

East Niceville Fire District

FINANCIAL STATEMENTS

September 30, 2014



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East Niceville Fire District
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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
East Niceville Fire District
Niceville, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, revenues and expenditures budget and actual, each major fund, and the aggregate remaining fund information of East Niceville Fire District (hereinafter referred to as the "District") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion on Governmental Activities

Management has not determined the annual Other Postemployment Benefit Accounting (OPEB) cost and net OPEB obligation through an actuarial study. Accounting principles generally accepted in the United States of America require that the annual OPEB cost be calculated based on an actuarial study every two years. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Management has not determined the net pension liability under Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* through an updated actuarial study which covers the year ended September 30, 2014. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Basis for Qualified Opinion on Pension Trust Fund

Management has not determined the required disclosures in the related notes to the financial statements as required under GASB Statement No. 67 through an updated actuarial study. Accounting principles generally accepted in the United States of America require supplementary information be presented based on an actuarial study which covers the year ended September 30, 2014.

Qualified Opinions

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion on Governmental Activities" and "Basis for Qualified Opinion on Pension Trust Fund" paragraphs above, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund and the pension trust fund of the East Niceville Fire District, as of September 30, 2014, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, and schedule of funding progress - pension trust fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*


In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

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

Certified Public Accountants
December 22, 2014



MANAGEMENT'S DISCUSSION AND ANALYSIS



Management's discussion and analysis provide an easily readable analysis of East Niceville Fire District's, (the "District") financial activities. The analysis provides summary financial information and should be read in conjunction with the District's financial statements.

The primary purpose of the District is to provide fire suppression, fire inspection, rescue and emergency medical services for the following area in Okaloosa County: all sections outside the Niceville city limits bordered on the north by the Eglin Military Reservation, on the east by Rocky Bayou, on the south by the Choctawhatchee Bay, and on the west by the Valparaiso city limits. Although it is important to the long-term existence of the District to maintain its financial health, net position is accumulated only to the extent required to ensure that there are sufficient reserve funds for future operations and for new capital needs.

Financial Highlights

- Total assets decreased \$89,391.
- Net position decreased by \$75,889.
- Total revenues increased by 3.5% or \$21,773 and total expenses increased by 1.0% or \$6,954.

District Highlights

During the fiscal year ended September 30, 2014, the District responded to 435 incidents, including 214 medicals, 180 service calls, 15 fires, and 26 motor vehicle accidents.

The Board of Commissioners approved the fiscal year ending September 30, 2014 budget on September 4, 2013 with an approved millage rate of 2.37 mills for the 2013 - 2014 fiscal year.


Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) *Government-wide financial statements*, 2) *Fund financial statements*, and 3) *Notes to financial statements*. The *government-wide financial statements* present an overall picture of the District's financial position and results of operations. The *fund financial statements* present financial information for the District's major fund. The *notes to basic financial statements* provide additional information concerning the District's finances that are not otherwise disclosed in the government-wide or fund financial statements.

The remaining statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the government.

Government-wide Financial Statements

The *government-wide financial statements* include the *statement of net position* and *statement of activities*. These statements are designed to provide readers with a broad overview of the District's



financial position, in a manner similar to that of private-sector companies. Emphasis is placed on the net position of governmental activities as well as the change in net position.

Governmental activities are the activities where the District's operations are reported. The District does not have any business-type activities.

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

The *statement of activities* presents information on all revenues and expenditures of the District and the change in net position for the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in the statement of activities for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements

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

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

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

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

Notes to financial statements provide additional detail concerning the financial activities and financial balances of the District. Additional information about the accounting practices of the

District, capital assets of the District, and long-term debt are just a few of the items included in the notes to financial statements.

Financial Analysis of the District

The following schedule provides a summary of the assets, liabilities and net position of the District.

NET POSITION GOVERNMENTAL ACTIVITIES

<i>September 30,</i>	2014	2013	Change
Assets			
Current and other assets	\$ 104,334	\$ 151,309	\$ (46,975)
Capital assets, net	268,625	311,041	(42,416)
Total assets	372,959	462,350	(89,391)
Liabilities			
Current liabilities	109,425	122,927	(13,502)
Total liabilities	109,425	122,927	(13,502)
Net position			
Net investment in capital assets	268,625	311,041	(42,416)
Unrestricted	(5,091)	28,382	(33,473)
Total net position	\$ 263,534	\$ 339,423	\$ (75,889)

Net position invested in capital assets (e.g., land, buildings, and equipment), net of any related outstanding long-term debt used to acquire those assets, represents significantly all of the District's net position. The District had no outstanding long-term debt at September 30, 2014. Capital assets are used to provide services to citizens; consequently, these assets are not available for future spending.

The remaining balance of *unrestricted net position* is a deficit of \$5,091.

**STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES**

The following schedule compares the Statement of Activities for the current and previous fiscal years:

<i>Year ended September 30,</i>	2014	2013	Change
General revenues			
Ad valorem taxes, net of discounts and tax collector's commission	\$ 633,898	\$ 619,121	\$ 14,777
Interest	1,254	1,610	(356)
Miscellaneous	9,272	1,920	7,352
Total general revenues	644,424	622,651	21,773
Expenses	720,313	713,359	6,954
Decrease in net position	(75,889)	(90,708)	14,819
Net position, beginning (2013 as restated)	339,423	430,131	(90,708)
Net position, ending	\$ 263,534	\$ 339,423	\$ (75,889)

Ad valorem taxes increased by 2.4% or \$14,777 due to an increase in property tax base from the prior year, as millage rate remained at 2.37 for the current year.

Expenses increased by 1.0% or \$6,954, from the previous year, primarily due to an increase in the cost of health insurance offset by a decrease in salaries.

GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

The District experienced a decrease in revenues as compared to the budget in the amount of \$9,449, which occurred primarily due to less than expected miscellaneous income.

Additionally, the District had a favorable decrease in expenses compared to budget in the amount of \$113,781. This decrease occurred primarily due to the fact that the District did not incur any capital outlay expenses for equipment or operational reserves that were included in the budget.

Overall, the general fund had a favorable variance compared to budget in the amount of \$104,332.

Capital Assets Activity

The following schedule provides a summary of the District's capital assets activity. The District's total investment in capital assets activities as of September 30, 2014 was \$268,625 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles and equipment.

Capital Assets (net of depreciation) Governmental Activities

<i>September 30,</i>	2014	2013	Change
Land	\$ 30,000	\$ 30,000	\$ -
Building and improvements	337,937	337,937	-
Vehicles and equipment	776,205	776,205	-
Total, prior to depreciation	1,144,142	1,144,142	-
Accumulated depreciation	(875,517)	(833,101)	(42,416)
Capital assets, net	\$ 268,625	\$ 311,041	\$ (42,416)

Additional information about the District's capital assets is presented in note 3 to the financial statements.

FUTURE FINANCIAL FACTORS

East Niceville Fire District, an independent special district created by County ordinance 78-11, Okaloosa County, operates under the provisions of Chapters 189 and 191, Florida Statutes. The District operates under an elected Board of Fire Commissioners. The Board establishes policy and sets the millage rate. The District has taxing authority as revenues are generated by ad valorem taxes. Rates for fiscal year 2014 have been established to provide for the operations of the District and necessary capital and operating requirements.



BOARD OF FIRE COMMISSIONERS

Michael Marcolongo
Chairman

John Root
Vice Chairman

Tricia Brunson
Treasurer

Matt Schwab
Member

Ed Dunbar
Secretary

MANAGEMENT

Michael Wright
Fire Chief

CONTACT INFORMATION

East Niceville Fire District
P.O. Box 553
Niceville, FL 32588-0553

BASIC FINANCIAL STATEMENTS

East Niceville Fire District
Statement of Net Position and Governmental Fund Balance Sheet

September 30, 2014

	<u>General Fund</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Position</u>
Assets			
Cash and cash equivalents	\$ 83,103	\$ -	\$ 83,103
Prepays	21,231	-	21,231
Capital assets, net	-	268,625	268,625
Total assets	<u>\$ 104,334</u>	<u>268,625</u>	<u>372,959</u>
Liabilities			
Accounts payable	\$ 1,937	-	1,937
Accrued salaries and benefits payable	16,360	-	16,360
Compensated absences	91,128	-	91,128
Total liabilities	<u>109,425</u>	<u>-</u>	<u>109,425</u>
Fund balance/net position			
Nonspendable	21,231	(21,231)	-
Unassigned	(26,322)	26,322	-
Total fund balance	<u>(5,091)</u>	<u>5,091</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 104,334</u>		
Net position			
Net investment in capital assets		268,625	268,625
Unrestricted net position		<u>(5,091)</u>	<u>(5,091)</u>
Total net position		<u>\$ 263,534</u>	<u>\$ 263,534</u>

See accompanying notes to financial statements.

East Niceville Fire District
Statement of Activities and Governmental Fund Revenues,
Expenditures and Change in Net Position

Year ended September 30, 2014

	<u>General Fund</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Activities</u>
Revenues			
Ad valorem taxes, net	\$ 633,898	\$ -	\$ 633,898
Interest	1,254	-	1,254
Miscellaneous	9,272	-	9,272
Total revenues	644,424	-	644,424
Expenditures			
Personnel services			
Group employee life and health insurance	86,502	-	86,502
Salaries	394,413	-	394,413
Section 175 retirement contribution	11,250	-	11,250
Payroll taxes	31,581	-	31,581
Other employee benefits	38,424	-	38,424
Operating services			
Accounting and auditing	17,800	-	17,800
Contractual services	1,752	-	1,752
Insurance	29,099	-	29,099
Office and operating supplies	26,105	-	26,105
Other general governmental services	1,388	-	1,388
Property appraisal	10,676	-	10,676
Repairs and maintenance	13,780	-	13,780
Travel	753	-	753
Utilities	14,374	-	14,374
Depreciation	-	42,416	42,416
Total expenditures	677,897	42,416	720,313
Revenues under expenditures/ change in net position	(33,473)	(42,416)	(75,889)
Fund balance/net position, beginning of year	28,382	311,041	339,423
Fund balance/net position, end of year	\$ (5,091)	\$ 268,625	\$ 263,534

See accompanying notes to financial statements.

East Niceville Fire District
Statement of Revenues and Expenditures – Budget and Actual

Year ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
Revenues				
Ad valorem taxes, net	\$ 634,202	\$ 634,202	\$ 633,898	\$ (304)
Interest and miscellaneous	19,671	19,671	10,526	(9,145)
Total revenues	653,873	653,873	644,424	(9,449)
Expenditures				
Personnel services				
Group employee life/health insurance	84,000	87,000	86,502	498
Salaries	407,250	395,000	394,413	587
Section 175 retirement contribution	16,000	12,000	11,250	750
Payroll taxes	30,000	32,000	31,581	419
Other employee benefits	-	-	38,424	(38,424)
Operating services				
Accounting and auditing	16,840	18,000	17,800	200
Contractual services	-	1,800	1,752	48
Insurance	26,190	30,000	29,099	901
Office and operating supplies	25,300	28,205	26,105	2,100
Other general governmental services	2,650	2,900	1,388	1,512
Property appraisal	11,185	11,185	10,676	509
Repairs and maintenance	21,758	21,758	13,780	7,978
Travel	900	900	753	147
Utilities	20,800	20,800	14,374	6,426
Capital outlay				
Operational reserve	126,000	115,000	-	115,000
Equipment	15,000	15,130	-	15,130
Total expenditures	803,873	791,678	677,897	113,781
Excess (deficit) of revenues over (under) expenditures	\$ (150,000)	\$ (137,805)	\$ (33,473)	\$ 104,332

See accompanying notes to financial statements.



East Niceville Fire District
Statement of Net Position - Pension Trust Fund

September 30, 2014

Assets

Cash	\$ 288,559
Investments	281,130
Due from State of Florida	21,991

Total assets	\$ 591,680
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Net position

Held in trust for pension benefits	\$ 591,680
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See accompanying notes to financial statements.

East Niceville Fire District
Statement of Changes in Net Position - Pension Trust Fund

Year ended September 30, 2014

Additions	
Contributions - District	\$ 11,250
Contributions - plan members	17,612
Contributions - Florida firefighter's pension trust fund	61,755
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Total contributions	90,617
Investment Income	
Dividends and interest	6,544
Realized gain on investments	10,281
Unrealized gain on investments	15,686
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Total additions	123,128
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Deductions	
Member refunds	8,186
Administrative fees	1,495
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Total deductions	9,681
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Change in net position	113,447
Net position, beginning of year	478,233
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Net position, end of year	\$ 591,680
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See accompanying notes to financial statements.



East Niceville Fire District Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

East Niceville Fire District (the “District”) was created as an independent special district by County ordinance 78-11, in Okaloosa County in 1978. The District operates under an elected Board of Fire Commissioners form of government and provides the following services: fire suppression, fire inspection, rescue and emergency medical.

Financial reporting entity

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

Basis of presentation

The accounting policies of the District conform to U.S. Generally Accepted Accounting Principles (GAAP) as applicable to governments in accordance with those promulgated by Governmental Accounting Standards Board (GASB).

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

Measurement focus and basis of accounting

The basic financial statements of the District are composed of the following:

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

Government-wide financial statements

Government-wide financial statements display information about the District as a whole, except for its fiduciary activity.



East Niceville Fire District Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Ad valorem 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.

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

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

Fund financial statements

Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Current financial resources measurement focus generally means that only current assets and current liabilities are included in the balance sheet. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction 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 revenue available if they are collected within 60 days after year end.

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

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 fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

East Niceville Fire District Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary funds

Fiduciary fund types 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 Pension Trust Fund accounts for the assets of the District's defined benefit plan (Florida Statute Chapter 175 Firefighters' Pension Trust Fund); it is custodial in nature and does not present results of operations. The Pension Trust Fund is accounted for using the accrual basis of accounting.

Use of estimates

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

Cash and cash equivalents

The District maintains deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida securities which have a market value equal to 50% of all public funds on deposit at the end of each month in excess of any applicable deposit insurance. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories.

Under this method, all the District's deposits and investments are fully insured or collateralized at the highest level of security as defined by *Governmental Accounting Standards Board, Statement Number 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements as amended by Governmental Accounting Standards Board, Statement Number 40, Deposit and Investment Risk Disclosures*. The cash balance held in deposit at qualified public depositories was \$97,988 at September 30, 2014.

Capital assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial/individual cost of more than \$750. Such assets are recorded at historical cost if purchased or constructed or estimated historical cost if actual cost is unknown. Donated assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment of the primary government are depreciated using the straight line method over the estimated useful lives generally as follows:

**East Niceville Fire District
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets (continued)

<u>Asset</u>	<u>Years</u>
Buildings and improvements	30
Vehicles and equipment	5 - 15

Compensated absences

Unpaid vacation pay and sick leave accrue for all employees. The District has accrued these accumulated and unpaid compensated amounts due its employees in the financial statements at September 30, 2014.

The policy of the District for accrued leave is limited to 360 hours for shift employees and 200 hours for non-shift employees. Employees are paid 100% of their vested accrued leave when they terminate their employment for any reason.

The policy of the District for sick leave is that all shift employees will accrue sick leave at a rate of 5 hours of sick leave per pay period and non-shift employees will earn 4.1 hours of sick leave per pay period. Maximum number of hours to be accumulated is 720 hours for shift employees and 480 hours for non-shift employees. In the case of death while employed, all accumulated sick leave will be paid to the beneficiary.

The amount recorded as accrued leave represents the total amount the District would owe its employees if all employees quit or were terminated. The total amount accrued is \$91,128, all of which is considered due within one year.

Ad valorem tax revenue

Significant dates relative to ad valorem tax revenue are as follows:

Assessment Date - January 1	Past Due - April 1
Maximum Discount - November 1	Tax Certificates Sold - June 1

The Board of Commissioners approved a millage rate of 2.37 for the year ended September 30, 2014.



East Niceville Fire District Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund balance

The District has implemented GASB Statement 54 employing the following terminology and classifications for fund balance.

Nonspendable – This category includes the resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The balance as of September 30, 2014 of \$21,231 is from prepaids which are not in spendable form.

Restricted – This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. There are no restricted funds at September 30, 2014.

Committed – This category includes resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority which is the Board of Commissioners. There are no committed funds as of September 30, 2014.

Assigned – This category includes resources that are intended to be used for specific purposes, but is neither restricted nor committed. These are resources that have been set aside for a specific purpose by an authorized government body or official. There are no assigned funds as of September 30, 2014.

Unassigned – This category is the residual classification for the District's fund balance. The balance as of September 30, 2014 is a deficit of \$(26,322).

Net position

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

Net investment in capital assets - represents the difference between the cost of capital assets, less accumulated depreciation reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. At September 30, 2014, the District had no outstanding long-term debt.

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

Budgets

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



East Niceville Fire District Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets (continued)

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

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

Subsequent events

Management has evaluated subsequent events through December 22, 2014, which is the date the financial statements were available to be issued.

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

The following is an explanation of differences between the general fund balance sheet and statement of net position.

The total fund balance of the District's governmental general fund (deficit \$5,091) differs from the net position of governmental activities (\$263,534) reported in the statement of net position and governmental funds balance sheet. This difference results primarily from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet.

When capital assets (property, leasehold improvements and equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds; however, the statement of net position includes those capital assets of the District as a whole. The amount reported in the statement of net position as invested in capital assets at September 30, 2014 is \$268,625, as detailed in note 3.

**East Niceville Fire District
Notes to Financial Statements**

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

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. The District expended no funds for capital items during the fiscal year; therefore the difference consists of depreciation expense of \$42,416 reported in the statement of activities that is not an expenditure in the governmental fund.

NOTE 3 – CHANGES IN CAPITAL ASSETS

The following is a summary of changes in the capital assets for the year ended September 30, 2014:

	October 1, 2013	Additions	Deletions	September 30 2014
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Capital assets being depreciated				
Building and improvements	337,937	-	-	337,937
Vehicles and equipment	776,205	-	-	776,205
Total capital assets being depreciated	1,114,142	-	-	1,114,142
Less accumulated depreciation	833,101	42,416	-	875,517
Total capital assets being depreciated, net	281,041	(42,416)	-	238,625
Governmental activities capital assets, net	\$ 311,041	\$ (42,416)	\$ -	\$ 268,625

Depreciation expense for fiscal year ended September 30, 2014, totaled \$42,416.

**East Niceville Fire District
Notes to Financial Statements**

NOTE 4 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Liability for compensated absences	\$ 91,128	\$ 38,421	\$ (38,421)	\$ 91,128	\$ 91,128
Total long-term liabilities	\$ 91,128	\$ 38,421	\$ (38,421)	\$ 91,128	\$ 91,128

NOTE 5 – RISK MANAGEMENT

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

NOTE 6 – RETIREMENT PLAN

Plan Description

The District began participating in a Florida Statute Chapter 175 Firefighters Pension Trust Fund (Chapter 175 Plan for full-time state certified firefighters) in 2007. The Chapter 175 Plan is a single-employer defined benefit pension plan administered by East Niceville Fire District. It was established to provide retirement, disability, and death benefits for covered employees. Florida Statute 175 establishes eligibility and vesting requirements and benefits provisions. Membership is compulsory for all full-time firefighters. Non-firefighter personnel of the District are excluded from this plan. An actuarial valuation report for the plan may be obtained by writing the District at P.O. Box 553, Niceville, FL 32588-0553. The District does not issue stand-alone financial statements for this Plan.

Benefits

Vesting occurs after 10 years of credited service. Members are eligible for normal retirement at the earlier of age 55 and 10 years of credited service, or age 52 and 25 years of credited service. Early retirement may be taken after 10 years of credited service and attaining age 50; however, the accrued benefit will be actuarially reduced. Upon retirement, members are entitled to receive a monthly amount approximately equal to 3.0% of average final compensation per year of credited service. As of September 30, 2014, the plan had a total of 10 participating members, none eligible for normal retirement.

NOTE 6 – RETIREMENT PLAN (CONTINUED)

Basis of Accounting

The accrual basis of accounting is used for the pension trust fund. Contributions made by the District/State are recognized as revenue when due and the employer has made a formal commitment to provide the contributions. Contributions for the District's employees are recognized as revenue when due. Investment income is recognized as income when earned. Plan liabilities for benefits and refunds are recognized when due and payable in accordance with the plan terms.

Investments Authorized and Valuation of Investments

Investments authorized by the Plan's investment policy are limited to equities not in excess of 5% of the Plan's assets, fixed income limited to bonds of a single corporation not to exceed 3% of the total fund, money markets and pooled funds which include mutual funds. Investments are reported at fair value. The fair value of mutual funds is based on quoted market prices. Investments in money market funds are reported at cost which approximates fair market value. During the fiscal year ended September 30, 2014, all the Chapter 175 Plan assets were held in a money market account with a local bank and a mutual fund.

Funding Policy

The plan members are required to contribute 5.0% of their annual covered salary to the plan. The District is required to contribute at an actuarially determined rate. The actual contribution rate for the District and State contribution equaled 20.0% of employees' salaries for the covered annual payroll. The actuarial rate was determined from an actuarial report as of October 1, 2012, using the entry age normal actuarial cost method.

Annual Pension Cost

For the year ended September 30, 2014, the retirement plan's annual pension cost including member contributions was \$78,606 which is less than the actual contribution of \$90,617. Florida Statute Chapter 175 authorized special fire control districts to levy a tax upon certain insurance companies who engage in the business of property insurance. The District imposed the tax by Resolution 2006-01 effective October 1, 2006. The proceeds from this tax are to be used in partial support of the Chapter 175 Plan.

For the year ended September 30, 2014, the District received \$61,755 from the State of Florida as proceeds from this tax. This amount was deposited directly to the Pension Trust Fund and is reported as contributions in the Statement of Changes in Net Position – Pension Trust Fund. The State required contribution of \$56,358 was determined as part of the actuarial valuation as of October 1, 2012, using the entry age normal actuarial cost method without frozen initial liability. While contributions to the plan are currently funded through these various sources, it is ultimately the responsibility of the District to fund the plan.

**East Niceville Fire District
Notes to Financial Statements**

NOTE 6 – RETIREMENT PLAN (CONTINUED)

The actuarial assumptions used to determine the Annual Required Contribution included a 7% investment rate of return (net of investment related expenses) and a projected salary increase per year of between 5.5% and 10.0% based on years of service until the assumed retirement age. Postretirement benefits were assumed not to increase. Assets were valued using market valuation method and amortization determined using the level dollar method.

Three - Year Trend Information

Year Ended September 30	Annual Pension Cost (APC)	Annual Contribution	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 69,340	\$ 69,444	100%	\$ -
2013	\$ 69,340	\$ 81,313	117%	\$ -
2014	\$ 78,606	\$ 90,617	115%	\$ -

Schedule of Contributions by Employer and Other Contributing Entities

Year Ended September 30	Annual Required Contribution	District Contribution	State of Florida Contribution	Percentage Contribution
2012	\$ 49,507	\$ 5,372	\$ 48,039	108%
2013	\$ 49,507	\$ 11,250	\$ 53,841	131%
2014	\$ 58,263	\$ 11,250	\$ 61,755	125%

Annual Pension Costs and Related Information

	Fire District
Required contribution rates as of 9/30/14:	
State	13.2%
District	2.8%
Plan members	5.0%
Actuarially determined contribution	\$78,606
Contributions made	\$90,617
Actuarial valuation date	10/1/2012
Actuarial cost method	Entry age normal
Amortization method	Level Dollar
Remaining amortization period	34 Years as of 10/1/12
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increase (based on years of service)	5.5% - 10.0%

**East Niceville Fire District
Notes to Financial Statements**

NOTE 6 – RETIREMENT PLAN (CONTINUED)

Investments

The following table presents the fair value of the Plan's investments at September 30, 2014:

	Fair Value	Fair Value as a % of Plan Net Assets
<i>Investments for which Fair Value was Determined by Quoted Market Price:</i>		
Mutual Funds	\$ 281,130	49.3%
<i>Investments for which Cost approximates Fair Market Value:</i>		
Money Market Fund	288,559	50.7%
Total	\$ 569,689	100.0%

The District's investment policy for the retirement plan does not explicitly address custodial, credit, interest rate or foreign currency risk. The investment policy specifies the market sectors and the benchmark for each sector.

Required Supplementary Information

The schedule of funding progress can be found in the supplemental information of this annual financial report.

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS

The postemployment Healthcare Benefits Plan (Plan) is a single employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District and eligible dependents, may continue to participate in the District's health and hospitalization plan for medical and prescription drug coverage.

The District subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. The Plan does not issue a stand-alone report, and it is not included in the report of a Public Employee Retirement System or another entity.



**East Niceville Fire District
Notes to Financial Statements**

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Funding Policy

Contribution requirements of the District and plan members are established and may be amended through action from the District Board. The District has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the year ending September 30, 2014, there were no retirees receiving postemployment health care benefits.

**REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MD&A)**

**East Niceville Fire District
Required Supplementary Information
Schedule of Funding Progress Pension Trust Fund (Unaudited)**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
		Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)			
10/1/2012	391,157	324,254	(66,903)	120.63%	365,331	-18.31%
10/1/2010	261,539	285,025	23,486	91.76%	292,199	8.04%
10/1/2007	52,219	58,859	6,640	88.72%	240,162	2.76%

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

To the Board of Commissioners
East Niceville Fire District
Niceville, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the East Niceville Fire District, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 22, 2014.

Basis for Qualified Opinion on Governmental Activities

Management has not determined the annual Other Postemployment Benefit Accounting (OPEB) cost and net OPEB obligation through an actuarial study. Accounting principles generally accepted in the United States of America require that the annual OPEB cost be calculated based on an actuarial study every two years. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Management has not determined the net pension liability under Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* through an updated actuarial study which covers the year ended September 30, 2014. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Basis for Qualified Opinion on Pension Trust Fund

Management has not determined the required disclosures in the related notes to the financial statements as required under GASB Statement No. 67 through an updated actuarial study. Accounting principles generally accepted in the United States of America required supplementary information be presented based on an actuarial study which covers the year ended September 30, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial

statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described below to be material weaknesses:

14-01 (Prior year 13-03) Lack of Actuarial Study (Internal Control over Financial Reporting)

Finding

The District did not have an actuarial study performed to determine the annual Other Postemployment Benefit Accounting (OPEB) cost and liability for the current year pursuant to Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Recommendation

We recommend the District have its actuary perform an actuarial study to determine the annual OPEB cost and liability for the current year and to determine the additional disclosures for its OPEB reporting.

View of the Responsible Officials

The District plans to have an actuarial study done in the current fiscal year.

14-02 Fund Balance Deficit (Internal Control over Financial Reporting and Compliance)

Finding

Management has not been sufficiently monitoring District expenditures. At September 30, 2014, the District has a deficit balance in the general unassigned fund of \$26,322 and a deficit balance in the government wide unrestricted net position of \$5,091.

Recommendation

It is management's responsibility to monitor the District's financial condition. We recommend that the District monitor more closely budget to actual to alert the Board when the unassigned balance is in a deficit position and take necessary steps to control spending.

View of the Responsible Officials

The District has an increase in its millage rate from 2.37 mills in fiscal year 2014 to 2.45 mills for fiscal year 2015. We have also entered into a new line of credit agreement with its bank and is analyzing all expenditures to determine if and where costs can be reduced.

14-03 Lack of an Updated Actuarial Study (Internal Control over Financial Reporting)

Finding

The District also did not obtain an updated actuarial study to determine the net pension liability and additional disclosures required in the financial statements pursuant to GASB Statement No. 67, *Financial Reporting for Pension Plans* which became effective for pension plans in fiscal years beginning after June 15, 2013.

Recommendation

We recommend the District have its actuary perform an actuarial study to determine the net pension liability and to determine the additional disclosures for its pension plan reporting.

View of the Responsible Officials

The District plans to have an actuarial study done in the current fiscal year.

The District's responses to the findings identified in our audit are included above. We did not audit the District's responses and, accordingly, we express no opinion on them.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion.

Purpose of this Report

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

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

Certified Public Accountants
December 22, 2014

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Board of Commissioners
East Niceville Fire District
Niceville, Florida

We have audited the financial statements of the East Niceville Fire District (the "District") as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated December 22, 2014.

Basis for Qualified Opinion on Governmental Activities

Management has not determined the annual Other Postemployment Benefit Accounting (OPEB) cost and net OPEB obligation through an actuarial study. Accounting principles generally accepted in the United States of America require that the annual OPEB cost be calculated based on an actuarial study every two years. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Management has not determined the net pension liability under Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* through an updated actuarial study which covers the year ended September 30, 2014. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Basis for Qualified Opinion on Pension Trust Fund

Management has not determined the required disclosures in the related notes to the financial statements as required under GASB Statement No. 67 through an updated actuarial study. Accounting principles generally accepted in the United States of America required supplementary information be presented based on an actuarial study which covers the year ended September 30, 2014.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements performed in accordance with Government Auditing Standards and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated December 22, 2014, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as follows: Finding 14-01 contains a finding also noted in the preceding annual financial audit report only, for the fiscal year ended September 30, 2013 (Finding 13-03).

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The information required is disclosed in the notes to the financial statements.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment performed as of the fiscal year end, was based in part on representations made by management and the review of financial information provided by same. The financial condition assessment noted a deteriorating financial condition. Deficit balances in the unassigned fund and unrestricted net position are detailed in Finding 14-02.

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2014. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. Findings 14-01 through 14-03 contain recommendations for financial reporting. Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. Findings 14-01 through 14-03 contain recommendations for financial reporting. Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

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

Caru, Riggs & Ingram, L.L.C.

Certified Public Accountants

December 22, 2014



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INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Commissioners
East Niceville Fire District
Niceville, Florida

We have examined East Niceville Fire District's (the "District") compliance with the requirements of Section 218.415, Florida Statutes, Local Government Investment Policies, during the year ended September 30, 2014. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on District's compliance based on our examination.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

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

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

Certified Public Accountants
December 22, 2014