>	<u>\$173,580</u>	<u>\$6,500</u>	<u>\$1,709,370</u>
Total Capital Assets being Depreciated, Net	<u>\$2,036,122</u>	<u>(\$167,436)</u>	<u>\$0</u>	<u>\$1,868,686</u>
Governmental Activities Capital Assets, Net	<u>\$2,314,146</u>	<u>(\$167,436)</u>	<u>\$0</u>	<u>\$2,146,710</u>

Depreciation expense included in the Statement of Activities was \$173,580.

**LIBERTY FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023  
(CONTINUED)**

**7. 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 employees, 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. See Note 1 for subsequent event regarding workers compensation insurance.

**8. COMMITMENTS**

**Discretionary Funding Agreement**

The District has entered into a discretionary funding agreement with Walton County to provide funding to the District. The funds are to be used for the purchase, operations, and maintenance cost of fire rescue apparatus. The funds can also be used to cover insurance coverage necessary to operate the fire district. The agreement provides \$125,000 of funding for FY 2023. Prior to September 30, 2023, the District received \$31,250 of the \$125,000 funding. Subsequently, the District received \$93,750 to satisfy the allocated \$125,000 provided by Walton County for the FY 2023. The agreement requires periodic financial reports and supporting documentation be provided to Walton County to substantiate expenditures. Walton County has also agreed to provide an additional \$125,000 of funding for FY 2024.

**9. IMPACT FEES**

The District received \$8,325 in impact fees. The fees are collected for permits issued within the Districts area.

**10. SALE OF ASSETS**

The District sold two vehicles during FY 2023. Both vehicles were fully depreciated with a net book value of \$0. The District received \$3,900 of proceeds from the sale of the two vehicles.

**LIBERTY FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023  
(CONTINUED)**

**11. FUNDRAISING**

The District accepts donations and sales raffle tickets during the year to raise additional funds for operations. The District raised \$484 during fiscal year 2023.

**12. ACCOUNTS RECEIVABLE**

Due to the nature of the District's funding it does not bill customers directly for assessments. Walton County remits assessment payments received based on a schedule which uses November 1st as the levy date. Most payments are received November thru April. Payments are considered delinquent after April 1<sup>st</sup>. The District does not recognize delinquent assessments as accounts receivable because by September 30 all material amounts would have already been collected and any unpaid amounts are likely to not be paid. No accounts receivable has been recorded.

**13. ACCOUNTS PAYABLE**

The District's accounts payable balance of \$9,025 represents vendor payments due as of September 30, 2023 not paid until subsequent periods.

**14. GRANTS**

**The District received one federal grant in fiscal year 2023.**

Federal Emergency Management Agency (FEMA)

Grant Revenue Received	\$16,100
District Funded	\$0
Total to be Spent	\$16,100
Grant Expenditures (see below)	\$16,100
Left to Spend	\$0

FEMA Safer Grant distribution was received in FY 2023 to cover a minimum staffing for the District. This grant was used to cover incentives for volunteer firefighters, coordinator retention, and physicals. The grant is reviewed yearly by FEMA and there is a opportunity to receive future distributions from FEMA. No match is required. Grant has been closed as of 09/30/2023.

**LIBERTY FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023  
(CONTINUED)**

**15. BUDGET VARIANCES**

The District did not adopt a budget for the year ending September 30, 2023.

**16. LONG-TERM DEBT**

The District has a loan with Ameris Bank that was used to partly finance Pumper 7. The loan was finalized on 01/22/2020. In FY 2023 the District paid twelve monthly payments of \$3,683 an a additional payment of \$31,150 for principle only which reduced the loan balance to \$66,318. This additional payment puts the District on track to payoff the remaining balance by the end of FY 2025.

Loan Amount:	\$233,721
Monthly Payment Amount:	\$3,683
Loan Balance on 09/30/2023:	\$66,318
Interest Paid in FY 2023:	\$4,408
Terms:	6 Years at 4.19% Interest

Short-Term	\$42,226
Long-Term	\$24,092
Loan Balance as of 09/30/2023:	\$66,318

<u>Year Ending September 30</u>	<u>Interest</u>	<u>Principle</u>	<u>Total Payments</u>	<u>Balance</u>
2024	\$1,974	\$42,222	\$44,196	\$24,092
2025	\$322	\$24,092	\$24,414	\$0
	\$2,296	\$66,314	\$68,610	

**17. RECRUITING AND RETENTION POLICY**

The District received a SAFER Grant from FEMA to assist with recruiting and retentions of volunteers. The District made three \$5,000 incentive disbursement payments to self-directed individual retirement account (IRA) through Edward Jones Financial Services. IRA contributions are limited to volunteers and board members that have at least six months of service.

**LIBERTY FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023  
(CONTINUED)**

**18. RELATED PARTY TRANSACTIONS**

Disbursements to board members, management, and the family of board member and management are made as part of the recruiting and retention policy. Some members of management are also compensated for services provided to the District.

**19. FINANCIAL CONDITION**

During fiscal year 2023 the District's expenditures exceeded revenue and net position decreased. Subsequent to September 30, 2023 but before the issue date of this report the District could not pay some invoices in a timely manner. The District continues to seek additional funding by applying for grants and has entered into an agreement with Walton County for additional funding.

## COMPLIANCE SECTION

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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, 2023.

(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 did comply, in all material respects, with the aforementioned requirements for the year ended September 30, 2023.

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.



Edward Chapman, CPA  
Springville, Alabama  
July 3, 2024, except as to note 2, which is as of September 10, 2024

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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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated July 3, 2024.

**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.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the Management Letter, we did identify deficiencies in internal control that I 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. I consider finding's 2023-01 & 2023-05 to be material weaknesses. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider finding 2023-03 & 2023-06 to be a significant deficiency.

### **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*.

### **District's Responses to Findings**

The District's responses to the findings indentified in our audit is described in the Managements Response to Findings. The District's responses was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on them.

### **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.



Edward Chapman  
Certified Public Accountant  
Springville, Alabama

July 3, 2024, except as to note 2, which is as of September 10, 2024

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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, 2023, and have issued my report thereon dated July 3, 2024.

### 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*, regarding compliance requirements in accordance with Chapter 10.550 Rules of the Florida Auditor General. Disclosures in those reports and schedule, which are dated July 3, 2024, 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. The last audit for Liberty Fire District was in FY 2022. There were nine findings in the FY 2022 financial audit report. In my FY 2022 audit, I have found that the District corrected 2 of 9 FY 2022 findings listed below.

**Audit Finding, 2022-01, Budget was not formally adopted by the Board**

The budget that the District presented was not formally adopted by the entire Board. The District could not provide evidence that a budget was adopted by the Board. Expenditures were in excess of budgeted amounts. Non-compliance with Florida Statute 13, chapter 189.016.

*Status of Finding:* During my FY 2023 audit I could not obtain evidence that the District adopted a formal budget. Finding 2022-01 remains open.

**Audit Finding, 2022-02 The District has no Board approved written five-year plan**

The District could not provide evidence of a Board approved five-year written plan. Florida Statutes require a formal Board approved written five-year plan. Additional schedules maybe maintained to support the five-year plan, but they cannot replace the formal written plan that is board approved.

*Status of Finding:* During my FY 2023 audit I determined the District approved a five-year plan. Finding 2022-02 is closed.

**Audit Finding, 2022-03, The District has no functioning website in which to make required public notices.**

The District's website was not functioning properly and required information disclosures were not available to the public as required by Florida Statutes. Non-compliance with Florida Statute 13, chapter 189.064.

*Status of Finding:* During my FY 2023 audit I obtained evidence that the District has a functioning website in which to make public notices but the website does not contain all required content as required by Florida Statutes. Finding 2022-03 remains open.

**Audit Finding, 2022-04, The District did not obtain a \$10,000.00 surety bond for the Treasurer.**

The District obtained \$5,000 surety bonds for all board members. According to the District's Charter Statute the Treasurer should have been bonded for \$10,000.

*Status of Finding:* During my FY 2023 audit I obtained evidence that the District has obtained a \$10,000 surety bond for the Treasurer. Finding 2022-04 is closed.

**Audit Finding, 2022-05, Board members voted on District disbursements involving related parties. Potential Code of Ethics violations.**

Board members voted to approve disbursements for recruiting and retention incentives which benefited themselves and family members. Board members did not abstain from votes benefiting themselves or family members. The Board still had enough votes to approve the recruiting and retention incentives if the related board members had abstained from voting on specific disbursements instead of approving all recruiting and retention disbursements in one vote.

*Status of Finding:* During my FY 2023 audit I reviewed the board meeting minutes and noted board members voted on related party transactions. Finding 2022-05 remains open.

**Audit Finding, 2022-06, Failure to maintain personnel, training and grant documents.**

The Florida Office of Program Analysis and Government Accountability (OPPAGA) preformed a performance audit on the District for years 2019, 2020, 2021 & 2022. The performance audit report was issue by OPPAGA in June of 2023. During their audit the auditors were unable to obtain requested documents related to personnel, training, and grants.

*Status of Finding:* During my FY 2023 audit I could not obtain evidence that the District has maintained detailed organized personnel, training, and grant documentations. Finding 2022-06 remains open.

**Audit Finding, 2022-07, Failure to issue year end 1099's to board members, contractors, and volunteers for incentive and services payments.**

The District did not issue 1099's to board members, contractors, and volunteers for incentive and services payments as required by federal law.

*Status of Finding:* During my FY 2023 audit I could not obtain evidence that 1099's had been issued as required by federal law. Finding 2022-07 remains open.

**Audit Finding, 2022-08, Failure to file the annual financial report by the state-imposed deadline.**

The District did not file the FY 2022 annual financial report timely. Florida Statutes 14, chapter 189.032 requires the annual report to be filed with the State of Florida by June 30 of each FY. Non-compliance with Florida Statute 14, chapter 189.032.

*Status of Finding:* The District did engage a certified public accountant early in order to facilitate a timely completion of the annual financial report. Due to the number of findings and changes in management from the prior years the audit could not be completed in time for the District to file the annual financial report by the state imposed deadline. Finding 2022-08 remains open.

**Audit Finding, 2023-09, Financial Condition**

The District is not in a state of "deteriorating financial conditions" as defined by Florida Statute 503, chapter 218.503(1) as of September 30, 2022, however the District's overall financial condition demonstrates signs of deterioration. Specifically, expenditures (including depreciation) exceeded revenues by \$61,808. Additionally, subsequent events such as the inability to pay for workers compensation insurance in a timely manner indicates that the District is in a state of deteriorating financial condition.

*Status of Finding:* The subsequent event of not paying for workers compensation in a timely manner carries over to the FY 2023 audit. The District has an agreement with the county for additional funding. Finding 2022-09 remains open.

**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. Michael Engel is the Chairman of the Board and is the primary contact for the Liberty Fire District.

**Financial Condition**

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 as of September 30, 2023 but prior to the issue date of this reports (July 3, 2024) the District did meet the conditions.

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 the same. I performed this assessment as of the fiscal year end and I determined that the Liberty Fire District did not meet any of the conditions described in Section 218.503(1), Florida Statutes as of September 30, 2023 but prior to the issue date of this reports (July 3, 2024) the District was unable to pay for workers compensation insurance in a timely manner due to a lack of funds. Therefore, prior to the issuance of this audit report the District does meet the definition of deteriorating financial conditions Section 218.503(1), Florida Statutes. See finding 2023-09.

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 of fiscal year 2023, I have nine audit finding/recommendation as noted below.

**Audit Finding, 2023-01, Budget was not formally adopted by the Board. (Repeat 2022-01, 2021-01 & 2020-02) (Material Weakness)**

The budget that the District presented was not formally adopted by the entire Board. The District could not provide evidence that a budget was adopted by the Board. Expenditures were in excess of budgeted amounts. Non-compliance with Florida Statue 13, chapter 189.016.

*Recommendation:* is for the District's Board to formally adopt a budget as directed in the Florida Statutes.

**Audit Finding, 2023-02, Failure to retain invoices for expenditures.**

I was unable to obtain two invoices requested during my testing.

- Garage Door Guru - \$2,000.00
- Garage Door Guru - \$1,630.00

*Recommendation:* is for the District to implement policies and procedures to ensure invoices are retained and accessible upon request.

**Audit Finding, 2023-03, The District's website does not comply with Florida Statues in regard to content. (Repeat 2022-03, 2021-03 & 2020-04) (Significant Deficiency)**

The District's website does not comply with Florida Statue 13, chapter 189.064 in regards to content.

*Recommendation:* is for the District to obtain information technology assistance with maintaining the District's website. The District should also undergo a study of missing required information, Any missing required information should be disclosed on the District's functioning website. The District should also develop a plan to ensure all required information is disclosed going forward as directed in Florida Statutes.

**Audit Finding, 2023-04, Failure to comply with grant requirements.**

At the end of the fiscal year ending September 30, 2022 (prior year) the district had only spent \$27,223 of the required spending on a grant obtained from the Federal Emergency Management Agency (FEMA). The grant was approved to purchase defibrillators, with a total spending requirement of \$49,946. The additional spending requirement of \$22,723 was not spent prior to the end of the current fiscal year ending September 30, 2023.

*Recommendation:* is for the District to implement policies and procedures to ensure that all grants requirements are satisfied. Grants spending should be reconciled with grant revenue to successfully ensure completion of all grant requirements.

**Audit Finding, 2023-05, Board members voted on District disbursements involving related parties. Potential Code of Ethics violations. (Repeat 2022-05, 2021-05 & 2020-06) (Material Weakness)**

Board members voted to approve disbursements for recruiting and retention incentives which benefited themselves and family members.

*Recommendation:* is for the District to contact the Florida Ethics Commission for an official ruling on the District's specific conflict in regards to disbursing district funds to board members and related parties. The District has specific conflicts due to the SAFER Grant that are complex. The District should consult legal assistance as needed.

**Audit Finding, 2023-06, Failure to maintain personnel, training and grant documents. (Repeat 2022-06, 2021-06 & 2020-07) (Significant Deficiency)**

Personnel, training, and grant documentation was unorganized and not readily accessible.

*Recommendation:* is for the District to maintain detailed organized records as defined in the Florida Statutes.

**Audit Finding, 2023-07, Failure to issue year end 1099's to board members, contractors, and volunteers for incentive and services payments. (Repeat 2022-07)**

The District did not issue 1099's to board members, contractors, and volunteers for incentive and services payments as required by federal law.

*Recommendation:* is for the District to maintain detailed records so that 1099's can be issued as required by federal law. 1099's should be issued on a calendar year basis no later than January 31 of each year.

**Audit Finding, 2023-08, Failure to file the annual financial report by the state-imposed deadline of June 30, 2023. (Repeat 2022-08)**

The District did not file the FY 2023 annual financial report timely. Florida Statutes 14, chapter 189.032 requires the annual report to be filed with the State of Florida by June 30 of each FY. Non-compliance with Florida Statute 14, chapter 189.032.

*Recommendation:* is for the District to maintain detailed organized records and engage a certified public accountant early in order to facilitate a timely completion of the annual report.

**Audit Finding, 2023-09, Financial Condition (Repeat 2022-09)**

The District is not in a state of "deteriorating financial conditions" as defined by Florida Statute 503, chapter 218.503(1) as of September 30, 2023, however the District's overall financial condition demonstrates signs of deterioration. Specifically, the inability to pay for workers compensation insurance in a timely manner subsequent to September 30, 2023 indicates that the District is in a state of deteriorating financial condition. As of the date of this report (July 3, 2024) the District has renewed the workers compensation insurance and is current on all required insurance policies.

*Recommendation:* is for the District to analyze short and long term plans and budget. As part of the analysis the district should review expenditures including incentive payments. The District should also review all sources of revenue to determine if additional funds are available.

**Special District Component Units**

Section 10.554(1)(i)5.c., 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. Liberty Fire District is not a component unit and has no components.

### **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 Liberty Fire District reported:

- The total number of district employees compensated in the last pay period of the district fiscal year as 0.
- The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as 1.
- All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$0.
- All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$31,840.
- 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 \$0.
- The District did not adopt a budget under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes. See Note 14 on page 28 and note that there is no required supplementary information section included in these financial statements.

### **Specific Information for an independent special district that imposes non-ad valorem special assessments**

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

- Annual rates of non-ad valorem special assessments imposed by the District for the audit year were \$75 per residential and \$163 for commercial dwellings.
- The total amount of special assessments collected by or on behalf of the district was \$184,207.
- The total amount of outstanding bonds issued by the district and terms of such bonds is none. The district has no outstanding bonds.

### **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, require I 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 my audit, I noted that the District has not spent \$22,723 of grant funds (see finding 2023-04). I also noted that subsequent to September 30, 2023 the District failed to timely pay for the workers compensation insurance causing Walton County to have to provide coverage for the District until the workers compensation insurance could be paid for in full (see finding 2023-09). I also noted that subsequent to September 30, 2023 the new Chairman requested an ethics ruling from the Florida Ethics Commission in which the ethics commission noted that board members should not be receiving recruiting and retention payments (see finding 2023-05).

**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.



Edward E Chapman  
Certified Public Accountant  
Springville, Alabama

July 3, 2024, except as to note 2, which is as of September 10, 2024



Liberty Fire District  
3278 US Highway 90  
Defuniak Springs, FL. 32433  
Phone (850) 892-5833

July 3, 2024, except as to note 2, which is as of September 10, 2024

To: Edward Chapman, CPA  
7224 US Hwy 11  
Springville, AL.35146

Subject: The District's response to the FY 2023 Audit Findings

**Audit Finding, 2023-01, Budget was not formally adopted by the Board.**

The budget that the District presented was not formally adopted by the entire Board. The District could not provide evidence that a budget was adopted by the Board. Expenditures were in excess of budgeted amounts. Non-compliance with Florida Statue 13, chapter 189.016.

**District's response:** The new board members are aware of the requirement to adopt a budget annually and has put procedures in place to ensure that all budgeting requirements are complied with as directed by Florida Statutes.

**Audit Finding, 2023-02, Failure to retain invoices for expenditures.**

I was unable to obtain two invoices requested during my testing.

- Garage Door Guru - \$2,000.00
- Garage Door Guru - \$1,630.00

**District's response:** The new board members have already put procedures in place to ensure that all documentation related to disbursements are retained and accessible.

**Audit Finding, 2023-03, The District's website does not comply with Florida Statues in regard to content.**

The District's website does not comply with Florida Statue 13, chapter 189.064 in regards to content.

**District's response:** The board has made substantial improvement to the Districts website and the website is now accessible to the public and current information is available. We continue to work on ensuring that the website is in complete compliance with Florida Statutes. We expect to be in full compliance prior September 30, 2024.

**Audit Finding, 2023-04, Failure to comply with grant requirements.**

At the end of the fiscal year ending September 30, 2022 (prior year) the district had only spent \$27,223 of the required spending on a grant obtained from the Federal Emergency Management Agency (FEMA). The grant was approved to purchase defibrillators, with a total spending requirement of \$49,946. The additional spending requirement of \$22,723 was not spent prior to the end of the current fiscal year ending September 30, 2023.

**District's response:** Due to changes within the board the additional required spending on the defibrillators was not known. We will satisfy the spending requirement immediately.

**Audit Finding, 2023-05, Board members voted on District disbursements involving related parties. Potential Code of Ethics violations.**

Board members voted to approve disbursements for recruiting and retention incentives which benefited themselves and family members.

**District's response:** Chairman Engel requested a ruling from the Florida Ethics Commission. Once the ruling was received the board held a meeting and it was determined that board members would not be eligible to participate in recruiting and retention payments. No further payments have been made.

**Audit Finding, 2023-06, Failure to maintain personnel, training and grant documents.**

Personnel, training, and grant documentation was unorganized and not readily accessible.

**District's response:** The board has devoted substantial resources to review the District's record and retention policy. Major improvements have been made and we feel that as of today the District is in compliance.

**Audit Finding, 2023-07, Failure to issue year end 1099's to board members, contractors, and volunteers for incentive and services payments.**

The District did not issue 1099's to board members, contractors, and volunteers for incentive and services payments as required by federal law.

**District's response:** The board has put procedures in place to ensure all required 1099's are timely issued going forward.

**Audit Finding, 2023-08, Failure to file the annual financial report by the state-imposed deadline.**

The District did not file the FY 2023 annual financial report timely. Florida Statutes 14, chapter 189.032 requires the annual report to be filed with the State of Florida by June 30 of the subsequent year. Non-compliance with Florida Statute 14, chapter 189.032.

**District's response:** The District engaged a CPA early on to ensure that the audit was completed by 06/30/2024. Due to the CPA's schedule and the changes within the Districts management the audit took longer than expected. Our AFR will be filed a few days late this year which is a big improvement from last years audit. We will continue to engage a CPA early and ensure that they have all of the documentation needed to complete our audit in a timely manner.

**Audit Finding, 2023-09, Financial Condition**

The District is not in a state of "deteriorating financial conditions" as defined by Florida Statute 503, chapter 218.503(1) as of September 30, 2023, however the District's overall financial condition demonstrates signs of deterioration. Specifically, the inability to pay for workers compensation insurance in a timely manner subsequent to September 30, 2023 indicates that the District is in a state of deteriorating financial condition. As of the date of this report (July 3, 2024) the District has renewed the workers compensation insurance and is current on all required insurance policies.

**District's response:** The District has secured additional funding from Walton County for \$125,000 a year. All insurance has been brought to current status and we do not expect the insurance to ever lapse again. The District has also paid off over \$30,000 on the loan and expect to pay the loan off early. The District is also looking into ways to reduce administration cost and will continue to apply for grant funding as appropriate.

Signed by



Title

Chairman of the Board