

**North Okaloosa Fire District
Financial Statements
September 30, 2018**

North Okaloosa Fire District

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770 Industrial Drive, Crestview, FL 32539
Telephone: (850) 398-8934
Fax: (850) 689-4488

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
North Okaloosa Fire District
5549 John Givens Road
Crestview, FL 32539

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the North Okaloosa Fire District (hereafter referred to as the "District"), as of and for the year ended September 30, 2018, and the related notes to the financial statements which collectively comprise the District's 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 of 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 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 and the major fund of North Okaloosa Fire District as of September 30, 2018, 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 the management's discussion and analysis and budgetary comparison information on pages 4 through 9 and page 12 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 June 27, 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, and

grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 North Okaloosa Fire District's internal control over financial reporting and compliance.

 Dawn M. Paul, CPA, P.A.

Crestview, FL
June 27, 2019



MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the North Okaloosa Fire District's (the District) financial statements is provided to assist the reader to clarify the District's financial activities, significant changes in performance, and ending financial positions for the fiscal year ending September 30, 2018.

This discussion provides highlights and an analytical overview of the government-wide financial statements and governmental fund financial statements for the fiscal year ended September 30, 2018.

DISTRICT HIGHLIGHTS:

- At the conclusion of fiscal year 2018 the District's assets exceeded its liabilities, resulting in a net position of \$2,915,086.
- The District's net position increased by \$305,761.
- The District had \$1,248,718 of unrestricted assets at the end of the fiscal year that can be used to meet ongoing obligations.

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

Government-wide financial statements (Statement of Net Position and Statement of Activities) are intended to allow a reader to assess a government's operational accountability. Operational accountability is defined as the extent to which a government has met its operational objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to meet its objectives for the foreseeable future. Government-wide financial statements concentrate on the District as a whole and do not emphasize fund types.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. The District's capital assets are included in this statement and reported net of their accumulated depreciation.

The Statement of Activities presents revenue and expense information showing how the District's net position changed during the fiscal year. Both statements are measured and

reported using the economic resource measurement focus (revenues and expenses) and the accrual basis of accounting (revenue recognized when earned and expense recognized when incurred).

THE DISTRICT AS A WHOLE:

The annual revenue and disbursement programs of the North Okaloosa Fire District are well established. Management is sound and continues to collect and allocate resources in accordance with a detailed budget and growth plans.

MOST SIGNIFICANT FUNDS:

The District's only fund is a government fund. Revenues are generated from non ad valorem assessments on all land and buildings within the legal bounds of the District. In addition, other revenue sources include cost recovery, hydrant inspection, and standby service fee schedules. Grant funding is utilized when available.

GOVERNMENT FUND FINANCIAL STATEMENTS:

The accounts of the District are organized on the basis of government funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenue, and expenditures. Government resources are allocated to and accounted for, in individual funds based upon the purpose to be expensed, and the means by which spending activities are controlled.

Governmental fund financial statements are prepared on the modified accrual basis using the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available as net current assets.

NOTES TO THE FINANCIAL STATEMENTS:

Notes to the Financial Statements provide explanation for the data anomalies contained in the preceding statements when necessary. These notes are essential for full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

The government-wide Financial Statements were designed as a tool to determine if the District's financial condition is better or worse than the prior year.

Investment in capital assets, net of related debt, totaled \$1,009,868 which represented 35 percent of net position. Capital assets are comprised of land, buildings, equipment, and machinery, net of accumulated depreciation. The District paid its debt in full during the 2014 fiscal year. Non-depreciable capital assets include land, and construction in progress. The unrestricted net position balance of \$1,248,718 represents resources available for future requirements.

The following statements are presented as of and for the years ended September 30, 2018 and 2017.

- ◆ Condensed Summary of Net Position
- ◆ Summary of Revenues, Expenses, and Changes in Net Position
- ◆ Summary of Capital Assets

Condensed Summary of Net Position - Primary Government Summary of Net Position September 30, 2018 and 2017

	2018	2017
ASSETS:		
Current and other assets	\$ 1,990,701	\$ 1,721,613
Capital assets	<u>1,009,868</u>	<u>962,437</u>
Total Assets	<u>\$3,000,569</u>	<u>\$2,684,050</u>
LIABILITIES:		
Current liabilities	\$ 85,483	\$ 74,725
Total Liabilities	<u>85,483</u>	<u>74,725</u>
NET POSITION:		
Investment in capital assets, net of related debt	1,009,868	962,437
Restricted for future capital additions	656,500	306,500
Unrestricted	<u>1,248,718</u>	<u>1,340,388</u>
Total Net Position	<u>2,915,086</u>	<u>2,609,325</u>
Total Liabilities and Net Position	<u>\$3,000,569</u>	<u>\$2,684,050</u>

Summary of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ending
September 30, 2018 and 2017

	2018	2017
REVENUES:		
<i>Program Revenues</i>		
Property assessments	\$ 1,052,505	\$ 1,031,491
Charges for services	813,162	706,218
Gain (loss) on disposal of asset	1,506	5,436
Interest revenue	6,006	1,906
Total Revenues	<u>1,873,179</u>	<u>1,745,051</u>
 EXPENSES:		
Public safety-fire & rescue services	<u>1,567,418</u>	<u>1,468,473</u>
 Increase in net position	305,761	276,578
 NET POSITION - beginning balance	<u>2,609,325</u>	<u>2,332,747</u>
 NET POSITION - ending balance	<u><u>\$ 2,915,086</u></u>	<u><u>\$ 2,609,325</u></u>

**Summary of Capital Assets
For the Fiscal Years Ending
September 30, 2018 and 2017**

	2018	2017
CAPITAL ASSETS:		
Land	\$ 25,383	\$ 25,383
Total capital assets not depreciated	25,383	25,383
Buildings, improvements, equipment and machinery	2,275,108	2,137,348
Total capital assets being depreciated	2,275,108	2,137,348
Accumulated depreciation		
Buildings, improvements, equipment, and machinery	(1,290,623)	(1,200,294)
Capital assets net of depreciation	984,485	937,054
Total Capital Assets	\$ 1,009,868	\$ 962,437

CAPITAL ASSET AND DEBT ADMINISTRATION:

Current assets increased \$269,088 from the prior year primarily the result of an increase in cash as a result of an increase in revenues from tax assessments. Capital asset values increased by \$47,431 during the same reporting time period primarily from the purchase of new capital outlay.

The District has not incurred any new debt since funding the 2007 airport interior project and manpower grant operation requirements. The debt related to capital improvement was paid in full during fiscal year 2014.

BUDGETS AND RATES:

The District experienced a favorable increase in revenues as compared to the budget in the amount of \$118,978, which occurred primarily due to an increase and charges for services. During 2018, The District renegotiated two contracts for Airport Rescue and Fire Fighting (AARF) services which now included charges for overtime.

Additionally, the District had a favorable decrease in expenses compared to the budget in the amount of \$152,651. This decrease occurred primarily due to repairs and maintenance costs and capital outlay purchases being less than budgeted.

Overall, the general fund had a favorable variance compared to the budget in the amount of \$271,629.

FUTURE PLANNING REQUIREMENTS:

The District's future plans include creating and maintaining a system that ensures the district of adequate cash flows for unexpected downturns in district revenues.

The District will continue to update its system to increase and maintain our ISO rating, including but not limited to increasing fire fighter safety, the number of fire hydrants, newer fire trucks, and new protective gear for its firemen.

The District will continue to update and maintain a consistent Policy Manual by reviewing and updating existing policies.

CONTACTING THE DISTRICT:

Questions or comments regarding the state of financial affairs for the North Okaloosa Fire District should be addressed to:

Commissioner Craig Shaw, Group IV
Chairman
PO Box 973
Crestview, FL 32536
(850) 682-1808
nofdadmin@district80.gccoxmail.com

North Okaloosa Fire District
Governmental Fund Balance Sheet and Statement of Net Position
September 30, 2018

	General Fund	Adjustments (Note 2)	Statement of Net Position
ASSETS			
Cash and cash equivalents	\$ 1,862,366	\$ -	\$ 1,862,366
Receivables	83,283	-	83,283
Prepaid expenses	44,552	-	44,552
Deposits	500	-	500
Capital assets, net	-	1,009,868	1,009,868
Total assets	\$ 1,990,701	1,009,868	\$ 3,000,569
 LIABILITIES			
Accounts payable	\$ 12,125	-	\$ 12,125
Accrued salaries and benefits payable	31,105	-	31,105
Compensated absences	-	42,253	42,253
Total liabilities	43,230	42,253	85,483
 Fund balance/ Net Position			
Nonspendable	44,552	(44,552)	-
Assigned	656,500	(656,500)	-
Unassigned	1,246,419	(1,246,419)	-
Total fund balance	1,947,471	(1,947,471)	-
Total liabilities and fund balance	\$ 1,990,701		
 Net position			
Investment in capital assets, net of related debt		1,009,868	1,009,868
Restricted for future capital outlay and insurance deductible		656,500	656,500
Unrestricted		1,248,718	1,248,718
Total net position		2,915,086	2,915,086
Total liabilities and net position			\$ 3,000,569

See accompanying notes to financial statements

North Okaloosa Fire District
Governmental Fund Revenues, Expenditures and
Changes in Fund Balance and Statement of Activities
For the Year Ended September 30, 2018

	<u>General Fund</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Activities</u>
Revenues			
Property assessments	\$ 1,052,505	\$ -	\$ 1,052,505
Charges for services	813,162	-	813,162
Miscellaneous	3,185	-	3,185
Proceeds from/gain on sale of assets	1,506	-	1,506
Interest revenue	2,821	-	2,821
Total revenues	<u>1,873,179</u>	<u>-</u>	<u>1,873,179</u>
Expenditures/expenses:			
Public Safety			
Current			
Personnel services	1,148,630	13,299	1,161,929
Fire protection	298,160	-	298,160
Depreciation	-	107,329	107,329
Capital outlay	154,760	(154,760)	-
Total expenditures/expenses	<u>1,601,550</u>	<u>(34,132)</u>	<u>1,567,418</u>
Excess of revenues over expenditures	271,629	34,132	305,761
Fund balance/net position:			
Beginning of the year	<u>1,675,842</u>	<u>976,604</u>	<u>2,609,325</u>
End of the year	<u>\$ 1,947,471</u>	<u>\$ 1,010,736</u>	<u>\$ 2,915,086</u>

See accompanying notes to financial statements

North Okaloosa Fire District
General Fund Statement of Revenues, Expenditures - Budget and Actual
For the Year Ended September 30, 2018

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property assessments	\$ 1,052,201	\$ 1,052,505	\$ 304
Charges for services	702,000	813,162	111,162
Miscellaneous income	-	3,185	3,185
Proceeds from/gain on sale of assets	-	1,506	1,506
Interest revenue	-	2,821	2,821
Total revenues	<u>1,754,201</u>	<u>1,873,179</u>	<u>118,978</u>
EXPENDITURES			
Current			
Personnel services	1,259,500	1,148,630	110,870
Fire protection	318,001	298,160	19,841
Capital outlay:	<u>176,700</u>	<u>154,760</u>	<u>21,940</u>
Total expenditures	<u>1,754,201</u>	<u>1,601,550</u>	<u>152,651</u>
 Excess of revenues over expenditures	 <u>\$ -</u>	 <u>\$ 271,629</u>	 <u>\$ 271,629</u>

See independent auditor's report

North Okaloosa Fire District
Notes to Financial Statements
September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

The North Okaloosa Fire District (the District), formerly known as the Crestview Area Okaloosa County Fire District, was created by local ordinance on June 14, 1977, for providing fire protection for the benefit of the residents within the designated district. As originally set forth by county ordinance, the District was considered a separate entity governed by five duly elected commissioners. On November 12, 1986, the Okaloosa County Board of County Commissioners replaced the previously elected commissioners of the district. On September 12, 1986, the remaining funds of the District were transferred to the Board of County Commissioners. The District was deemed to be a dependent district of Okaloosa County and, as a result, became a part of the Okaloosa County reporting entity, and consequently, its annual audited financial statements became part of the Okaloosa County, Florida Comprehensive Annual Financial Report for the fiscal years ended September 30, 1987 through September 30, 1993. For the fiscal year ended September 30, 1994, and future years, the Okaloosa County Board of County Commissioners has concluded that the North Okaloosa Fire District is not a dependent district under the criteria set forth by GASB 61. On June 13, 2001, House Bill No. 979 Chapter 2001-333 established the District as an independent special district pursuant to Chapter 191, Florida Statutes. The District operates under an elected Board of Commissioners form of government and provides the following services: fire suppression, fire inspection, rescue and emergency medical services.

Basis of presentation

The District's financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) as applicable to state and local governments with those promulgated by Governmental Accounting Standards Board (GASB).

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Certain significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all the District's activities.

North Okaloosa Fire District
Notes to Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of presentation (continued)

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The District has elected to implement all the provisions of the Statement.

Reporting entity

As required by accounting principles generally accepted in the United States of America, these financial statements present North Okaloosa Fire District as the primary government. In evaluating the District as a reporting entity, management has considered all potential component units for which the District may or may not be financially accountable and, as such, be included within the District's financial statements. Management utilized criteria set forth in GASB No.61 for determining financial accountability of potential component units in evaluating all potential component units.

In accordance with GASB No. 61, the District (primary government) is financially accountable if a financial benefit or burden relationships exists between the potential component unit and the District. As of September 30, 2018, the North Okaloosa Fire District had no component units, as defined by GASB 61.

Measurement focus and basis of accounting

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

The District's basic financial statements are composed of the following

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

North Okaloosa Fire District
Notes to Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide financial statements

Government-wide financial statements display information about the District as a whole. 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.

Property assessments 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. Revenues from charges for services are recognized in the fiscal year the services were provided.

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.

Fund financial statements

Governmental funds types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Current financial resources measurement focus generally means that only current assets and current liabilities are included in the balance sheet. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are “measurable and available”). “Measurable” means the amount of the transaction is known or can be reasonably estimated. “Available” means collectible within the current period or within 60 days after year end.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, as under accrual accounting. The exception to this general rule is that principal and interest on general obligation long-term debt is recorded only when payment is made.

North Okaloosa Fire District
Notes to Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund financial statements (continued)

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the District:

General Fund – The general fund is the general operating fund of the District. It is used to account for all financial resources.

Cash and cash equivalents, deposits and investments

The District's demand deposits and short-term investments are considered cash and cash equivalents. For purposes of these statements, all high liquid investments with a maturity of three months or less when purchased are considered cash equivalents. The District has no cash equivalents as of September 30, 2018.

The District maintains its deposits only with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. The provisions of this statute allow "Qualified Public Depositories" to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All Qualified Public Depositories must place with the Treasurer of the State of Florida, securities which have a market value equal to 50% of all public funds on deposit at the end of each month more than any applicable deposit insurance. In the event of default by a qualified public depository, the state treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories. Under this method, all the District's deposits are fully insured or collateralized at the highest level of security.

The District does not have a formal written investment policy but has adopted the investment policy as defined in Florida Statute Section 218.415, which requires the investment of surplus public funds and prescribed the instruments in which those investments are authorized which consist of:

- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969.
- Securities and Exchange Commission registered money market funds with the highest credit rating from a nationally recognized rating agency.
- Interest bearing time deposits or saving account in qualified public depositories.
- Direct obligations of the U.S. Treasury.

As of September 30, 2018 the District did not have any investments.

North Okaloosa Fire District
Notes to Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Effective with the 2004 fiscal year, capital assets purchased, or acquired with an original cost of \$750 or more are reported at historical costs or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	50 years
Improvements other than buildings	30 years
Machinery and equipment	5-20 years

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for *deferred outflows of resources*. The separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. The District has no deferred outflows of resources as of September 30, 2018.

In addition to liabilities, the Statement of Net Position will sometimes report a section of *deferred inflows of resources*. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District has no deferred inflows of resources as of September 30, 2018.

Revenues

The revenues susceptible to accrual are property assessments and charges for services. Current year property assessments uncollected at the end of the fiscal year are generally immaterial in amount and highly susceptible to being uncollectable and are not recorded as a receivable on the balance sheet.

North Okaloosa Fire District
Notes to Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District levies assessments on residential and commercial properties located within its boundaries. These assessments (non-ad valorem taxes) are billed and collected through the Okaloosa County Tax Collector's Office in accordance with the laws of the State of Florida. The assessments are payable when levied. The following is the current calendar for collection of the taxes:

Levy Date	November 1 st
Due Date	November 1 st
Delinquent Date	April 1 st

Discounts are available for each month taxes are paid through February 28th.

Revenue recognition criteria for property taxes under GASB require that taxes expected to be collected within sixty days of the current period be accrued. No accrual has been made for 2016 fire assessments because the non-ad valorem taxes are not legally due until subsequent to the end of the fiscal year. Current year taxes, which are uncollected as of the end of the fiscal year, are generally immaterial in amount and highly susceptible to being uncollectible and, therefore, are not recorded as a receivable on the financial statement date.

Budgets

The District prepares an annual operating budget for the fiscal year commencing October 1. The budget is based on an analysis of prior year actual revenues and expenditures along with anticipated spending and revenue sources. Once the proposed budget is compiled, it is brought before the Board of Commissioners for approval. Budget amendments are approved by the Board of Commissioners. The District did not amend its budget as of September 30, 2018.

Compensated absences

Vested or accumulated annual leave amounts that are expected to be liquidated with expendable available financial resources are accrued in the District's financial statements as follows:

Annual leave – Annual leave is cumulative from the time of employment with the District. The maximum amount of accrued annual leave an employee may accumulate and be paid for at termination is 528 hours. Employees accrue vacation time annually in accordance with the following schedule:

North Okaloosa Fire District
Notes to Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Time-in-service	Annual Accrual	Per pay period earnings
0-4.999 years	112 hours	4.30 hours
5-9.999 years	168 hours	6.46 hours
10-14.999 years	224 hours	8.61 hours
15+years	280 hours	10.77 hours

Sick leave – Sick leave is accumulated from the time of employment with the District. The maximum amount of accrued sick leave an employee may accumulate is 720 hours. Unused sick leave will not be paid to an employee upon termination from the District. Employees accrue sick leave annually in accordance with the following schedule:

Time-in-service	Annual Accrual	Per pay period earnings
0-4.999 years	112 hours	4.30 hours
5-9.999 years	168 hours	6.46 hours
10-14.999 years	224 hours	8.61 hours
15+years	280 hours	10.77 hours

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 the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statement and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Fund Balance

The District has implemented GASB Statement 54, “Fund Balance Reporting and Governmental Fund Type Definitions”. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

North Okaloosa Fire District
Notes to Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-spendable – 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 \$ 44,552 is from prepaid expenditures 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, 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. To be reported as committed, amounts cannot be used for any other purpose unless the Board of Commissioners takes the same highest-level action to remove or change the constraint. There are no committed funds as of September 30, 2018.

Assigned – This category includes resources that are intended to be used for specific purposes but is neither restricted nor committed. These are resources that have been set aside for a specific purpose by an authorized governmental body or official. The District voted to assign \$200,000 of funds for future capital purchases and \$150,000 for the insurance deductible as of September 30, 2018 for a cumulative total of \$656,500.

Unassigned – This category is the residual classification for the District’s fund balance that are available for any purpose. The balance as of September 30, 2018 is \$1,246,419.

The District does not have a formal fund balance policy; however, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

Net Position

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

Subsequent events

The Commissioners have evaluated subsequent events through June 27, 2019, which is the date the financial statements were available to be used.

North Okaloosa Fire District
Notes to Financial Statements
September 30, 2018

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

The reconciliations of the Government-wide Financial Statements with the Governmental Fund Financial Statements are as follows:

Reconciliation of Governmental Fund Balance Sheet and Statement of Net Position

Total fund balance for governmental fund	\$ 1,947,471
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund.	1,009,868
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Liabilities not due and payable in the current period are not reported in the governmental fund. Interest on debt is not accrued in the governmental fund, but rather is recognized as an expenditure when due.

These liabilities at year end consist of:

Compensated absences	<u>(42,253)</u>
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Total net position of governmental activities	<u><u>\$ 2,915,086</u></u>
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North Okaloosa Fire District
Notes to Financial Statements
September 30, 2018

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

Governmental Fund Revenues, Expenditures and Changes in Fund Balance and Statement of Activities

Net change in fund balance - governmental fund	\$ 271,629
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Amounts reported for governmental activities in the statement of activities

The general fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Expenditures for capital assets	154,760
Less: current year depreciation	(107,329)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in general fund:

Change in accrued compensated absences	(13,299)
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Changes in net position of governmental activities	\$ 305,761
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NOTE- 3 - CASH

At September 30, 2018 the bank value of the District's deposits was \$1,906,205, all of which were held by qualified public depositories under Chapter 280, Florida Statutes. These funds are fully insured and collateralized. Therefore, they are not classified by credit risk category.

North Okaloosa Fire District
Notes to Financial Statements
September 30, 2018

NOTE 4 – CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 was as follows:

Governmental Activities:	Balance 09/30/17	Additions	Deletions	Balance 09/30/18
Capital Assets not being depreciated				
Land	\$ 25,383	\$ -	\$ -	\$ 25,383
Capital Assets being depreciated:				
Buildings	556,502	-	-	556,502
Improvements other than buildings	97,581	5,735	-	103,316
Machinery and equipment	1,096,707	149,025	(17,000)	1,228,732
Leasehold improvements	386,558	-	-	386,558
Total capital assets being depreciated	2,137,348	154,760	17,000	2,275,108
Less accumulated depreciation	(1,200,294)	(107,329)	17,000	\$ (1,290,623)
Total Capital Assets being depreciated, net	937,054	47,431	-	984,485
Governmental activities capital assets, net	\$ 962,437	\$ 47,431	\$ -	\$ 1,009,868

Depreciation expense of \$107,329 was charged in the Statement of Activities.

North Okaloosa Fire District
Notes to Financial Statements
September 30, 2018

NOTE 5 – RETIREMENT PLAN

The District's retirement plan is administered by Primerica Financial Services Investments, Inc. with Capital Bank & Trust as custodian. It is a defined contribution retirement plan which provides retirement benefits for all salaried employees of the District. Participation in the retirement plan is voluntary. Any amendments to the plan required Board of Commissioners' approval. The District contributed \$21,383 during the year ended September 30, 2018, equal to about 3% of the participating employee's gross salaries. Salaried employees contributed \$34,818 during the year ended September 30, 2018, equal to approximately 4.41% of salaried employee's gross salaries. The District's payroll that was covered by the plan was \$790,201. All monies contributed to the District and salaried employees are one-hundred (100%) vested at the time of the investment.

NOTE 6 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; employee's medical benefits; and natural disasters. The District purchases insurance through commercial carriers and participates in the Florida Municipal Insurance Trust (for workers' compensation insurance coverage). Coverage through these carriers includes automobile, general liability and surety (public official) bond coverage. The District retains the risk of loss for amounts up to the deductible and for amounts more than policy limits.

There has been no significant reduction in insurance coverage from the prior year. Insurance coverage has been sufficient to cover all claims made in the prior three fiscal years.

NOTE 7 – CONTRACTS AND COMMITMENTS

Station 82 lease

On December 18, 2008, the District finalized a lease agreement with Okaloosa County, for the location designated as Station 82, fire protection facility located on the Bob Sikes Airport property. The term of the lease agreement is for a period of twenty years, commencing on December 18, 2008 and ending at midnight on the last day of December 2028. Rent is \$1.00 per year. The District has the option to extend the lease for 5-year renewals upon agreement of the parties.

North Okaloosa Fire District
Notes to Financial Statements
September 30, 2018

NOTE 8 – CONTRACTS AND COMMITMENTS (CONTINUED)

Significant interior improvements were made over the last several years, funded in combination by loans and grants awarded to Okaloosa County by the Department of Transportation. If the agreement is terminated by Okaloosa County in the first 20-year lease term, the District’s expenditures of \$414,600 for the interior, wiring and generator will be repayable to the District based on 25 year straight line depreciation.

The lease requires the District to assume responsibility for utilities, maintenance, and public liability insurance coverage of \$3,000,000. The lease also requires, as part of inter local agreement with Okaloosa County Board of Commissioners that the District will:

- Respond to all airport and aircraft related emergencies made by aircraft within the boundaries of Bob Sikes Airport;
- Monitor the airport’s Common Traffic Advisory Service and communicate with aircraft requiring assistance;
- Conduct daily inspections of airport runways and taxiways, reporting as required by FAA regulations.

Service Contracts

In March 2010, the District executed contracts with BAE System Technology Solutions and Services, Inc. (BAE) and L-3 Crestview Aerospace (L-3) to provide standby and non-emergency aircraft rescue and firefighting services (commonly referred to as standby fees). Each contract provides for fee schedules as outlined:

<u>Fiscal Year</u>	<u>Period</u>	<u>Price</u>
FY 2013	10/1/12 to 09/30/13	\$ 162,500
FY 2014	10/1/13 to 09/30/14	\$ 166,000
FY 2015	10/01/14 to 12/31/14	\$ 78,750
FY 2015	1/1/15 to 12/31/2015	\$ 315,000
FY 2016	1/1/16 to 12/31/2016	\$ 351,000
FY 2017	1/1/17 to 12/31/2017	\$ 351,000
FY 2018	1/1/18 to 12/31/2018	\$ 370,500

North Okaloosa Fire District
Notes to Financial Statements
September 30, 2018

NOTE 8 – CONTRACTS AND COMMITMENTS (CONTINUED)

Fees are payable monthly. If BAE or L-3 terminate their contract for any reason, the District may give written notice to the (remaining) buyer that the fixed price for each subsequent fiscal year shall be double the above amounts, or any other proportional share that would maintain the District's staffing at the required level, effective the following October 1 (next fiscal year).

The District is required under the contracts to provide the Aircraft rescue and firefighting (ARFF) services following Federal and NFPA (National Fire Protection Association) standards. Important contract provisions include the following:

- Services shall be provided Monday through Friday from 7am until 3pm, not including Federal Government holidays. Services provided on nights, weekends, or holidays require 24 hours notice and will be billed in accordance with the previous fee schedule.
- Specific time requirements are outlined regarding availability of ARFF capabilities during flight operations, with reduced requirements during period of non-flight operations.
- CAV vehicle (fire trucks with a mounted foam compression system) must meet certain minimum foam/water quantity and discharge requirements. Each vehicle must be equipped with two-way radios.
- ARFF personnel must participate in comprehensive training programs, with records of the training to be maintained by the District. Training programs are required for various ARFF proficiencies on a monthly, quarterly, semiannual and annual basis.

As of September 30, 2018, there were \$83,283 in receivables recorded. The receivables were subsequently paid before the end of November 2018.

NOTE 9 – CONTINGENCIES

In addition, there is a regulatory conflict in the amount of debt the District can incur. The District's Charter states that "the total principal and interest outstanding may not exceed 50% of the total assessment roll." The State Statute governing fire district operations states – "debt service payments for principal and interest shall not exceed 50% of the total annual budgeted revenues of the District". At the current level of indebtedness, the District is not in violation of either stipulation.

North Okaloosa Fire District
Notes to Financial Statements
September 30, 2018

NOTE 10 – SUBSEQUENT EVENTS

In 2017, an employee and a volunteer of the District filed lawsuits. The District's insurance carrier accepted defense and indemnity of these claims. The volunteer's claim was settled at no cost to the District in June, 2019. The District's insurance carrier continues to defend the employee's claim, which remains unsettled. The outcome of the claim cannot be determined at this time.

In 2019, the employee mentioned above filed a complaint with the state of Florida against the District. The District's current insurance carrier has not accepted or denied defense and indemnity against the claim. The District's prior insurance carrier is evaluating whether it will cover the claim due to the related events and facts of the new claim to the existing claim currently being defended by the prior carrier. The outcome of the claim cannot be determined at this time.



770 Industrial Drive, Crestview, FL 32539
Telephone: (850) 398-8934
Fax: (850) 689-4488

**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
North Okaloosa Fire District
5549 John Givens Road
Crestview, FL 32539

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 and the major fund of the North Okaloosa Fire District (hereinafter called the "District"), as of and for the year ended September 30, 2018, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 27, 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 (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 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 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 and significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses (2018-01), that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Okaloosa Fire 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of the 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 the audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

 Dawn M. Paul, CPA, P.A.

Crestview, FL
June 27, 2019



770 Industrial Drive, Crestview, FL 32539
Telephone: (850) 398-8934
Fax: (850) 689-4488

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE
REQUIREMENTS IN ACCORDANCE WITH CHAPTER 10.550,
*RULES OF THE AUDITOR GENERAL***

To the Board of Commissioners
North Okaloosa Fire District
5549 John Givens Road
Crestview, FL 32539

We have examined North Okaloosa Fire District's (hereafter referred to as "the District") compliance with Florida Statute 218.415 in regards to investments for the year ended September 30, 2018.

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

Our examination was conducted in accordance with attestation standards establish 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 the 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, 2018.

Dawn M. Paul, CPA, P.A.

Crestview, FL
June 27, 2019



770 Industrial Drive, Crestview, FL 32539
Telephone: (850) 398-8934
Fax: (850) 689-4488

MANAGEMENT LETTER

To the Board of Commissioners
North Okaloosa Fire District
5549 John Givens Road
Crestview, FL 32539

Report on the Financial Statements

We have audited the financial statements of the North Okaloosa Fire District, Florida (hereinafter called the "District"), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated June 27, 2019.

Auditor's 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 Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated June 27, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

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

findings and recommendations made in the preceding financial audit report (see accompanying schedule of findings and responses 2018-01).

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2017 FY Finding #	2016 FY Finding #
2018-01	2017-01	2016-01

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 the management letter, unless disclosed in the notes to the financial statements. This information required is disclosed in the notes to the financial statements (see Note 1).

Financial Condition and Management

Section 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 North Okaloosa Fire District has one or more of the conditions described in Section 218.503(1), Florida Statutes, and identify the specific condition(s) met. In connection with our audit, we determined that the North Okaloosa Fire District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the North Okaloosa Fire District. It is management's responsibility to monitor the North Okaloosa Fire District's financial condition, and our financial condition assessment was based in part on representations made by management and 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 improvement financial statement. In connection with our audit, we reported several deficiencies in internal control that we considered to be material weaknesses (see accompanying schedule of findings and responses 2018-01).

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us 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 warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

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

Deann M. Paul, CPA, P.A.

Crestview, FL
June 27, 2019

North Okaloosa Fire District
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended September 30, 2018

Current Year's (Prior Year) Findings

2018-01 - (Prior Year 2017-01, 2016-01) Financial Statement Preparation, Knowledge and Audit Adjustments
(Material Weakness)

Criteria:

The District is responsible for the preparation of 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.

Condition:

North Okaloosa Fire District does not prepare its audited financial statements.

Cause:

Because of the limited number of available personnel, North Okaloosa Fire District engages the auditor to perform non-attest services including assistance with the preparation of the financial statements

Effect:

Consequently, the possibility exists that management will not properly review the financial statements in order to take responsibility for the preparation and fair presentation of the financial statements.

Recommendation:

The District's Board of Commissioner's reviews the draft audited financial statements during a monthly board meeting with the auditor prior to approving the issuances of the statements. The District also signs a management representation letter acknowledging its responsibility for the financial statements.

District's Response:

The District believes the cost in correcting the weakness outweighs the benefits derived from additional controls. The District understands its responsibility as management to review and approve the draft financial statements and audit adjustments.