

LOCAL GOVERNMENTAL ENTITY AUDIT REPORT SUBMITTAL CHECKLIST

Entity Name: East Niceville Fire District

Contact Person Name and Title: Ed Dunbar Commissioner

Contact Person Mailing Address: 1709 East 27th Street, Niceville, Florida 32578

Contact Person Phone Number: 850-678-2311

Contact Person E-mail Address: edunbar@enfd.net

Fiscal Year Audited: September 30, 2016

Date the auditor delivered the audit report to the entity: January 17, 2017

Does the audit report include the following items required by Section 10.557(3), Rules of the Auditor General:

Required for municipalities, special districts, the county as a whole, and county agencies **

Yes The financial statements described in Sections 10.556(3) and (4), Rules of the Auditor General, as applicable, together with related notes to financial statements?

Yes Required supplementary information (RSI) such as the management's discussion and analysis (not required for county agencies), or the budgetary comparison schedule (required as RSI if not presented as part of the financial statements)?

Yes The auditor's report on the financial statements?

Yes The auditor's report on compliance and internal control?

Yes The management letter defined in Section 10.554(1)(i), Rules of the Auditor General?

N/A The written statement of explanation or rebuttal, including corrective action to be taken, required by Section 10.558(1), Rules of the Auditor General?

Yes The auditor's report based on an examination conducted in accordance with *AICPA Professional Standards*, prepared in accordance with AT Sections 601.55 and 601.56, promulgated by the American Institute of Certified Public Accountants, regarding the compliance requirements referenced in Section 10.556(10), Rules of the Auditor General?

N/A For entities that had an impact fee adopted by ordinance on their behalf, an affidavit signed and sworn to by the Chief Financial Officer before an officer authorized to administer oaths (e.g., notary public) stating that the ordinance complied with the restrictions of Section 163.31801, Florida Statutes.

** Pursuant to Section 218.39(2), Florida Statutes, an audit of the board of county commissioners is not required. However, if the county report includes an audit of the board of county commissioners, it should include the items required by Section 10.557(3), Rules of the Auditor General.

Required for municipalities, special districts, and the county as a whole

<u>N/A</u>	If applicable, the auditor's reports and related financial information required pursuant to the Federal <i>Single Audit Act Amendments of 1996</i> , Title 2 U.S. Code of Federal Regulations Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards</i> (Uniform Guidance); or other applicable Federal law?
<u>N/A</u>	Any auditor's reports and related financial information required pursuant to the <i>Florida Single Audit Act</i> (see Section 10.557(3)(e), Rules of the Auditor General)?
<u>N/A</u>	For any fiscal year in which funds related to the Deepwater Horizon oil spill are received or expended, a schedule of receipts and expenditures of such funds required by Section 10.557(3)(n), Rules of the Auditor General?
<u>N/A</u>	For any fiscal year in which funds related to the Deepwater Horizon oil spill are received or expended, a report that includes an opinion (or disclaimer of opinion) as to whether the schedule of receipts and expenditures of such funds required by Section 10.557(3)(n), Rules of the Auditor General, is presented fairly in all material respects in relation to the financial statements taken as a whole. The report shall be prepared in accordance with AICPA Professional Standards, AU-C Section 725, promulgated by the American Institute of Certified Public Accountants. (see Section 10.557(3)(f)), Rules of the Auditor General?

In addition to the above, have the following requirements been complied with:

<u>Yes</u>	Are all of the above elements of the audit report included in a single document as required by Section 10.557(3), Rules of the Auditor General?
<u>Yes</u>	Are one paper copy and one electronic copy of the audit report being submitted as required by Section 10.558(3), Rules of the Auditor General?
<u>Yes</u>	Is the electronic copy named using all lower case letters as follows: [fiscal year] [name of entity].pdf? Counties should include the word "county" in the entity name; however, it is not necessary for municipalities to include "city of," "town of," etc. in the entity name. For example, the converted document for the 2015-16 fiscal year for Alachua County should be named 2016 alachua county.pdf while the converted document for the 2015-16 fiscal year for the City of Alachua should be named 2016 alachua.pdf.
<u>Yes</u>	Was the audit report being submitted within 45 days after receipt of the audit report from the auditor, but no later than 9 months after the end of the fiscal year? NOTE: There is no provision in law authorizing an extension for filing the audit report.
<u>N/A</u>	If the audit report is for a county or municipality, and a dependent special district was audited as part of the county or municipality audit, did the notes to financial statements clearly indicate that the special district had been included as part of the county's or municipality's reporting entity? NOTE: Pursuant to Section 218.39(3), Florida Statutes, an independent special district may not be audited as part of a county or municipality audit. When a dependent special district is audited as part of the county or municipality audit, the county or municipality notes to financial statements should clearly disclose that the special district is a component unit included within the county's or municipality's reporting entity.

This checklist should accompany the audit report. It is suggested that you retain a copy of the checklist for your files. Do not hesitate to contact us if assistance or clarification is needed regarding reporting requirements. Our contact information is as follows:

Auditor General
Local Government Audits/342
Claude Pepper Building, Room 401
111 West Madison Street
Tallahassee, FL 32399-1450

Telephone: (850) 412-2881

Fax: (850) 488-6975

E-mail Address: flaudgen_localgovt@aud.state.fl.us

Web site Address: www.myflorida.com/audgen

East Niceville Fire District

FINANCIAL STATEMENTS

September 30, 2016



CRI CARR
RIGGS &
INGRAM

CPAs and Advisors

CRIcpa.com | blog.cricpa.com

**East Niceville Fire District
Table of Contents
September 30, 2016**

	<u>Page</u>
Independent Auditor’s Report	1
Management’s Discussion and Analysis (required supplementary information)	3
Basic Financial Statements	
Financial Statements	
Statement of Net Position and Governmental Fund Balance Sheet	9
Statement of Activities and Governmental Fund Revenues, Expenditures and Change in Fund Balance	10
Statement of Revenues and Expenditures – Budget and Actual - General Fund	11
Pension Fund Financial Statements	
Statement of Net Position – Pension Trust Fund	12
Statement of Changes in Net Position – Pension Trust Fund	13
Notes Basic to Financial Statements	14
Required Supplementary Information (other than MD&A)	
Schedule of Changes in Net Position Liability and Related Ratios	30
Schedule of Pension Contributions	31
Schedule of Pension Investment Returns	32
Schedule of Funding Progress for Other Postemployment Benefits	33
Compliance Reports	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements In Accordance with <i>Government Auditing Standards</i>	34
Independent Auditor’s Management Letter	36
Independent Accountant’s Report	38



Carr, Riggs & Ingram, LLC
4502 Highway 20 East, Suite A
Niceville, FL 32578

(850) 897-4333
(850) 897-4068 (fax)
www.cricpa.com

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, each major fund, fiduciary 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, 2016, and the related notes to basic 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, fiduciary fund and the aggregate remaining fund information of East Niceville Fire District, as of September 30, 2016, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis (MD&A), and required supplementary information other than MD&A 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 January 17, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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


Certified Public Accountants

Niceville, Florida

January 17, 2017



MANAGEMENT'S DISCUSSION AND ANALYSIS



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

The primary purpose of the District is to provide fire suppression, fire inspection, 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 increased by \$30,184.
- Net position increased by \$8,019.
- Total revenues increased by 13% or \$89,795 and total expenses increased by 5% or \$35,540.

District Highlights

During the fiscal year ended September 30, 2016, the District responded to 197 incidents, including 118 medical calls, 20 fire service calls, and 59 motor vehicle accidents.

The Board of Commissioners approved the fiscal year ending September 30, 2016 budget on September 23, 2015 with an approved millage rate of 2.7 mils for the 2015 - 2016 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 funds include the general fund and the pension fund.

Fund financial statements provide financial information for the District's funds 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, land and liabilities are reported in the statement of net position. 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 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 basic financial statements provide additional detail concerning the financial activities and financial balances of the District. Additional information about the accounting practices of the District, capital assets of the District, and noncurrent liabilities are just a few of the items included in the notes to basic financial statements.

Financial Analysis of the District

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

Net Position Governmental Activities

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 69% of the District's net position. The District had no outstanding long-term debt at September 30, 2016. Capital assets are used to provide services to citizens; consequently, these assets are not available for future spending.

<i>September 30,</i>	2016	2015	Change
Assets			
Current and other assets	\$ 206,613	\$ 146,646	\$ 59,967
Capital assets, net	207,634	237,417	(29,783)
Total assets	414,247	384,063	30,184
Deferred outflows of resources	25,902	34,537	(8,635)
Total assets and deferred outflows of resources	440,149	418,600	21,549
Liabilities			
Current liabilities	57,972	48,629	9,343
Noncurrent liabilities	83,189	79,002	4,187
Total liabilities	141,161	127,631	13,530
Net position			
Net investment in capital assets	207,634	237,417	(29,783)
Unrestricted	91,354	53,552	37,802
Total net position	\$ 298,988	\$ 290,969	\$ 8,019

The balance of *unrestricted net position* is \$91,354.

**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>	2016	2015	Change
General revenues			
Ad valorem taxes, net of discounts and tax collector's commission	\$ 777,280	\$ 688,389	\$ 88,891
Interest	742	969	(227)
Miscellaneous	2,567	1,436	1,131
Total general revenues	780,589	690,794	89,795
Expenses			
	772,570	737,030	35,540
Increase in net position	8,019	(46,236)	54,255
Net position, beginning	290,969	337,205	(46,236)
Net position, ending	\$ 298,988	\$ 290,969	\$ 8,019

Ad valorem taxes increased by 13% or \$88,891 due to an increase in the millage rate from the prior year.

Expenses increased by 5% or \$35,540, from the previous year, primarily due to an increase in the payroll and health insurance costs.

Governmental Funds Budgetary Highlights

The District experienced an increase in revenues as compared to the budget in the amount of \$5,197, which occurred due to greater than expected ad valorem tax collections.

Additionally, the District had a favorable decrease in expenditures compared to budget in the amount of \$45,427. This decrease occurred primarily due to less than expected expenditures in group health insurance and operating supplies.

Overall, the general fund had a favorable variance compared to budget in the amount of \$50,624.

Capital Assets Activity

The following schedule provides a summary of the District's capital assets activity. The District's net investment in capital assets activities as of September 30, 2016 was \$207,634 (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>	2016	2015	Change
Land	\$ 30,000	\$ 30,000	\$ -
Building and improvements	346,035	343,337	2,698
Vehicles and equipment	767,989	783,405	(15,416)
Total, prior to depreciation	1,144,024	1,156,742	(12,718)
Accumulated depreciation	(936,390)	(919,325)	17,065
Net investment in capital assets	\$ 207,634	\$ 237,417	\$ (29,783)

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 2016 have been established to provide for the operations of the District and necessary capital and operating requirements.



BOARD OF FIRE COMMISSIONERS

Ed Dunbar
Chairman

Matt Schwab
Vice Chairman

C.J. McEntire
Treasurer

Matt Ruckel
Member

Tricia Brunson
Secretary

MANAGEMENT

Michael Wright
Fire Chief

CONTACT INFORMATION

East Niceville Fire District
1709 East 27th Street
Niceville, FL 32578
www.enfd.net

BASIC FINANCIAL STATEMENTS

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

September 30, 2016

	General Fund	Adjustments (Note 2)	Statement of Net Position
Assets			
Current assets			
Cash and cash equivalents	\$ 129,267	\$ -	\$ 129,267
Receivables, net	1,633	-	1,633
Prepays	25,198	-	25,198
Total current assets	156,098	-	156,098
Noncurrent assets			
Capital assets, net	-	207,634	207,634
Net pension asset	-	50,515	50,515
Total noncurrent assets	-	258,149	258,149
Total assets	156,098	258,149	414,247
Deferred outflows of resources			
Net difference between projected and actual earnings on pension plan investments			
	-	25,902	25,902
Total assets and deferred outflows of resources	\$ 156,098	284,051	440,149
Liabilities			
Current liabilities			
Accounts payable	\$ 2,369	-	2,369
Accrued salaries and benefits payable	21,008	-	21,008
Accrued compensated absences	34,595	-	34,595
Total current liabilities	57,972	-	57,972
Noncurrent liabilities			
Accrued compensated absences	-	59,575	59,575
Other postemployment benefits	-	23,614	23,614
Total noncurrent liabilities	-	83,189	83,189
Total liabilities	57,972	83,189	141,161
Fund balance/net position			
Nonspendable	25,198	(25,198)	-
Unassigned	72,928	(72,928)	-
Total fund balance	98,126	(98,126)	-
Total liabilities and fund balance	\$ 156,098		
Net position			
Net investment in capital assets		207,634	207,634
Unrestricted net position		91,354	91,354
Total net position		\$ 298,988	\$ 298,988

See accompanying notes to financial statements.

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

Year ended September 30, 2016

	General Fund	Adjustments (Note 2)	Statement of Activities
Revenues			
Ad valorem taxes, net	\$ 777,280	\$ -	\$ 777,280
Interest	742	-	742
Miscellaneous	2,567	-	2,567
Total revenues	780,589	-	780,589
Expenditures			
Personnel services			
Group employee life and health insurance	85,921	-	85,921
Salaries	424,644	-	424,644
Section 175 retirement contribution	12,046	-	12,046
Pension expense	-	8,635	8,635
Payroll taxes	34,360	-	34,360
Compensated absences	46,135	(7,620)	38,515
Other postemployment benefits	-	11,807	11,807
Operating services			
Accounting and auditing	20,880	-	20,880
Insurance	30,630	-	30,630
Office and operating supplies	18,924	-	18,924
Advertising	1,100	-	1,100
Property appraisal and tax collector fees	10,333	-	10,333
Repairs and maintenance	24,402	-	24,402
Utilities	17,452	-	17,452
Interest	440	-	440
Capital outlay	2,698	(2,698)	-
Depreciation	-	32,481	32,481
Total expenditures	729,965	42,605	772,570
Excess (deficit) of revenues over (under) expenditures/ change in net position/fund balance	50,624	(42,605)	8,019
Fund balance/net position, beginning of year	47,502	243,467	290,969
Fund balance/net position, end of year	\$ 98,126	\$ 200,862	\$ 298,988

See accompanying notes to financial statements.

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

Year ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>with final budget Positive (Negative)</u>
Revenues				
Ad valorem taxes, net	\$ 768,461	\$ 768,461	\$ 777,280	\$ 8,819
Interest and miscellaneous	3,620	3,620	3,309	(311)
Carryover from prior year	-	3,311	-	(3,311)
Total revenues	772,081	775,392	780,589	5,197
Expenditures				
Personnel services				
Group employee life/health insurance	71,670	95,000	85,921	9,079
Salaries	430,141	430,141	424,644	5,497
Section 175 retirement contribution	10,500	10,500	12,046	(1,546)
Payroll taxes	35,616	35,616	34,360	1,256
Compensated absences	34,595	50,000	46,135	3,865
Operating services				
Accounting and auditing	26,265	26,265	20,880	5,385
Insurance	34,482	34,482	30,630	3,852
Office and operating supplies	26,938	26,938	18,924	8,014
Advertising	1,305	1,305	1,100	205
Property appraisal	13,208	13,208	10,333	2,875
Repairs and maintenance	30,000	30,000	24,402	5,598
Travel	222	222	-	222
Utilities	13,684	13,684	17,452	(3,768)
Interest	1,531	1,531	440	1,091
Capital outlay	6,500	6,500	2,698	3,802
Operational and equipment reserves	35,424	-	-	-
Total expenditures	772,081	775,392	729,965	45,427
Excess of revenues over expenditures	\$ -	\$ -	\$ 50,624	\$ 50,624

See accompanying notes to financial statements.

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

September 30, 2016

Assets

Cash and cash equivalents	\$ 420,167
Investments	314,933
Due from State of Florida	45,656
<hr/>	
Total assets	\$ 780,756
<hr/>	

Net position

Held in trust for pension benefits	\$ 780,756
<hr/>	

See accompanying notes to financial statements.

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

Year ended September 30, 2016

Additions

Contributions - District	\$ 12,046
Contributions - plan members	18,681
Contributions - Florida firefighters' pension trust fund	36,469
Contributions - Florida firefighters' supplemental	9,187

Total contributions	76,383
---------------------	--------

Investment Income

Dividends and interest	9,426
Realized gain on investments	10,564
Unrealized gain on investments	14,988

Total additions	111,361
-----------------	---------

Deductions

Member refunds	5,584
Administrative fees	1,399

Total deductions	6,983
------------------	-------

Change in net position	104,378
------------------------	---------

Net position, beginning of year	676,378
---------------------------------	---------

Net position, end of year	\$ 780,756
---------------------------	------------

See accompanying notes to financial statements.



East Niceville Fire District Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

East Niceville Fire District (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 (Board) 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 the Governmental Accounting Standards Board (GASB).

Governmental funds are used to account for the District's general government activities. The district has two funds, 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 and the pension fund which is presented separately.

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 basic 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 Basic 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 this 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. The flow of 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 revenue available if it is 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 Basic 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). 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 all deposits within "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 among all Qualified Public Depositories.

Under this method, all of 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 \$129,267 at September 30, 2016.

Capital assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as purchases with an initial/individual cost of more than \$750 and a useful life of more than one year. 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 these projects are constructed. Property 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 Basic 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, 2016. The amount recorded represents the total amount the District would owe its employees if all employees quit or were terminated

The policy of the District for accrued leave is limited to 360 hours for shift employees and 200 hours for nonshift 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 nonshift 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 nonshift employees. In the case of death while employed, all accumulated sick leave will be paid to the beneficiary.

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 2.7 for the year ended September 30, 2016.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has one item related to pensions that qualifies for reporting in this category.



East Niceville Fire District
Notes to Basic 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, 2016 of \$25,198 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, 2016.

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, 2016.

Assigned – This category includes resources that are intended to be used for specific purposes, but are neither restricted nor committed. These are resources that have been set aside for a specific purpose by an authorized government body or official. There are no assigned funds as of September 30, 2016.

Unassigned – This category is the residual classification for the District’s fund balance. The balance as of September 30, 2016 is \$72,928.

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, 2016, the District had no outstanding long-term debt associated with capital assets.

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



East Niceville Fire District Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 “final” column of the financial statements represent final authorization amounts.

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

1. Prior to September 1, the Fire Chief and a committee appointed by the Board of 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 January 17, 2017 which is the date the financial statements were available to be issued.

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

The total fund balance of the District’s governmental general fund \$98,126 differs from the net position of governmental activities \$298,988 reported in the governmental funds balance sheet and statement of net position. This difference results primarily from the long-term economic focus of the statement of net position versus the flow of current financial resources measurement focus of the governmental fund balance sheet. The following is an explanation of differences between the general fund balance sheet and statement of net position.

East Niceville Fire District
Notes to Basic Financial Statements

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

<i>September 30,</i>	2016
Total fund balance, governmental fund	\$ 98,126
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund balance sheet.	207,634
Net pension asset does not provide current resources and is not reported in the governmental fund balance sheet.	50,515
Deferred outflows of resources related to pensions are applicable to future periods and, therefore are not reported in the governmental balance sheet.	25,902
Liabilities that do not consume current resources are not reported in the governmental fund balance sheet.	
OPEB liability	(23,614)
Compensated absences noncurrent	(59,575)
Total net position - governmental activities	\$ 298,988

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

<i>Year ended September 30,</i>	2016
Net change in fund balance - governmental fund	\$ 50,624
Capital outlay, reported as expenditures in the governmental fund, is shown as capital assets in statement of net position.	2,698
Current change in the long-term OPEB obligation does not consume current resources and therefore is not reported in the governmental fund.	(11,807)
	(continued)

East Niceville Fire District
Notes to Basic Financial Statements

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

Current change in the compensated absences does not consume current resources and therefore is not reported in the governmental fund.	\$ 7,620
The difference between cost of pension benefits earned net of employee contributions, and the District's pension contributions, is reported as an adjustment to pension expense in the statement of activities.	(8,635)
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.	(32,481)
Change in net position - governmental activities	\$ 8,019

NOTE 3 – CHANGES IN CAPITAL ASSETS

The following is a summary of changes in the capital assets for the year ended September 30, 2016:

	September 30, 2015	Additions	Deletions	September 30 2016
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Capital assets being depreciated				
Building and improvements	343,337	2,698	-	346,035
Vehicles and equipment	783,405	-	(15,416)	767,989
Total capital assets being depreciated	1,126,742	2,698	(15,416)	1,114,024
Less accumulated depreciation	919,325	32,481	(15,416)	936,390
Total capital assets being depreciated, net	207,417	(29,783)	-	177,634
Governmental activities capital assets, net	\$ 237,417	\$ (29,783)	\$ -	\$ 207,634

Depreciation expense for fiscal year ended September 30, 2016, totaled \$32,481.

East Niceville Fire District
Notes to Basic Financial Statements

NOTE 4 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2016, was as follows:

	September 30,			September 30, Due Within	
	2015	Additions	Reductions	2016	One Year
Liability for compensated absences	\$ 101,790	\$ 38,515	\$ (46,135)	\$ 94,170	\$ 34,595
Line-of-credit	-	36,000	(36,000)	-	-
Other postemployment benefits	11,807	11,807	-	23,614	-
Total long-term liabilities	\$ 113,597	\$ 86,322	\$ (82,135)	\$ 117,784	\$ 34,595

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 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. Nonfirefighter personnel of the District are excluded from this plan. An actuarial valuation report for the plan may be obtained by writing the District at 1709 East 27th Street, 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

NOTE 6 – RETIREMENT PLAN (CONTINUED)

Benefits (continued)

service. As of September 30, 2016, the Plan had a total of 10 active and one inactive participating members. One is eligible for normal retirement.

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, 2016, 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% 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 13% of employees' salaries for the covered annual payroll.

Annual Pension Cost

For the year ended September 30, 2016, total required contributions of \$62,041 was more than the actual contributions of \$57,702. The required contribution of \$62,041 was determined as part of the actuarial valuation as of October 1, 2015, using the entry age normal actuarial cost method without frozen initial liability.

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. At September 30, 2016, the District was

East Niceville Fire District
Notes to Basic Financial Statements

NOTE 6 – RETIREMENT PLAN (CONTINUED)

owed \$45,656 from the State of Florida as proceeds from this tax. This amount is reported as contributions in the statement of changes in net position – pension trust fund. While contributions to the Plan are currently funded through these various sources, it is ultimately the responsibility of the District to fund the Plan.

Net Pension Asset of the Sponsor

The components of the net pension asset of the sponsor (District) on September 30, 2016 were as follows:

Total pension liability	\$	(730,241)
Plan fiduciary net position		780,756
Sponsor's net pension asset	\$	50,515

Plan pension liability as a percentage of total pension assets	94%
--	-----

Actuarial Assumptions Pension Asset

The measurement date is September 30, 2016. The measurement period for the pension expense was October 1, 2015 to September 30, 2016. The reporting period is October 1, 2015 through September 30, 2016. For the year ended September 30, 2016 the actuarial assumptions used to determine the total pension liability included a 7% investment rate of return, a 5%-10% projected salary increase, a discount rate of 7% and an inflation rate of 3%. Mortality Rate RP-2000 table – sex distinct. Disabled lives are set forward 5 years. The date of the most recent experience study for which significant assumptions are based upon is not available.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016 are summarized in the following table:

Asset Class	Target allocation	Long-term Expected Real Rate of Return
Cash	55%	N/A*
Pooled Funds	45%	N/A*

*The trust fund has no performance evaluator.

East Niceville Fire District
Notes to Basic Financial Statements

NOTE 6 – RETIREMENT PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sponsor's Net Pension Liability

1% decrease of discount rate to 6.00%	\$ 53,835
Current discount rate of 7.00%	\$ (50,515)
-1% increase of discount rate to 8.00%	\$(136,786)

For the year ended September 30, 2016, the District recognized a pension expense net of State contributions of \$20,681. Additionally, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources;

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 25,902
Total	\$ 25,902

The above amounts will be recognized in pension expense in future periods as follows:

Year ending September 30:	Amount
2017	\$ 8,634
2018	8,634
2019	8,634
Total	\$ 25,902

East Niceville Fire District
Notes to Basic Financial Statements

NOTE 6 – RETIREMENT PLAN (CONTINUED)

Investments

The following table presents the fair value of the Plan's investments at September 30, 2016:

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.

	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	\$ 314,933	40.3%
<i>Investments for which cost approximates fair market value:</i>		
Money market fund	420,167	53.8%
Due from State of Florida	45,656	5.9%
Total	\$ 780,756	100.0%

Changes in net pension liability

<i>Year ended September 30,</i>	2016
Total pension liability	
Service cost	\$ 69,276
Interest	40,243
Differences between expected and actual experience	
Contributions - buy back	443
Benefit payments, including refunds of employee contributions	(5,584)
Net change in total pension liability	104,378
Total pension liability - beginning	625,863
Total pension liability - ending	\$ 730,241

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS

The postemployment Healthcare Benefits Plan (OPEB) (Plan) is a single employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes,

East Niceville Fire District
Notes to Basic Financial Statements

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the Alternative Measurement Method under GASB 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the most recent fiscal years is as follows:

Year Ended September 30	Annual OPEB Cost	Annual Contribution	Percentage of APC Contributed	Net OPEB Obligation
2015	\$ 11,807	\$ -	0%	\$ 11,807
2016	\$ 11,807	\$ -	0%	\$ 23,614

The following table shows the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Year ended September 30,	2016
Normal cost (service cost for one year)	\$ 8,384
Interest on normal cost and amortization	335
Normal cost component	8,719
Amortization amount at beginning of fiscal year	2,969
Amortization interest	119
Amortization component	3,088
Annual required contribution	11,807
Contributions made	-
Increase (decrease) in Net OPEB Obligation	11,807
Net OPEB Obligation, beginning of year	11,807
Net OPEB Obligation, end of year	\$ 23,614



East Niceville Fire District Notes to Basic 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 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, 2016, there were no retirees receiving postemployment health care benefits.

Funded Status and Funding Progress

As of October 1, 2014, the most recent valuation date, the actuarial accrued liability for benefits was \$53,401, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$53,401. The covered payroll (annual payroll of active participating employees) utilized was \$413,216 for the fiscal year, and the ratio of unfunded actuarial accrued liability to the covered payroll was 13%.

Actuarial Method and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value or reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to financial statements presents multiyear trend information about whether the actuarial value of the Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The District's OPEB interim actuarial valuation as of October 1, 2014, used the Entry Age Normal actuarial method with amortization on a level percentage basis, to estimate the unfunded and funded actuarial liability as of September 30, 2016 and to estimate the District's 2015-2016 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4% funding interest rate. The actuarial assumptions also included a payroll growth rate of 0% per year, and an annual healthcare cost trend rate of 7.5% for 2016 fiscal year, reduced to an ultimate rate of



East Niceville Fire District
Notes to Basic Financial Statements

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Method and Assumptions (continued)

4.5% by 2020. The unfunded actuarial accrued liability is being amortized as a level dollar over a closed amortization period of 30 years.

NOTE 8 – LINE-OF-CREDIT

The District entered into a line-of-credit agreement with a local bank on October 17, 2014 with an available balance of \$50,000, an interest rate of 5.5%, payable on demand. At September 30, 2016, there was no balance outstanding.

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

East Niceville Fire District
Schedule of Changes in Net Position Liability and Related Ratios

<i>Year ended September 30,</i>	2016
Total pension liability	
Service cost	\$ 69,276
Interest	40,243
Differences between expected and actual experience	
Contributions - buy back	443
Benefit payments, including refunds of employee contributions	(5,584)
Net change in total pension liability	104,378
Total pension liability - beginning	625,863
Total pension liability - ending	\$ 730,241
Plan fiduciary net position	
Contributions - employer	\$ 12,046
Contributions - state	45,656
Contributions - employee	18,681
Net investment income	34,978
Benefit payments, including refunds of employee contributions	(5,584)
Administrative expense	(1,399)
Net change in plan fiduciary net position	104,378
Plan fiduciary net position - beginning	676,378
Plan fiduciary net position - ending	\$ 780,756
Net pension asset - ending	\$ 50,515
Plan fiduciary net position as a percentage of the total pension liability (asset)	107%
Employee covered payroll	\$ 413,216
Net pension liability (asset) as a percentage of employee covered payroll	12%

See independent auditor's report

East Niceville Fire District Schedule of Pension Contributions

<i>Year ended September 30,</i>	2016
Actuarially determined contribution	\$ 62,041
Contributions in relation to the actuarially determined contributions	57,702
Contribution deficiency	\$ 4,339
Employee covered payroll	\$ 413,216
Contributions as a percentage of employee covered payroll	14%

Notes to schedule

Valuation Date: 10/01/2012

Actuarially determined contribution rates are calculated as of October 1, three years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding method:	Entry age normal actuarial cost method.
Mortality rate:	RP-2000 Table (sex distinct).
Interest rate:	7.0% per year, compounded annually, net of investment related expenses.
Inflation:	3.0% per year.
Retirement age:	10% (previously 5%) per year eligible for early retirement. 10% per year eligible for normal retirement (with 100% at age 52 with 25 years of service). Also any member who has reached normal retirement age on the valuation date is assumed to continue employment for one additional year.
Disability rates:	% Becoming disabled during the year. Age 20 is .051%, age 30 is .058%, age 40 is .121% and age 50 is .429%.
Termination rates:	% Terminating during the year. Years of service 0 to 2 are 15% and 3 or more years are 5.0%.
Salary increases:	Salary increase is 10% for 0 years of service, 8% for 1 year of service, 7% for 2 to 4 years of service and 5.5% for 5 or more years of service. Previously 6% per year until the assumed retirement age.
Payroll growth assumption:	None.

See independent auditor's report.



**East Niceville Fire District
Schedule of Pension Investment Returns**

September 30, 2016

Annual money-weighted rate of return	
Net of investment expense	0.09%

See independent auditor's report.

East Niceville Fire District
Schedule of Funding Progress for Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) EAN (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
10/1/2014	\$ -	\$ 53,401	\$ 53,401	0.00%	\$ 413,216	13%

See independent auditor's report.

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

To the Board of Commissioners
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, the fiduciary fund and the aggregate remaining fund information of East Niceville Fire District (District), as of and for the year ended September 30, 2016, and the related notes to basic financial statements, which collectively comprise the District's Basic financial statements and have issued our report thereon dated January 17, 2017.

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 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Cary Riggs & Ingram, L.L.C.

Certified Public Accountants
Niceville, Florida
January 17, 2017

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of East Niceville Fire District (District) as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated January 17, 2017.

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 January 17, 2017, 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. There were no findings and recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

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

Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and 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.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2016, 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, 2016. 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. In connection with our audit we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts, 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 Joint 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.

Cary Riggs & Ingram, L.L.C.

Certified Public Accountants
Niceville, Florida
January 17, 2017

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined East Niceville Fire District's (District) compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2016. 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 the 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, 2016.

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
Niceville, Florida
January 17, 2017