

East Niceville Fire District

FINANCIAL STATEMENTS

September 30, 2018



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East Niceville Fire District
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September 30, 2018

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

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

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
East Niceville Fire District
Niceville, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary fund of East Niceville Fire District (District) as of and for the year ended September 30, 2018, 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.

Auditors' 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 auditors' 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 auditors consider 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, and the fiduciary fund of East

Niceville Fire District, as of September 30, 2018, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 1 to the financial statements, the District adopted New Accounting Guidance for the year ended September 30, 2018, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

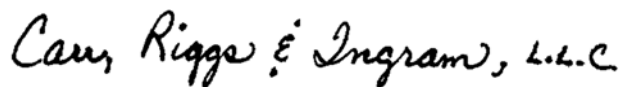
Other Matters

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 September 30, 2019 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Certified Public Accountants
Niceville, Florida
September 30, 2019



MANAGEMENT'S DISCUSSION AND ANALYSIS

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 basic 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 \$115,128.
- Net position increased by \$44,470.
- Total revenues increased by 3% or \$25,624 and total expenses increased by 1% or \$12,756.

District Highlights

During the fiscal year ended September 30, 2018, the District responded to 899 incidents, including 506 medical calls, 44 fire service calls, 10 motor vehicle accidents, and 339 miscellaneous calls.

The Board of Commissioners approved the fiscal year ending September 30, 2018 budget on September 21, 2017 with an approved millage rate of 3.0 mils for the 2017 - 2018 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 basic financial statements*. The *government-wide financial statements* present an overall picture of the District's financial position and results of operations. The *fund financial statements* present financial information for the District's 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 expenses 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 expenses are reported in the statement of activities for some items that will only result in cash flows in future fiscal periods.

Unrestricted net position for September 30, 2017 was restated due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which established new accounting entries to include in the financial statements for the current fiscal year.

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 82% of the District's net position. The District had no outstanding long-term debt at September 30, 2018. Capital assets are used to provide services to citizens; consequently, these assets are not available for future spending.

<i>September 30,</i>	2018	2017	Change
Assets			
Current and other assets	\$ 347,155	\$ 264,191	\$ 82,964
Capital assets, net	241,766	209,602	32,164
Total assets	588,921	473,793	115,128
Deferred outflows of resources	66,495	55,177	11,318
Total assets and deferred outflows of resources	655,416	528,970	126,446
Liabilities			
Current liabilities	91,542	89,247	2,295
Noncurrent liabilities	191,538	109,133	82,405
Total liabilities	283,080	198,380	84,700
Deferred inflows of resources	78,345	-	78,345
Total liabilities and deferred inflows of resources	361,425	198,380	163,045
Net position			
Net investment in capital assets	241,766	209,602	32,164
Unrestricted	52,225	120,988	(68,763)
Total net position	\$ 293,991	\$ 330,590	\$ (36,599)

**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>	2018	2017	Change
General revenues			
Ad valorem taxes, net	\$ 942,073	\$ 894,771	\$ 47,302
Capital contribution	-	18,770	(18,770)
Interest	1,004	1,256	(252)
Miscellaneous	894	3,550	(2,656)
Total general revenues	943,971	918,347	25,624
Expenses			
	899,501	886,745	12,756
Increase in net position	44,470	31,602	12,868
Net position, beginning (as originally reported)	330,590	298,988	31,602
Restatement adjustment	(81,069)	-	(81,069)
Net position, beginning (as restated)	249,521	298,988	(49,467)
Net position, ending	\$ 293,991	\$ 330,590	\$ (36,599)

Ad valorem taxes increased by 5% or \$47,302 due to an increase in the tax base from the prior year.

Expenses increased by 1% or \$12,756, from the previous year, due to increases in retirement plan contributions, salaries, compensated absences and operating expenses.

Governmental Fund Budgetary Highlights

The District experienced a decrease in tax revenues as compared to the budget by \$6,416, which occurred due to lower than expected ad valorem tax collections.

Additionally, the District had a favorable decrease in expenditures compared to budget in the amount of \$29,892. This decrease occurred primarily due to less than expected expenditures in group health insurance, salaries, compensated absences, legal services, office and operating supplies, and capital outlay.

Overall, the general fund had a favorable variance compared to budget in the amount of \$22,454.

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, 2018 was \$241,766 (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>	2018	2017	Change
Land	\$ 30,000	\$ 30,000	\$ -
Building and improvements	346,647	345,291	1,356
Vehicles and equipment	836,825	779,242	57,583
Total, prior to depreciation	1,213,472	1,154,533	58,939
Accumulated depreciation	(971,706)	(944,931)	26,775
Net investment in capital assets	\$ 241,766	\$ 209,602	\$ 32,164

Additional information about the District's capital assets is presented in note 3 to basic 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 2018 have been established to provide for the operations of the District and necessary capital and operating requirements.



BOARD OF FIRE COMMISSIONERS

Ryan Ingram
Chairman

Matt Schwab
Vice Chairman

C.J. McEntire
Treasurer

Tony Evans
Member

Leo Tisa
Secretary

MANAGEMENT

Michael Wright
Fire Chief

David Birch
Assistant 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

<i>September 30, 2018</i>	General Fund	Adjustments (Note 2)	Statement of Net Position
Assets			
Current assets			
Cash and cash equivalents	\$ 264,380	\$ -	\$ 264,380
Receivables, net	474	-	474
Prepays	23,983	-	23,983
Total current assets	288,837	-	288,837
Noncurrent assets			
Capital assets, net	-	241,766	241,766
Net pension asset	-	58,318	58,318
Total noncurrent assets	-	300,084	300,084
Total assets		300,084	588,921
Deferred outflows of resources	-	66,495	66,495
Total assets and deferred outflows of resources	\$ 288,837	366,579	655,416
Liabilities			
Current liabilities			
Accounts payable	\$ 6,252	-	6,252
Accrued salaries and benefits payable	23,856	-	23,856
Accrued compensated absences	34,595	-	34,595
Due to pension fund	26,839	-	26,839
Total current liabilities	91,542	-	91,542
Noncurrent liabilities			
Accrued compensated absences	-	73,712	73,712
Other postemployment benefits liability	-	117,826	117,826
Total noncurrent liabilities	-	191,538	191,538
Total liabilities	91,542	191,538	283,080
Deferred inflows of resources	-	78,345	78,345
Total liabilities and deferred inflows of resources	91,542	269,883	361,425
Fund balance			
Nonspendable	23,983	(23,983)	-
Unassigned	173,312	(173,312)	-
Total fund balance	197,295	(197,295)	-
Total liabilities and fund balance	\$ 288,837		
Net position			
Net investment in capital assets		241,766	241,766
Unrestricted net position		52,225	52,225
Total net position		\$ 293,991	\$ 293,991

See accompanying notes to basic financial statements.

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

<i>Year ended September 30, 2018</i>	General Fund	Adjustments (Note 2)	Statement of Activities
Revenues			
Ad valorem taxes, net	\$ 942,073	\$ -	\$ 942,073
Interest	1,004	-	1,004
Miscellaneous	894	-	894
Total revenues	943,971	-	943,971
Expenses/Expenditures			
Personnel services			
Group employee life and health insurance	87,149	-	87,149
Salaries	476,559	-	476,559
Section 175 retirement contribution	42,716	-	42,716
Pension	-	8,812	8,812
Payroll taxes	41,074	-	41,074
Compensated absences	57,096	-	57,096
Other postemployment benefits	-	1,336	1,336
Operating			
Accounting and auditing	23,046	-	23,046
Insurance	47,100	-	47,100
Office and operating supplies	28,533	-	28,533
Advertising	848	-	848
Property appraisal and tax collector fees	13,037	-	13,037
Repairs and maintenance	24,591	-	24,591
Travel	545	-	545
Utilities	19,984	-	19,984
Interest	300	-	300
Capital outlay	58,939	(58,939)	-
Depreciation	-	26,775	26,775
Total expenses/expenditures	921,517	(22,016)	899,501
Change in net position/fund balance	22,454	22,016	44,470
Fund balance/Net position, beginning (as originally reported)	174,841	155,749	330,590
Restatement adjustment	-	(81,069)	(81,069)
Net position, beginning (as restated)	174,841	74,680	249,521
Net position, ending	\$ 197,295	\$ 96,696	\$ 293,991

See accompanying notes to basic financial statements.

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

<i>Year ended September 30, 2018</i>	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Ad valorem taxes, net	\$ 948,489	\$ 948,489	\$ 942,073	\$ (6,416)
Interest and miscellaneous	2,920	3,020	1,898	(1,122)
Operational and equipment reserves	-	96,217	-	(96,217)
Total revenues	951,409	1,047,726	943,971	(103,755)
Expenditures				
Personnel services				
Group employee life/health insurance	104,800	104,800	87,149	17,651
Salaries	499,700	532,815	476,559	56,256
Section 175 retirement contribution	10,500	37,125	42,716	(5,591)
Payroll taxes	41,500	45,086	41,074	4,012
Compensated absences	51,500	56,443	57,096	(653)
Operating				
Accounting and auditing	25,200	27,200	23,046	4,154
Legal services	4,000	4,000	-	4,000
Insurance	38,800	42,816	47,100	(4,284)
Office and operating supplies	47,615	49,591	28,533	21,058
Advertising	1,500	1,500	848	652
Property appraisal	16,500	16,500	13,037	3,463
Repairs and maintenance	28,000	28,000	24,591	3,409
Travel	2,500	2,500	545	1,955
Utilities	16,500	16,500	19,984	(3,484)
Debt service	200	300	300	-
Capital outlay	25,000	82,550	58,939	23,611
Operational and equipment reserves	37,594	-	-	-
Total expenditures	951,409	1,047,726	921,517	126,209
Excess of revenues over expenditures	\$ -	\$ -	\$ 22,454	\$ 22,454

See accompanying notes to basic financial statements.

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

September 30, 2018

Assets

Cash and cash equivalents	\$ 549,869
Investments	386,699
Due from other fund	26,839
Due from State of Florida	30,528

Total assets	993,935
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Liabilities

Member refunds payable	1,412
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Net position

Held in trust for pension benefits	\$ 992,523
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See accompanying notes to basic financial statements.

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

Year ended September 30, 2018

Additions

Contributions:	
District	\$ 42,716
Plan members	22,559
Florida firefighters' pension trust fund	29,418
Florida firefighters' supplemental pension trust fund	1,110
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Total contributions	95,803
Investment Income:	
Dividends and interest	11,324
Realized gain on investments	14,314
Unrealized gain on investments	5,617
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Total additions	127,058

Deductions

Member refunds	16,969
Legal and accounting	272
Administrative fees	1,055
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Total deductions	18,296
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Change in net position	108,762
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Net position, beginning of year	883,761
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Net position, end of year	\$ 992,523

See accompanying notes to basic 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 District 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 required to be 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 standards promulgated by GASB.

Governmental funds are used to account for the District's general governmental 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.

Government-wide financial statements are prepared using the flow of 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.

East Niceville Fire District Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

East Niceville Fire District
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* as amended by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. Cash balances held on deposit at qualified public depositories at September 30, 2018 was \$299,218 and \$549,869 for the general and pension trust funds, respectively.

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:

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

Accrued 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, 2018. 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.

East Niceville Fire District Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 3.0 for the year ended September 30, 2018.

Deferred outflows and inflows 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 represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources (expense) until then. The District has deferred outflows of resources related to the net pension liability that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element represents an acquisition of net position that applies to a future period so will not be recognized as an inflow of resources (revenue) until that time. At this time the District has one item that qualifies for reporting in this category related to the net pension liability.

Fund balance

The District has implemented GASB Statement No. 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, 2018 of \$23,983 is from prepaids that 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 is no restricted fund balance at September 30, 2018.

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 is no committed fund balance as of September 30, 2018.

East Niceville Fire District Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 is no assigned fund balance as of September 30, 2018.

Unassigned – This category is the residual classification for the District’s fund balance. The balance as of September 30, 2018 is \$173,312.

When both restricted and unrestricted fund balances are available for use, it is the District’s policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Net position

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

Net investment in capital assets – represents 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, 2018, 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.

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.

East Niceville Fire District Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Impact of recently issued accounting pronouncements

In fiscal year 2018, the District adopted four new statements of financial accounting standards issued by the GASB:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*
- GASB Statement No. 85, *Omnibus 2017*
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*

GASB Statement No. 75 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for other postemployment benefits (OPEB) that is provided to employees of state and local governmental employers through OPEB Plans that are administered through trusts or equivalent arrangements meeting certain criteria. GASB Statement No. 75 also establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. GASB Statement No. 75 replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and GASB Statement No. 57, *OPEB Measurement by Agent Employers and Agent Employers and Agent Multiple-Employer Plans*. For defined benefit OPEB plans, GASB Statement No. 75 identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to period of employee service. Note disclosure and required supplementary information are addressed. The adoption of GASB Statement No. 75 has no impact on the District's governmental fund financial statements. Government-wide financial statements have been adjusted to reflect the reporting of total OPEB liabilities and the recognition of OPEB expense in accordance with the provisions of the Statement. Refer to notes 7 and 9 for more information regarding the District's OPEB and the restatement adjustment.

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources as the inception of the agreement. GASB Statement No. 81 also provides expanded guidance for circumstances in which the government holds the assets. There was no material impact on the District's financial statement as a result of the implementation of GASB Statement No. 81.

East Niceville Fire District
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement No. 85 addresses practice issues that were identified during the implementation and application of certain GASB Statements. GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and OPEB). The adoption of GASB Statement No. 85 had no impact on the District’s current accounting practices nor its financial reporting.

GASB Statement No. 86 establishes standards of accounting and financial reporting requirements, for in-substance defeasance of debt transactions in which cash and other monetary assets acquired with only existing resources – that is, resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of future repayment of outstanding debt. There was no material impact on the District’s financial statements as a result of the implementation of GASB Statement No. 86.

Pronouncements issued but not yet effective

GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows, or financial presentation of the District upon implementation. Management has not yet evaluated the effect of implementation of these standards.

GASB Statement No.	GASB Accounting Standard	Effective Fiscal Year
83	<i>Certain Asset Retirement Obligations</i>	2019
84	<i>Fiduciary Activities</i>	2020
87	<i>Leases</i>	2021
88	<i>Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements</i>	2019
89	<i>Accounting for Interest Cost Incurred before the End of a Construction Period</i>	2021
90	<i>Majority Equity Interest an amendment of GASB Statements No. 14 and No, 61</i>	2020

Subsequent events

Management has evaluated subsequent events through September 30, 2019, 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 \$197,295 differs from the net position of governmental activities \$293,991 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)**

September 30, 2018

Total fund balance - governmental fund	\$	197,295
Capital assets used in governmental activities are not current financial resources and therefore are not reported on the governmental fund balance sheet.		241,766
Net pension asset does not provide current financial resources and is not reported on the governmental fund balance sheet.		58,318
Deferred outflows of resources related to pensions are applicable to future periods and, therefore are not reported on the governmental fund balance sheet.		66,495
Deferred inflows of resources related to pensions are applicable to future periods and, therefore are not reported on the governmental balance sheet.		(78,345)
Liabilities that do not consume current financial resources are not reported on the governmental fund balance sheet.		
Other postemployment benefits liability		(117,826)
Accrued compensated absences, noncurrent		(73,712)
Total net position - governmental activities	\$	293,991

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.

Year ended September 30, 2018

Change in fund balance - governmental fund	\$	22,454
Capital outlays reported as expenditures in the governmental fund are shown as capital assets on statement of net position		58,939
Current change in the long-term OPEB obligation does not consume current financial resources and therefore is not reported on the governmental fund.		(1,336)
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 on the statement of activities.		(8,812)
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.		(26,775)
Change in net position - governmental activities	\$	44,470

East Niceville Fire District
Notes to Basic Financial Statements

NOTE 3 – CHANGES IN CAPITAL ASSETS

The following is a summary of changes in the capital assets for the year ended September 30, 2018:

Governmental Activities	September 30,		September 30,	
	2017	Additions	Deletions	2018
Capital assets not being depreciated				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Capital assets being depreciated				
Building and improvements	345,291	1,356	-	346,647
Vehicles and equipment	779,241	57,583	-	836,824
Total capital assets being depreciated	1,124,532	58,939	-	1,183,471
Less accumulated depreciation	944,930	26,775	-	971,705
Total capital assets being depreciated, net	179,602	32,164	-	211,766
Governmental activities' capital assets, net	\$ 209,602	\$ 32,164	\$ -	\$ 241,766

Depreciation expense for fiscal year ended September 30, 2018, totaled \$26,775.

NOTE 4 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2018, was as follows:

	September 30,		September 30,		Due Within
	2017	Additions	Reductions	2018	One Year
Accrued compensated absences	\$ 108,307	\$ 44,143	\$ (44,143)	\$ 108,307	\$ 34,595
Other postemployment benefits liability	35,421	82,405	-	117,826	-
Total long-term liabilities	\$ 143,728	\$ 126,548	\$ (44,143)	\$ 226,133	\$ 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.

East Niceville Fire District Notes to Basic Financial Statements

NOTE 6 – RETIREMENT PLAN

Plan Description

The District began participating in a Florida Statute Chapter 175 Firefighters' Pension Trust Fund (Plan) (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 the District. It was established to provide retirement, disability, and death benefits for covered employees. Florida Statute Chapter 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 service. As of September 30, 2018, the Plan had a total of 11 active members and no inactive members. One member 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 equities, with not more than 5% of the Plan's assets, at the time of purchase, invested in any one issuing company; fixed income investments having a minimum rating of investment grade or higher, with not more than 3% of the total fund in the bonds of an single corporation; money market; 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, 2018, all the Chapter 175 Plan assets were held in a money market account with a local bank and a mutual fund.

East Niceville Fire District
Notes to Basic Financial Statements

NOTE 6 – RETIREMENT PLAN (CONTINUED)

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 16% of employees’ salaries for the covered annual payroll.

Annual Pension Cost

For the year ended September 30, 2018, total required contributions of \$72,639 were less than the actual contributions of \$73,243. The required contribution of \$72,639 was determined as part of the actuarial valuation as of October 1, 2018, using the entry-age normal actuarial cost method.

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, 2018, the District was owed \$30,528 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, 2018 were as follows:

Total pension liability	\$	(934,205)
Plan fiduciary net position		992,523
Sponsor's net pension asset	\$	58,318

Plan pension liability as a percentage of total pension assets	106%
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Actuarial Assumptions Pension Asset

The valuation date is as of October 1, 2018. The measurement period for the pension expense was October 1, 2017 to September 30, 2018. The reporting period is October 1, 2017 through September 30, 2018. For the year ended September 30, 2018 the actuarial assumptions used to determine the total pension liability included a 7% investment rate of return, a 5.5% - 10% projected salary increase, a discount rate of 7% and an inflation rate of 3%. Mortality assumptions were based on the RP-2000 table – sex distinct. Disabled lives are set back 4 years. The date of the most recent experience study for which significant assumptions are based was dated December 1, 2013.

East Niceville Fire District
Notes to Basic Financial Statements

NOTE 6 – RETIREMENT PLAN (CONTINUED)

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, 2018 are summarized in the following table:

Asset Class	Target allocation	Long-term Expected Real Rate of Return
Cash	55%	N/A
Pooled funds	45%	8%

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.

Sensitivity of the net pension asset to changes in the discount rate

The following represents the net pension asset of the District, as well as what the District's net pension (asset)/liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current discount rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension (asset)/liability	\$ 112,849	\$ (58,318)	\$ (198,296)

East Niceville Fire District
Notes to Basic Financial Statements

NOTE 6 – RETIREMENT PLAN (CONTINUED)

For the year ended September 30, 2018, the District recognized a pension expense net of State of Florida contributions of \$8,812. Additionally, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 78,345
Changes in assumptions	25,403	-
Net difference between projected and actual earnings on pension plan investments	41,092	-
Total	\$ 66,495	\$ 78,345

The net deferred inflows of resources will be recognized in pension expense in future periods as follows:

Year ending September 30:	Amount
2019	\$ 13,152
2020	4,518
2021	1,559
2022	1,559
2023	(5,076)
Thereafter	(27,562)
Total	\$ (11,850)

The changes in net pension liability are as follows:

Year ended September 30, 2018

Total pension liability	
Service cost	\$ 85,836
Interest	67,320
Differences between expected and actual experience	(87,052)
Changes in assumptions	1,412
Benefit payments, including refunds of employee contributions	(16,969)
Net change in total pension liability	50,547
Total pension liability - beginning	883,658
Total pension liability - ending	\$ 934,205

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, 2018:

	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	\$ 386,699	39%

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Plan's investment policy does not specifically address credit risk for investments, except for restrictions allowing no investment activity in private placement, direct commodities, repurchase agreements, venture capital or any investments prohibited by State or federal law.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Plan will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Plan has selected a third-party custodian for safekeeping of the assets of the Plan.

Interest Rate Risk

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The Plan limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed for expected current cash flows. The Plan's investment policy does not limit the maximum maturity length of investments. The asset classification of the funds is based upon the investment objective.

Concentrations of Credit Risk

The Plan has adopted target investment allocations that include domestic equities of 45% (range 35% - 55%), international equities of 15% (range 5% - 25%) and core fixed income of 40% (range 30% - 55%). At September 30, 2018, 55% of the Plan's assets were held in cash and cash equivalents and 39% were invested in a mutual fund. Investments held in the Pension Fund are not insured.

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

NOTE 6 – RETIREMENT PLAN (CONTINUED)

Fair Value Hierarchy

The Plan’s investments are measured and reported at fair value and classified according to the following hierarchy:

Level 1 – Investments reflect unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Investments reflect prices that are based on inputs that are either directly or indirectly observable for an asset or liability (including quoted prices for similar assets or liabilities), which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable inputs for an asset or liability.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment risk.

The schedule below discloses the following fair value measurements as of September 30, 2018:

Investments by fair value level	Total Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 386,699	\$ 386,699	\$ -	\$ -

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The postemployment Healthcare Benefits (OPEB) 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.

Eligibility

Former employees who retire from the District and eligible dependents may participate in the Plan.

**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, 2018, there were no retirees receiving postemployment health care benefits.

Benefits Provided

Retirees may participate in the group insurance plans offered by the District, but they are required to contribute 100% of the active premiums.

Total OPEB Liability

The District’s total OPEB liability of \$117,826 was measured at September 30, 2018, based on an actuarial valuation date of October 1, 2017.

Summary of Membership Information

As of October 1, 2017, the most recent valuation date, the following classes of employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	0
Inactive plan members entitled to but not currently receiving benefits	0
<u>Active participants</u>	<u>11</u>
<u>Total employees covered</u>	<u>11</u>

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial value of assets: Market value
- Mortality Rate: RP-2000 Combined Health Mortality Table projected to the valuation date using Scale AA
- Discount rate: 4.18%. Based on the September 27, 2017 Bond Buyer 20-Bond Index, as published by the Federal Reserve
- Retirement Rates: 100% by age 55
- Inflation: 2.50% per year
- Salary increase rate: 2.50% per year
- Marital Status: 100% assumed married, with male spouses 3 years older than female spouses
- Health care participation: 20% participation assumed, with 50% electing spouse coverage

East Niceville Fire District
Notes to Basic Financial Statements

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

- Health care inflation: Initial rate of 8.50% in fiscal 2018, grading down to the ultimate trend rate of 4.00% in fiscal 2073
- Termination rates: 29.60% at age 20, 59.30% at age 30, 84.10% at age 40, and 100.00% at age 50
- Funding Method: Entry age cost method (level % of pay)

Discount Rate

Given the District’s decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 4.18%. The high-quality municipal bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

Changes in Plan Provisions, Assumptions, and Actuarial Methods

The discount rate used for fiscal year ending September 30, 2018 was 4.18% compared to 3.64% for fiscal year ending September 30, 2017.

Changes in Total OPEB Plan Liability

	Amount
Balance at September 30, 2017 (as restated)	\$ 116,490
Changes for the year:	
Service cost	8,516
Interest	4,520
Changes in assumptions	(10,050)
Benefit payments	(1,650)
Net change in total OPEB liability	1,336
Balance at September 30, 2018	\$ 117,826

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	3.18%	4.18%	5.18%
Total OPEB liability	\$ 137,411	\$ 117,826	\$ 101,947

East Niceville Fire District
Notes to Basic Financial Statements

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease 3.00% - 7.50%	Healthcare Cost Trend Rates 4.00% - 8.50%	1% Increase 5.00% - 9.50%
Total OPEB liability	\$ 99,709	\$ 117,826	\$ 140,431

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%, and payable on demand. At September 30, 2018, there was no balance outstanding. The line of credit was terminated by the District in November 2018.

NOTE 9 – RESTATEMENT ADJUSTMENT

During the current year, the District adopted a new GASB Pronouncement, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 requires the District to recognize a liability and operating statement activities related to changes in the OPEB Plan. As a result of this change, beginning net position has been restated as follows:

	Governmental Activities
Net position, as originally reported at September 30, 2017	\$ 330,590
Restatement Adjustment	
OPEB liability (measurement date of September 30, 2017)	(81,069)
Net position, as restated at September 30, 2017	\$ 249,521

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

East Niceville Fire District
Schedule of Changes in Net Pension Liability and Related Ratios
Last Four Fiscal Years*

<i>Year ended September 30,</i>	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 85,836	\$ 74,125	\$ 74,125	\$ 69,276
Interest	67,320	48,804	48,804	41,036
Differences between expected and actual experience	(87,052)	49,256	-	-
Changes in assumptions	1,412	-	36,289	-
Contributions - buy back	-	-	-	442
Benefit payments, including refunds of employee contributions	(16,969)	(18,768)	(5,584)	(2,900)
Net change in total pension liability	50,547	153,417	153,634	107,854
Total pension liability - beginning	883,658	779,497	625,863	518,009
Adjustment to the beginning of year	-	(49,256)	-	-
Total pension liability - ending	934,205	883,658	779,497	625,863
Plan fiduciary net position				
Contributions - employer	42,716	32,985	12,046	11,551
Contributions - state	30,528	35,001	45,656	56,017
Contributions - employee	22,559	20,313	18,681	20,942
Contributions - buy back	-	-	-	442
Projected net investment income	64,430	43,250	34,978	1,166
Difference between projected and actual earnings on Pension Plan investments	(33,175)	-	-	-
Benefit payments, including refunds of employee contributions	(16,969)	(18,768)	(5,584)	(2,900)
Administrative expense	(1,327)	(9,776)	(1,399)	(2,520)
Net change in plan fiduciary net position	108,762	103,005	104,378	84,698
Plan fiduciary net position - beginning	883,761	780,756	676,378	591,680
Plan fiduciary net position - ending	992,523	883,761	780,756	676,378
Net pension asset - ending	\$ 58,318	\$ 103	\$ 1,259	\$ 50,515
Plan fiduciary net position as a percentage of the total pension liability	106%	100%	100%	108%
Covered payroll	\$ 451,173	\$ 463,739	\$ 413,216	\$ 408,671
Net pension asset as a percentage of covered payroll	13%	0%	0%	12%

*Schedule is intended to show information for 10 years. Additional years will be added as they become available.

Factors that contributed to the increase in the net pension asset include favorable increases in employee turnover and average individual salary offset by unfavorable earnings on Pension Plan investments.

See independent auditors' report.

**East Niceville Fire District
Schedule of Pension Contributions
Last Four Fiscal Years***

<i>Year ended September 30,</i>	2018	2017	2016	2015
Actuarially determined contribution	\$ 72,639	\$ 65,749	\$ 59,779	\$ 62,041
Contributions in relation to the actuarially determined contributions	73,243	67,986	57,702	67,569
Contribution (excess)/deficiency	\$ (604)	\$ (2,237)	\$ 2,077	\$ (5,528)
 Covered payroll	 \$ 451,173	 \$ 463,739	 \$ 413,216	 \$ 408,671
Contributions as a percentage of covered payroll	16%	15%	14%	17%

*Schedule is intended to show information for 10 years. Additional years will be added as they become available.

Notes to schedule

Valuation Date: October 1, 2018

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% per year, compounded annually, net of investment related expenses.
Inflation:	3% 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:	Percentage becoming disabled during the year. Age 20 is .051%, age 30 is .058%, age 40 is .121% and age 50 is .429%.
Termination rates:	Percentage 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 auditors' report.



**East Niceville Fire District
Schedule of Pension Investment Returns
Last Four Fiscal Years***

Fiscal year ended	Annual money-weighted rate of return, net of investment expense
September 30, 2018	3.55%
September 30, 2017	0.04%
September 30, 2016	2.46%
September 30, 2015	0.09%

*Schedule is intended to show information for 10 years. Additional years will be added as they become available.

See independent auditors' report.

East Niceville Fire District
Schedule of Changes in Total Other Postemployment
Benefits Liability and Related Ratios

<i>Year ended September 30,</i>	2018
Total other postemployment liability	
Service cost	\$ 8,516
Interest	4,520
Changes of Assumptions	(10,050)
Benefit payments	(1,650)
<hr/>	
Net change in OPEB liability	1,336
<hr/>	
Total OPEB liability - beginning, as originally reported	35,421
Restatement adjustment	81,069
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Total OPEB liability - beginning, as restated	116,490
<hr/>	
Total OPEB liability - ending	\$ 117,826
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Plan fiduciary net position as a percentage of the total OPEB liability	0%
Covered payroll	\$ 511,434
Total OPEB liability as a percentage of covered payroll	23%

This schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, this data prior to 2018 is not available. Additional years will be included as they become available.

See independent auditors' report.

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

Board of 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 fiduciary fund of East Niceville Fire District (District), as of and for the year ended September 30, 2018, and the related notes to basic financial statements, which collectively comprise the District's Basic financial statements and have issued our report thereon dated September 30, 2019.

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.

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 have not been identified. However, as described in the accompanying schedule of current year findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of current year findings and responses as item 2018-003 be a material weakness.

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. We consider the deficiencies described in the accompany schedule of current year findings and responses as items 2018-001, 2018-002 and 2018-004 to be significant deficiencies.

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 or 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*.

District's Responses to Findings

The views of responsible officials and planned corrective actions related to the findings identified in our audit are included in the accompanying schedule of current year findings and responses. The views of responsible officials and planned corrective actions were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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.

Carly Riggs & Ingram, L.L.C.

Certified Public Accountants
Niceville, Florida
September 30, 2019

East Niceville Fire District Schedule of Current Year Findings and Responses

Financial Statement Findings

2018-001 – Pension contributions

Condition: Employee contributions to the pension fund were not calculated correctly.

Effect: If employee contributions are not calculated correctly, employees could be contributing a percentage of wages that is not in compliance with Plan provisions.

Cause: Inaccurate classifications of pensionable and nonpensionable wages.

Criteria: Employee contributions should be calculated at 5% of pensionable wages.

Recommendation: We recommend the District implement an internal control process that ensures employee contributions are accurately calculated.

Views of responsible officials and planned corrective action: We will review and ensure wages are correctly classified between pensionable and nonpensionable wages so employee contributions will be accurately calculated.

2018-002 – Expenditures

Condition: During our testing procedures, we noted three expenditures that were not recorded in the correct accounting period.

Effect: If expenditures are not recorded in the correct accounting period, expenditures and accounts payable could be inaccurate.

Cause: Expenditures are not reviewed by management to ensure they are recorded in the proper accounting period.

Criteria: Expenditures should be recorded in the accounting period in which the product or service was received by the District.

Recommendation: We recommend the District implement internal control procedures that ensures expenditures are being recorded in the correct accounting period.

Views of responsible officials and planned corrective action: We will review expenditures to ensure they are recorded in the proper accounting period.

2018-003 – Census data

Condition: Incorrect census data was submitted to an actuary.

Effect: If incorrect census data is used by an actuary, the obligations calculated by the actuary could be misstated.

Cause: Census data was not reviewed by management prior to submission to the actuary.

Criteria: Census data submitted to actuaries and used to determine amounts appearing in the financial statements and notes should be accurate.



East Niceville Fire District Schedule of Current Year Findings and Responses

Recommendation: We recommend the District implement an internal control process that ensures census data submitted to actuaries is accurate and complete.

Views of responsible officials and planned corrective action: We will review census data prior to submitting it to an actuary.

2018-004 – Payroll

Condition: During our testing of payroll, we noted a lack of evidence that timesheets and payroll registers were reviewed and approved.

Effect: Payroll expense could be misstated.

Cause: Management does not document the review and approval process of timesheets and payroll registers.

Criteria: Timesheets and payroll registers should be timely reviewed for accuracy and completeness and evidence of that review and approval should be documented.

Recommendation: We recommend the District implement internal controls to ensure timesheets and payroll registers are timely reviewed and approved.

Views of responsible officials and planned corrective action: Timesheets are reviewed and approved each pay period. However, we will begin to include evidence of that review and approval process.

INDEPENDENT AUDITORS' MANAGEMENT LETTER

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, 2018, and have issued our report thereon dated September 30, 2019.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements performed in accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated September 30, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that 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 and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes and to identify 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.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Special District Component Units

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

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but 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.

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

Certified Public Accountants
Niceville, Florida
September 30, 2019



INDEPENDENT ACCOUNTANTS' REPORT

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, 2018. Management of the District is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on District's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements identified above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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 during the year ended September 30, 2018.

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

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

Certified Public Accountants
Niceville, Florida
September 30, 2019