



East Niceville Fire District

FINANCIAL STATEMENTS

September 30, 2021



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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, 2021, 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.

Opinion

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, 2021, 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.

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 June 29, 2022 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.

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

Certified Public Accountants
Niceville, Florida
June 29, 2022

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 \$408,474.
- Net position decreased by \$49,802.
- Total revenues increased by 7% or \$78,752 and total expenses increased by 1% or \$15,859.

District Highlights

During the fiscal year ended September 30, 2021, the District responded to 580 fire calls, including 16 structure fires, 364 medical calls, 120 non-emergency ambulance calls, and 80 other calls.

The Board of Commissioners approved the fiscal year ending September 30, 2021 budget on September 21, 2020 with an approved millage rate of 3.0176 mils for the 2020 - 2021 fiscal year.

Overview of the Financial Statements

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

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

Government-wide Financial Statements

The *government-wide financial statements* include the *statement of net position* and *statement of activities*. These statements are designed to provide readers with a broad overview of the District's financial position, in a manner similar to that of private-sector companies. Emphasis is placed on the net position of governmental activities as well as the change in net position.

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

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

The *statement of activities* presents information on all revenues and 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.

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 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 278% of the District's net position. The District executed a lease/purchase agreement in the amount of \$382,981, after a down-payment of \$80,000, to purchase a new fire truck during the fiscal year ended September 30, 2021. Capital assets are used to provide services to citizens; consequently, these assets are not available for future spending.

<i>September 30,</i>	2021	2020	Change
Assets			
Current and other assets	\$ 266,577	\$ 339,172	\$ (72,595)
Capital assets, net	698,113	217,044	481,069
Total assets	964,690	556,216	408,474
Deferred outflows of resources	255,467	182,740	72,727
Total assets and deferred outflows of resources	1,220,157	738,956	481,201
Liabilities			
Current liabilities	192,810	111,281	81,529
Noncurrent liabilities	756,815	379,388	377,427
Total liabilities	949,625	490,669	458,956
Deferred inflows of resources	157,038	84,991	72,047
Total liabilities and deferred inflows of resources	1,106,663	575,660	531,003
Net position (deficit)			
Net investment in capital assets	315,132	217,044	98,088
Unrestricted	(201,638)	(53,748)	(147,890)
Total net position (deficit)	\$ 113,494	\$ 163,296	\$ (49,802)

**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>	2021	2020	Change
General revenues			
Ad valorem taxes, net	\$ 1,143,016	\$ 1,079,245	\$ 63,771
Interest	781	1,433	(652)
Miscellaneous	20,383	4,750	15,633
Total general revenues	1,164,180	1,085,428	78,752
Expenses			
Increase (decrease) in net position	(49,802)	(112,695)	62,893
Net position, beginning	163,296	275,991	(112,695)
Net position, ending	\$ 113,494	\$ 163,296	\$ (49,802)

Ad valorem taxes increased by 6% or \$63,771 due to an increase in the tax base from the prior year.

Expenses increased by 1% or \$15,859 from the previous year, due to increases in salaries, retirement plan contributions, and operating expenses.

Governmental Fund Budgetary Highlights

The District experienced an increase in tax revenues as compared to the budget of \$35,378, which occurred due to higher than expected ad valorem tax collections. In addition, interest and miscellaneous income was \$18,244 more than budgeted, due to the receipt of \$20,000 in federal CARES Act funds.

The District had an increase in expenditures compared to budget in the amount of \$557,289. This increase occurred primarily due to purchases of a new fire truck and other equipment.

Overall, the general fund had an unfavorable variance compared to budget in the amount of \$120,686.

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, 2021 was \$315,132 (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>	2021	2020	Change
Land	\$ 40,337	\$ 40,337	\$ -
Building and improvements	360,009	360,009	-
Vehicles and equipment	1,362,268	835,235	527,033
Total, prior to depreciation	1,762,614	1,235,581	527,033
Accumulated depreciation	(1,064,501)	(1,018,537)	(45,964)
Capital assets	698,113	217,044	481,069
Lease liability related to capital assets	(382,981)	-	(382,981)
Net investment in capital assets	\$ 315,132	\$ 217,044	\$ 98,088

Additional information about the District's capital assets is presented in note 3 to 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 2021 have been established to provide for the operations of the District and necessary capital and operating requirements.

BOARD OF FIRE COMMISSIONERS

Matt Schwab
Chairman

Kenny Revell
Vice Chairman

Vacant
Treasurer

Tony Evans
Pension Fund Liaison

Leo Tisa
Secretary

MANAGEMENT

David Birch
Fire Chief

Jon Kramer
Deputy 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, 2021</i>	General Fund	Adjustments (Note 2)	Statement of Net Position
Assets			
Current assets			
Cash and cash equivalents	\$ 247,834	\$ -	\$ 247,834
Receivables, net	376	-	376
Prepays	18,367	-	18,367
Total current assets	266,577	-	266,577
Noncurrent assets			
Capital assets, net	-	698,113	698,113
Total assets		698,113	964,690
Deferred outflows of resources			
	-	255,467	255,467
Total assets and deferred outflows of resources	\$ 266,577	953,580	1,220,157
Liabilities			
Current liabilities			
Accounts payable	\$ 7,109	-	7,109
Accrued salaries and benefits payable	26,948	-	26,948
Accrued compensated absences	39,817	-	39,817
Due to pension fund	85,498	-	85,498
Current portion of lease liability	-	33,438	33,438
Total current liabilities	159,372	33,438	192,810
Noncurrent liabilities			
Accrued compensated absences	-	111,240	111,240
Net pension liability	-	128,491	128,491
Other postemployment benefits liability	-	167,541	167,541
Lease liability	-	349,543	349,543
Total noncurrent liabilities	-	756,815	756,815
Total liabilities		790,253	949,625
Deferred inflows of resources			
	-	157,038	157,038
Total liabilities and deferred inflows of resources	159,372	947,291	1,106,663
Fund balance			
Nonspendable	18,367	(18,367)	-
Unassigned	88,838	(88,838)	-
Total fund balance	107,205	(107,205)	-
Total liabilities and fund balance	\$ 266,577		
Net position (deficit)			
Net investment in capital assets		315,132	315,132
Unrestricted net position (deficit)		(201,638)	(201,638)
Total net position		\$ 113,494	\$ 113,494

The accompanying notes are an integral part of these financial statements.

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

<i>Year ended September 30, 2021</i>	General Fund	Adjustments (Note 2)	Statement of Activities
Revenues			
Ad valorem taxes, net	\$ 1,143,016	\$ -	\$ 1,143,016
Interest	781	-	781
Miscellaneous	20,383	-	20,383
Total revenues	1,164,180	-	1,164,180
Expenses/Expenditures			
Personnel services			
Group employee life and health insurance	91,701	-	91,701
Salaries	635,326	-	635,326
Section 175 retirement contribution	80,506	-	80,506
Pension	-	21,424	21,424
Payroll taxes	55,001	-	55,001
Compensated absences	94,712	1,156	95,868
Other postemployment benefits	-	4,624	4,624
Operating			
Accounting and auditing	34,293	-	34,293
Insurance	66,856	-	66,856
Office and operating supplies	25,734	-	25,734
Property appraisal and tax collector fees	14,246	-	14,246
Repairs and maintenance	20,400	-	20,400
Utilities	22,039	-	22,039
Capital outlay	527,033	(527,033)	-
Depreciation and amortization	-	45,964	45,964
Total expenses/expenditures	1,667,847	(453,865)	1,213,982
Other Financing Sources			
Lease proceeds	382,981	(382,981)	-
Change in net position/fund balance	(120,686)	70,884	(49,802)
Net position/fund balance, beginning	227,891	(64,595)	163,296
Net position/fund balance, ending	\$ 107,205	\$ 6,289	\$ 113,494

The accompanying notes are an integral part of these financial statements.

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

<i>Year ended September 30, 2021</i>	Budgeted Amounts			Variance from Final Budget
	Original	Final	Actual	
Revenues				
Ad valorem taxes, net	\$ 1,107,638	\$ 1,107,638	\$ 1,143,016	\$ 35,378
Interest and miscellaneous	2,920	2,920	21,164	18,244
Total revenues	1,110,558	1,110,558	1,164,180	53,622
Expenditures				
Personnel services				
Group employee life/health insurance	93,012	93,287	91,701	1,586
Salaries	657,760	665,534	635,326	30,208
Section 175 retirement contribution	50,000	50,000	80,506	(30,506)
Payroll taxes	53,749	55,393	55,001	392
Compensated absences	44,840	58,560	94,712	(36,152)
Operating				
Accounting and auditing	32,000	32,000	34,293	(2,293)
Legal services	6,000	6,000	-	6,000
Insurance	59,394	59,394	66,856	(7,462)
Office and operating supplies	43,605	43,605	25,734	17,871
Advertising	1,500	1,500	-	1,500
Property appraisal	33,000	33,000	14,246	18,754
Repairs and maintenance	30,000	30,000	20,400	9,600
Travel	1,000	1,000	-	1,000
Utilities	11,000	11,000	22,039	(11,039)
Debt service	200	200	-	200
Capital outlay				
Operational and equipment reserves	(31,502)	(94,915)	-	(94,915)
Certificate of Deposit	-	40,000	-	40,000
Total expenditures	1,110,558	1,110,558	1,667,847	(557,289)
Other Financing Sources				
Lease proceeds	-	-	382,981	382,981
Excess of expenditures over revenues	\$ -	\$ -	\$ (120,686)	\$ (120,686)

The accompanying notes are an integral part of these financial statements.

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

September 30, 2021

Assets

Cash and cash equivalents	\$ 100,515
Investments	1,397,748
Due from other fund	85,498
Due from State of Florida	47,918

Total assets	1,631,679
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Liabilities

Accrued expenses	7,235
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Net position

Held in trust for pension benefits	\$ 1,624,444
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The accompanying notes are an integral part of these financial statements.

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

Year ended September 30, 2021

Additions

Contributions:

District	\$ 85,498
Plan members	35,865
Florida firefighters' pension trust fund	47,918

Total contributions	169,281
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Investment Income:

Dividends and interest	24,087
Realized gain on investments	68,957
Unrealized gain on investments	143,049
Investment expenses	(6,357)

Total additions	399,017
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Deductions

Member refunds	4,057
Legal and accounting	16,837
Actuary	16,241
Administrative fees	8,357
Distributions	16,431

Total deductions	61,923
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Change in net position	337,094
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Net position, beginning of year	1,287,350
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Net position, end of year	\$ 1,624,444
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The accompanying notes are an integral part of these 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 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, 2021 was \$207,834 and \$- 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, generally 30 years for buildings and improvements and 5 to 15 years for vehicles and equipment.

Leased assets are recorded as intangible right of use lease assets and amortized over, the term of the lease. Currently, the District leases a fire truck, which is being amortized over 10 years, the term of the lease.

Accrued compensated absences

Vacation and sick leave accrue for all employees. The District has accrued the accumulated and unpaid amounts due its employees for leave in the financial statements at September 30, 2021. The liability presented represents the total amount the District would owe its employees if all employees quit or were terminated.

The District's policy for accruing vacation leave is that shift employees accrue between 5.0 and 8.0 hours and nonshift employees accrue between 4.1 and 6.6 hours. Maximum number of hours that can be accumulated is 360 hours for shift employees and 200 hours for nonshift employees. Employees are paid the value of unused, accrued vacation leave at termination.

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 shift employees accrue sick leave at a rate of 5 hours per pay period and nonshift employees earn 4.1 hours per pay period. Maximum number of hours that can 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 3.0176 for the year ended September 30, 2021.

Deferred outflows and inflows of resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. The financial statement element represents an outflow of resources (expenses) to be recognized in a future period or periods. 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 includes separate section for deferred inflows of resources. This financial statement element represents an inflow of resources (revenue) to be recognized in a future period or periods. 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 follows 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, 2021 of \$18,367 is prepaid expenses 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, 2021.

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, 2021.

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, 2021.

Unassigned – This category is the residual classification for the District’s fund balance. The balance as of September 30, 2021 is \$88,838.

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, 2021, the District had a long-term lease liability of \$382,981 associated with capital assets. The balance as of September 30, 2021 is \$315,132.

Unrestricted – indicates that portion of net position that is available for future periods. The deficit as of September 30, 2021 is \$201,638.

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.

East Niceville Fire District Notes to Basic Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Prior to September 30, the budget is legally enacted through approval by the Board.
4. Formal budgetary integration is employed as a management control device during the year for the general fund.
5. Appropriations lapse at the end of each fiscal year.
6. The Board of Commissioners may authorize supplemental appropriations during the year.

Impact of recently issued accounting pronouncements

In fiscal year 2020, the District adopted three new statements of financial accounting standards issued by the GASB, GASB Statement No. 87, *Leases*, GASB Statement No. 84, *Fiduciary Activities*, and GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Early implementation is permitted, which the District has elected. The District had no existing leases prior to the year ended September 30, 2021; therefore, implementation of this standard had no impact on beginning net position.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this are effective for the fiscal years beginning after December 15, 2019. The adoption of GASB statement No. 89 had no impact on the District's accounting practices and financial reporting.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The adoption of GASB statement No. 89 had no impact on the District's accounting practices and financial reporting.

East Niceville Fire District
Notes to Basic Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent events

Management has evaluated subsequent events through June 29, 2022, which is the date the financial statements were available to be issued and noted no subsequent events that require disclosure.

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

The total fund balance of the District's governmental general fund of \$107,205 differs from the net position of governmental activities of \$113,494 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.

September 30, 2021

Total fund balance - governmental fund	\$ 107,205
Capital assets used in governmental activities are not current financial resources and therefore are not reported on the governmental fund balance sheet.	698,113
Net pension liability does not consume current financial resources and is not reported on the governmental fund balance sheet.	(128,491)
Deferred outflows of resources related to pensions are applicable to future periods and, therefore are not reported on the governmental fund balance sheet.	255,467
Deferred inflows of resources related to pensions are applicable to future periods and, therefore are not reported on the governmental balance sheet.	(157,038)
Liabilities that do not consume current financial resources are not reported on the governmental fund balance sheet.	
Other postemployment benefits liability	(167,541)
Accrued compensated absences, noncurrent	(111,240)
Lease liability	(382,981)
Total net position - governmental activities	\$ 113,494

East Niceville Fire District
Notes to Basic Financial Statements

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

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

Year ended September 30, 2021

Change in fund balance - governmental fund	\$ (120,686)
Capital outlays reported as expenditures in the governmental fund are shown as capital assets on statement of net position.	527,033
Current change in the long-term OPEB obligation does not consume current financial resources and therefore is not reported on the governmental fund.	(4,624)
Current change in the long-term portion of accrued compensated absences does not consume current financial resources and therefore is not reported on the governmental fund.	(1,156)
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.	(21,424)
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.	(45,964)
Lease proceeds reported as other financing sources in the governmental fund are shown as a liability on the statement of net position.	(382,981)
Change in net position - governmental activities	\$ (49,802)

NOTE 3: LEASE

The District entered into a 10-year lease agreement, effective June 25, 2021, for a new fire truck at a fixed rate of interest of 2.98%. The lease may be terminated by the District, if the Board of Commissioners fails to appropriate, in any fiscal year, for rent payments or other payments due under the lease and if other funds are not available for such payments. The District does not anticipate that the lease will be terminated.

East Niceville Fire District
Notes to Basic Financial Statements

NOTE 3: LEASE (CONTINUED)

Annual requirements to amortize the long-term obligation and related interest are as follows:

Year ending September 30,	Principial	Interest
2022	\$ 33,438	\$ 11,413
2023	34,435	10,416
2024	35,461	9,390
2025	36,518	8,333
2026	37,606	7,245
2027	38,726	6,125
2028	39,881	4,971
2029	41,069	3,782
2030	42,293	2,558
2031	43,554	1,298
Total	\$ 382,981	\$ 65,531

NOTE 4: CHANGES IN CAPITAL ASSETS

The following is a summary of changes in the capital assets for the year ended September 30, 2021:

Governmental Activities	September 30, 2020	Additions	Deletions	September 30, 2021
Capital assets not being depreciated				
Land	\$ 40,337	\$ -	\$ -	\$ 40,337
Capital assets being depreciated				
Building and improvements	360,009	-	-	360,009
Vehicles and equipment	835,235	64,052	-	899,287
Intangible right to use lease - fire truck	-	462,981	-	462,981
Total capital assets being depreciated	1,195,244	527,033	-	1,722,277
Less accumulated depreciation and amortization	1,018,537	45,964	-	1,064,501
Total capital assets being depreciated, net	176,707	481,069	-	657,776
Governmental activities' capital assets, net	\$ 217,044	\$ 481,069	\$ -	\$ 698,113

Depreciation and amortization expense for fiscal year ended September 30, 2021, totaled \$45,964.

East Niceville Fire District
Notes to Basic Financial Statements

NOTE 5: CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2021, was as follows:

	September 30,			September 30, Due Within	
	2020	Additions	Reductions	2021	One Year
Accrued compensated absences	\$ 156,801	\$ 81,801	\$ (87,545)	\$ 151,057	\$ 39,817
Net pension liability	106,387	22,104	-	128,491	-
Other postemployment benefits liability	162,917	14,683	(10,059)	167,541	-
Lease liability	-	382,981	-	382,981	33,438
Total long-term liabilities	\$ 426,105	\$ 501,569	\$ (97,604)	\$ 830,070	\$ 73,255

NOTE 6: 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 for 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 four fiscal years.

NOTE 7: 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

NOTE 7: RETIREMENT PLAN (CONTINUED)

service. As of September 30, 2021, the Plan had a total of 12 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 a 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, 2021, all the Chapter 175 Plan assets were held in a money market account and a mutual fund.

Funding Policy

The plan members are required to contribute 5% of their annual covered salary to the Plan. The District is required to contribute at an actuarially determined rate. The actual contribution rate for the District and State contribution equaled 16% of employees' salaries for the covered annual payroll.

Annual Pension Cost

For the year ended September 30, 2021, total required contributions of \$133,416 equaled contributions of \$133,416. The required contribution was determined as part of the actuarial valuation as of October 1, 2020, 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, 2021, the District was owed \$47,918 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.

East Niceville Fire District
Notes to Basic Financial Statements

NOTE 7: RETIREMENT PLAN (CONTINUED)

Net Pension Liability of the Sponsor

The components of the net pension asset of the sponsor (District) on September 30, 2019 were as follows:

Total pension liability	\$	1,752,935
Plan fiduciary net position		(1,624,444)
<hr/>		
Sponsor's net pension liability	\$	128,491
<hr/>		
Plan's fiduciary net position as a percentage of total pension liability		93%

Actuarial Assumptions Pension Liability

The valuation date is October 1, 2020. The measurement period for the pension expense was October 1, 2020 to September 30, 2021. The reporting period is October 1, 2020 through September 30, 2021. For the year ended September 30, 2021 the actuarial assumptions used to determine the total pension liability included a 7% investment rate of return, a service based projected salary increase, a discount rate of 7% and an inflation rate of 3%. Mortality assumptions were based on the PubS.H–2010 base tables projected generationally with Mortality Improvement Scale MP-2018. The date of the most recent experience study for which significant assumptions are based was dated December 1, 2019.

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, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	55%	7.50%
International equity	15%	8.50%
Broad marked fixed income	20%	2.50%
Fixed income (non-core)	5%	2.50%
Global fixed income	5%	3.50%
<hr/>		
Total	100%	
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East Niceville Fire District
Notes to Basic Financial Statements

NOTE 7: RETIREMENT PLAN (CONTINUED)

Discount Rate

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

Sensitivity of the net pension liability 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	\$ 421,299	\$ 128,491	\$ (111,098)

For the year ended September 30, 2021, the District recognized a pension expense net of State of Florida contributions of \$47,918. 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	\$ 240,951	\$ 52,230
Changes in assumptions	14,516	21,049
Net difference between projected and actual earnings on pension plan investments	-	83,759
Total	\$ 255,467	\$ 157,038

East Niceville Fire District
Notes to Basic Financial Statements

NOTE 7: RETIREMENT PLAN (CONTINUED)

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

Year ending September 30,	Amount
2022	\$ 12,059
2023	5,424
2024	(2,103)
2025	(3,231)
2026	20,348
Thereafter	65,932
Total	\$ 98,429

The changes in total pension liability are as follows:

<i>Year ended September 30, 2020</i>	
Total pension liability	
Service cost	\$ 125,286
Interest	105,615
Differences between expected and actual experience	148,776
Changes in assumptions	(20,489)
Net change in total pension liability	359,188
Total pension liability - beginning	1,393,747
Total pension liability - ending	\$ 1,752,935

Investments

The following table presents the fair value of the Plan's investments at September 30, 2021:

	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	\$ 1,397,748	86%

NOTE 7: RETIREMENT PLAN (CONTINUED)

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 55% international equities of 15%, broad market fixed income of 20%, fixed income (non-core) of 5%, and global fixed income of 5%. At September 30, 2021, 6% of the Plan's assets were held in cash and cash equivalents and 86% were invested in a mutual fund. Investments held in the Pension Fund are not insured.

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.

East Niceville Fire District
Notes to Basic Financial Statements

NOTE 7: RETIREMENT PLAN (CONTINUED)

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, 2021:

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	\$ 1,397,748	\$ 1,397,748	\$ -	\$ -

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Other 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.

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, 2021, there were no retirees receiving postemployment health care benefits.

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

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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 \$167,541 was measured at September 30, 2021, based on an actuarial valuation date of October 1, 2019.

Summary of Membership Information

As of October 1, 2019, 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
Active participants	12
Total employees covered	12

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: PubG-2010 Mortality Table projected to the valuation date using MP-2019.
- Discount rate: 2.43%. Based on the September 30, 2021 S&P Municipal Bond 20 Year High Grade Rate Index as published by S&P Dow Jones Indices.
- 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
- Health care inflation: Initial rate of 7.50% in fiscal 2020, 7.00% in fiscal 2021, then 7.50% in fiscal 2022, grading down to the ultimate trend rate of 4.00% in fiscal 2075.
- 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)

East Niceville Fire District
Notes to Basic Financial Statements

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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 2.43%. The high-quality municipal bond rate was based on the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index as published by S&P Dow Jones Indices. The S&P Municipal 20 Year High Grade Rate Index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years. Eligible bonds must be rated at least AA by Standard and Poor’s Ratings Services, Aa2 by Moody’s or AA by Fitch. If there are multiple ratings, the lowest rating is used.

Changes in Plan Provisions, Assumptions, and Actuarial Methods

The discount rate used for fiscal year ending September 30, 2021 was 2.43% compared to 2.14% for fiscal year ending September 30, 2020.

Changes in Total OPEB Plan Liability

<u>Balance at September 30, 2020</u>	<u>\$ 162,917</u>
Changes for the year:	
Service cost	10,980
Interest	3,703
Changes in assumptions	(8,374)
Benefit payments	(1,685)
Net change in total OPEB liability	4,624
Balance at September 30, 2021	\$ 167,541

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
	1.43%	2.43%	2.43%	3.43%
Total OPEB liability	\$ 199,079	\$ 167,541	\$	142,660

East Niceville Fire District
Notes to Basic Financial Statements

NOTE 8: 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% - 6.50%	Healthcare Cost Trend Rates 4.00% - 7.50%	1% Increase 5.00% - 8.50%
Total OPEB liability	\$ 138,807	\$ 167,541	\$ 204,492

NOTE 9: BUDGET VARIANCES

For the year ended September 30, 2021, actual expenditures were greater than budgeted expenditures by \$557,289. The District acquired a new fire truck and other equipment that were greater than the amount budgeted for capital outlay.

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

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

Year ended September 30,	2021	2020	2019	2018	2017	2016	2015
Total pension liability							
Service cost	\$ 125,286	\$ 102,581	\$ 93,668	\$ 85,836	\$ 74,125	\$ 74,125	\$ 69,276
Interest	105,615	83,817	71,608	67,320	48,804	48,804	41,039
Changes in benefit terms	-	-	(3,563)	-	-	-	-
Differences between expected and actual experience	148,776	139,764	-	(87,052)	49,256	-	-
Changes in assumptions	-	(27,064)	-	1,412	-	36,289	-
Contributions - buy back	-	-	-	-	-	-	443
Benefit payments, including refunds of employee contributions	(20,489)	-	(1,269)	(16,969)	(18,768)	(5,584)	(2,904)
Net change in total pension liability	359,188	299,098	160,444	50,547	153,417	153,634	107,854
Total pension liability - beginning	1,393,747	1,094,649	934,205	883,658	779,497	625,863	518,009
Adjustment to the beginning of year	-	-	-	-	(49,256)	-	-
Total pension liability - ending	1,752,935	1,393,747	1,094,649	934,205	883,658	779,497	625,863
Plan fiduciary net position							
Contributions - employer	47,918	59,624	57,570	42,716	32,985	12,046	13,918
Contributions - state	35,865	40,089	31,963	30,528	35,001	45,656	56,017
Contributions - employee	85,498	33,012	27,993	22,559	20,313	18,681	18,575
Contributions - buy back	-	-	-	-	-	-	443
Projected net investment income	229,746	75,853	34,998	64,430	43,250	34,978	1,169
Difference between projected and actual earnings on Pension Plan investments	-	-	-	(33,175)	-	-	-
Benefit payments, including refunds of employee contributions	(20,488)	-	(1,269)	(16,969)	(18,768)	(5,584)	(2,904)
Administrative expense	(41,445)	(48,033)	(16,973)	(1,327)	(9,776)	(1,399)	(2,520)
Net change in plan fiduciary net position	337,094	160,545	134,282	108,762	103,005	104,378	84,698
Plan fiduciary net position - beginning	1,287,350	1,126,805	992,523	883,761	780,756	676,378	591,680
Plan fiduciary net position - ending	1,624,444	1,287,350	1,126,805	992,523	883,761	780,756	676,378
Net pension asset (liability) - ending	\$ (128,491)	\$ (106,397)	\$ 32,156	\$ 58,318	\$ 103	\$ 1,259	\$ 50,515
Plan fiduciary net position as a percentage of the total pension liability	93%	92%	103%	106%	100%	100%	108%
Covered payroll	\$ 717,291	\$ 660,347	\$ 559,854	\$ 451,173	\$ 463,739	\$ 413,216	\$ 408,671
Net pension asset (liability) as a percentage of covered payroll	-18%	-16%	6%	13%	0%	0%	12%

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

Notes to schedule:

For measurement date October 1, 2020, as mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in Milliman's July 1, 2019 FRS valuation report for special risk employees.

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

<i>Year ended September 30,</i>	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 133,417	\$ 99,713	\$ 90,136	\$ 72,639	\$ 65,749	\$ 59,779	\$ 62,041
Contributions in relation to the actuarially determined contributions	133,417	99,713	89,533	73,244	67,986	57,702	69,935
Contribution (excess)/deficiency	\$ -	\$ -	\$ 603	\$ (605)	\$ (2,237)	\$ 2,077	\$ (7,894)
Covered payroll	\$ 717,291	\$ 660,347	\$ 559,854	\$ 451,173	\$ 463,739	\$ 413,216	\$ 408,671
Contributions as a percentage of covered payroll	19%	15%	16%	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, 2020

Actuarially determined contribution rates are calculated as of October 1, four 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.

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

Fiscal year ended	Annual money-weighted rate of return, net of investment expense
September 30, 2021	17.97%
September 30, 2020	6.72%
September 30, 2019	3.58%
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.

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

<i>Year ended September 30,</i>	2021	2020	2019	2018
Total other postemployment liability				
Service cost	\$ 10,980	\$ 9,891	\$ 7,941	\$ 8,516
Interest	3,703	5,295	5,220	4,520
Difference between expected and actual experience	-	(2,033)	-	-
Changes in assumptions	(8,374)	10,694	11,806	(10,050)
Benefit payments	(1,685)	(1,933)	(1,790)	(1,650)
Net change in OPEB liability	4,624	21,914	23,177	1,336
Total OPEB liability - beginning	162,917	141,003	117,826	116,490
Total OPEB liability - ending	\$ 167,541	\$ 162,917	\$ 141,003	\$ 117,826
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%
Covered employee payroll	\$ 567,738	\$ 553,891	\$ 524,220	\$ 511,434
Total OPEB liability as a percentage of covered employee payroll	30%	29%	27%	23%

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

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, 2021, and the related notes to financial statements, which collectively comprise the District's Basic financial statements and have issued our report thereon dated June 29, 2022.

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 as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

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

Certified Public Accountants
Niceville, Florida
June 29, 2022

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, 2021, and have issued our report thereon dated June 29, 2022.

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 Accountants' 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 June 29, 2022, 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 prior audit findings.

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 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.

Specific Information

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the District reported:

The total number of district employees compensated in the last pay period of the district's fiscal year as 11.

The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as none.

All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$984,450.

All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as none.

Each construction project with a total cost of at least \$65,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such projects as none.

A budget variance based on the budget adopted under Sections 189.016(4), Florida Statutes, before

the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes, as (\$120,286).

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 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, Rigg & Ingram, L.L.C.

Certified Public Accountants
Niceville, Florida
June 29, 2022



INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

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, 2021. 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, 2021.

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
June 29, 2022