

OKALOOSA ISLAND FIRE DISTRICT
REGULAR MONTHLY MEETING
JULY 19, 2017 AGENDA

I. **CALL TO ORDER:** Meeting called to order at _____ p.m. by Chairman Jones.

II. **CALLING OF THE ROLL:** Present were Commissioners Jones _____ Mitchell _____
Edlund _____ Simpson _____ Linz _____

III. **APPROVAL OF THE JULY 19, 2017 AGENDA:**

(a) **PUBLIC COMMENTS:**

IV. **APPROVAL OF MINUTES:** Minutes for the JUNE 21, 2017 regular meeting.

V. **APPROVAL OF THE FINANCIAL REPORT FOR: JULY, 2017**

VI. **OFFICERS REPORT:**

1. **Chairman, :**

2. **Vice-Chairman, :**

3. **Secretary/ Treasurer, :**

4. **Department Assistant Chief Carvalho:**

A. Reported **133** responses for the month of JUNE (*130 for JUNE, 2016*)

Response Summary:

<u>3</u>	Fire Calls
<u>10</u>	False Alarms/Alarm Activations
<u>75</u>	EMS/ Rescue/ MVA
<u>45</u>	Other

OKALOOSA ISLAND FIRE DISTRICT
REGULAR MONTHLY MEETING
JULY 19, 2017 AGENDA

- B. Fractile Response Times: Annually each January
- C. Vehicle Status Report: E4-1 out of service for routine maintenance

VII. OLD BUSINESS:

- A. TAX INCREASE
- B. INSPECTOR/NEW BEACH 4 VEHICLE

VIII. NEW BUSINESS:

- A. 2017 FINAL TAXABLE VALUES (\$979,439,046)
- B. RESERVES
- C. 2019 HOMESTEAD EXEMPTION
- D. 2017 TENTATIVE MILLAGE (3.6000)
- E. ANNUAL FINANCIAL REPORT (AUDIT 9-30-2016)
- F. NEW HIRE
- G. BRIDGE INCIDENT 07/07/2017

IX. ADJOURNMENT: Meeting was adjourned at _____ p.m.

**Okaloosa Island Fire District
Board of Fire Commissioners Minutes
JUNE 21, 2017**

- I. **MEETING:** Meeting was called to Order @5:30 P.M. by Chairman Jones.
- II. **ROLL CALL:** Present were Commissioner Jones, Commissioner Edlund, Commission Linz, Commissioner Mitchell and Commissioner Simpson. Also present were Chief Tilley and Assistant Chief Carvalho.
- III. **APPROVAL OF MAY AGENDA:** Chairman Jones called for an approval of the Agenda. **Commissioner Mitchell** made a motion to approve the Agenda, **Commissioner Edlund** seconded, all were in favor, none opposed, motion carried.
- IV. **PUBLIC COMMENTS:** No public comments.
- V. **APPROVAL OF THE MAY MINUTES:** The minutes for the **MAY 17, 2017** regular meeting minutes were reviewed. Chairman Jones called for corrections, deletions, and/or additions. There being none, **Commissioner Mitchell** made a motion to accept the Minutes as presented. **Commissioner Simpson** seconded the motion, all were in favor, none opposed, motion carried.
- VI. **APPROVAL OF THE FINANCIALS FOR MONTH ENDING MAY, 2017.** Chairman Jones called for an approval of the financials. **Commissioner Mitchell** made a motion to approve the financials. **Commissioner Simpson** seconded the motion, all were in favor, none opposed, motion carried.
- VII. **REPORT OF OFFICERS:**
 1. Chairman Jones: No Report
 2. Vice Chairman Edlund: No Report
 3. Secretary/Treasurer Mitchell: No Report
 4. Department Report: Assistant Chief Carvalho gave report.

A. Total responses for the month of **MAY, 2017 120**
(MAY, 2016 130)

<u>5</u>	Fire Calls
<u>15</u>	Alarm Activations
<u>66</u>	EMS/Rescue/MVA
<u>34</u>	Other

- B. Fractile/Response Times: No report and no abnormalities to report.
- C. Vehicle Status Report: Engine 4 is out of service, but should be back in service shortly. Engine 4 has been at Ten-8 getting routine maintenance done since Truck 4 was gone for so long.

VIII. OLD BUSINESS:

- A. Tax Increase: OIFD will ask for a tax increase for the FY 17/18 budget year. The final numbers have not come in yet, but OIFD believes the increase is needed to meet growing requirements of the Department.

IX. NEW BUSINESS:

- A. Form 1's: All Form 1's has been turned in except for a few. The dead-line is July 1st.
- B. Pension Actuary: Pension Board passed the Pension Actuary as of October 1, 2016, this is just a ministerial act for the Board of Fire Commissioners to acknowledge. Chairman Jones called for a motion accepting the Pension Actuary as presented. **Commissioner Mitchell** made a motion to accept the Pension Actuary as presented by Assistant Chief Carvalho and Chief Tilley. **Commissioner Edlund** seconded the motion, all were in favor, none opposed, motion carried.
- C. OPEB: OPEB this is a benefits study that is done every other year and it stands for Other Post-Employment Benefits. OIFD doesn't have these benefits it's for the retirees benefits outside of the pension plan. **Commissioner Mitchell** made a motion to accept the OPEB as presented to the Board. **Commissioner Linz** seconded the motion, all were in favor, none opposed, motion carried.
- D. OILA Banners: OIFD assisted OILA (Okaloosa Island Leaseholder's Association) with placing banners on light poles. Assistant Chief Carvalho advised while we are a civic minded fire department, there is a limit to what we can do for the public. As a thank you for the

service we provided to OILA, they provided BBQ lunches for the all three shifts. OIFD also received a very nice thank you letter from Ms. Kathy Foster. Both Chief's participated in hanging the banners and both apparatus' stayed in service while doing this community service project.

- E. Preliminary Taxable Values: \$929,822 was our value for 2016 and \$979,616 is our value for 2017. It shows a \$50 million increase for this year.
- F. Promotions: This year we have three promotions so far: Daniel Blair promoted from Firefighter to Engineer; Greg Lloyd promoted from Engineer to Lieutenant and Mike Simmons promoted from Lieutenant to Captain.
- G. Danie's Employment Contract: Changed some minor things since she came on board, such as no longer year to year, it's now a three-year contract.
- H. Inspector/Back-up Beach 4: Committee established to begin designing the Inspector/Back-up Beach 4 truck. The vehicle Phil will use for inspections will remain here after hours and be used as a back-up beach vehicle. This vehicle will be purchased through a different fleet company than what was used for the current Beach 4 and AC4 vehicles. Alan Jay will be the vendor used for this purchase and he is located out of Central Florida. This vendor is in the process of currently working up a quote for us and is the same vendor that currently uses the vendors we use for our graphics and radio. Assistant Chief Carvalho asked the Board to make a motion to allow OIFD to purchase this vehicle and all equipment for \$65,000.00, as this vehicle will be replacing Phil's current 2004 Expedition.
Commissioner Mitchell made a motion that the Board approve the motion for OIFD to spend \$65,000.00 for a vehicle and all to include all its equipment, such as lights, and radio. **Commissioner Linz** seconded, all were in favor, none opposed, motion carried.

ADJOURNMENT: With nothing further, the meeting was adjourned at 6:23 p.m.

These minutes are approved and attested to by signature.

Catherine A. Jones
Chairman

Mike Mitchell
Secretary

OKALOOSA ISLAND FIRE DISTRICT

Profit & Loss Budget vs. Actual

October 1, 2016 through July 11, 2017

	Oct 1, '16 - Jul 11, 17	Budget	\$ Over Budget
Income			
Contingency Reserve	0.00	275,000.00	-275,000.00
Hurricane Reserve	0.00	50,000.00	-50,000.00
SAFER Grant Reserve	0.00	0.00	0.00
311.110 · County Reserve- Current Year	3,137,813.41	2,976,205.00	161,608.41
311.120 · Discounts Allowed	-106,451.57	0.00	-106,451.57
311.200 · County Reserve- Prior Year	0.00	0.00	0.00
331.200 · FEMA Grant	0.00	0.00	0.00
331.300 · Grants	1,621.53	0.00	1,621.53
334.200 · Florida State Grant	0.00	0.00	0.00
335.200 · State Incentive	6,720.00	3,360.00	3,360.00
339.000 · Recreational Property	25,137.00	33,516.00	-8,379.00
342.210 · Cost Recovery Revenue	0.00	0.00	0.00
342.220 · Plan Review Fees	0.00	0.00	0.00
361.100 · Interest Earned - Checking	769.55	0.00	769.55
361.110 · Interest - County Reserve	-34.07	0.00	-34.07
361.120 · Interest - State Board of Admin	0.00	0.00	0.00
366.000 · Contributions and Donations	0.00	0.00	0.00
369.110 · Tax Penalties	0.00	0.00	0.00
369.120 · Cash Brought Forward	0.00	494,040.00	-494,040.00
384.000 · Othr Financing Sources	0.00	0.00	0.00
4999 · Uncategorized Income	0.00	0.00	0.00
Total Income	3,065,575.85	3,832,121.00	-766,545.15
Cost of Goods Sold			
50000 · Cost of Goods Sold	0.00	0.00	0.00
Total COGS	0.00	0.00	0.00
Gross Profit	3,065,575.85	3,832,121.00	-766,545.15
Expense			
Contingency Reserve Expense	0.00	275,000.00	-275,000.00
Hurricane Reserve Expense	0.00	50,000.00	-50,000.00
SAFER Grant Reserve Expense	0.00	0.00	0.00
166 · .930	0.00	0.00	0.00
3200 · UnionDues	0.00	0.00	0.00
522.120 · OIFD Salaries	874,980.50	1,160,000.00	-285,019.50
522.121 · Holiday Pay	11,261.16	15,000.00	-3,738.84
522.122 · Liability for Compensated Absen	0.00	135,151.00	-135,151.00
522.123 · Direct Deposit Charges	0.00	0.00	0.00
522.141 · Scheduled OT	17,925.94	30,000.00	-12,074.06
522.142 · Unscheduled OT	25,823.97	30,000.00	-4,176.03
522.150 · Incentive Pay	5,169.80	0.00	5,169.80
522.210 · S.S. & MED - ER Portion	70,923.49	100,000.00	-29,076.51
522.220 · Pension - ER	650,000.00	650,000.00	0.00
522.230 · Medical - Group ER	218,999.11	320,000.00	-101,000.89
522.231 · Life Insurance - ER	0.00	0.00	0.00
522.240 · Worker's Compensation	48,005.99	70,000.00	-21,994.01
522.241 · Employee Benefit	0.00	0.00	0.00
522.311 · Property Appraiser	45,921.61	55,000.00	-9,078.39
522.312 · Legal	87.50	12,500.00	-12,412.50
522.313 · Tax Collector	60,136.39	64,000.00	-3,863.61
522.314 · Physicals & Misc Medical	5,721.40	8,000.00	-2,278.60
522.320 · Audit - CPA	14,250.00	14,250.00	0.00
522.340 · Alarm Monitor Contract	469.50	1,500.00	-1,030.50
522.411 · Cell Phones	0.00	0.00	0.00
522.412 · Central Dispatch	2,349.00	4,000.00	-1,651.00
522.431 · Electric Co.	14,800.17	24,900.00	-10,099.83
522.432 · Gas Co.	1,046.25	3,000.00	-1,953.75
522.433 · Water, Sewer & Trash	5,370.47	7,500.00	-2,129.53
522.434 · Telephone, Internet & Cable	7,911.16	11,000.00	-3,088.84
522.440 · Equipment Lease	0.00	0.00	0.00
522.451 · Insurance - Security Bonds	0.00	1,200.00	-1,200.00
522.452 · Insurance - Liability/ Property	31,879.97	32,000.00	-120.03
522.460 · Maintenance and Repair	40,335.42	50,000.00	-9,664.58

3:20 PM

07/11/17

Accrual Basis

OKALOOSA ISLAND FIRE DISTRICT
Profit & Loss Budget vs. Actual
October 1, 2016 through July 11, 2017

	Oct 1, '16 - Jul 11, 17	Budget	\$ Over Budget
522.468 · Cellular Contract	0.00	0.00	0.00
522.491 · Advertising	827.24	7,000.00	-6,172.76
522.492 · Travel & Training	7,091.27	15,000.00	-7,908.73
522.500 · EMS Grant Funds	0.00	0.00	0.00
522.511 · Admin/ Office Supplies	10,387.38	12,500.00	-2,112.62
522.521 · Fuel & Oil	6,512.38	25,000.00	-18,487.62
522.522 · ALS	19,141.88	35,000.00	-15,858.12
522.523 · Uniforms	9,873.07	8,000.00	1,873.07
522.525 · Operational Supplies	29,267.57	35,000.00	-5,732.43
522.528 · Minor Equipment < \$750	0.00	0.00	0.00
522.542 · Dues & Subscriptions	22,848.23	16,000.00	6,848.23
522.543 · Haz Mat Assessment	4,591.00	4,620.00	-29.00
522.620 · Designated Capital Acquisition	0.00	0.00	0.00
522.621 · ALS Initiation Funding	0.00	0.00	0.00
522.644 · Equipments	20,960.08	40,000.00	-19,039.92
522.647 · Capital Equipment (Vehicle)	484,821.00	480,000.00	4,821.00
522.650 · Building Construction Cost	0.00	0.00	0.00
522.700 · Building Maintenance	60,171.29	30,000.00	30,171.29
522.711 · Vehicle / Apparatus Principal	0.00	0.00	0.00
522.712 · Building Principal	0.00	0.00	0.00
522.713 · Line of Credit Pay Down	0.00	0.00	0.00
522.714 · Equipment Principal Paid	0.00	0.00	0.00
522.721 · Debt Service Interest	0.00	0.00	0.00
66900 · Reconciliation Discrepancies	0.00	0.00	0.00
Total Expense	2,829,861.19	3,832,121.00	-1,002,259.81
Net Income	235,714.66	0.00	235,714.66

OKALOOSA ISLAND FIRE DISTRICT

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2016

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Nicholson, Reeder & Reynolds, P.A.
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Okaloosa Island Fire District
Fort Walton Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Okaloosa Island Fire District (the District) as of and for the year ended September 30, 2016, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 34 and the schedule of funding progress for other post-employment benefits on pages 38, be presented to supplement the basic financial statements. Such information, although not 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 response 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 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 22, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Nicholson, Reeder & Reynolds, PA

Fort Walton Beach, Florida

June 22, 2017

**OKALOOSA ISLAND FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

As management of the Okaloosa Island Fire District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2016.

Financial Highlights

The liabilities and deferred inflows of the District exceed its assets as of the close of the most recent fiscal year resulting in a deficit net position of (\$5,455,030). The net investment in capital assets less depreciation and debt on those assets is \$1,809,409. Unrestricted net position is a deficit of (\$7,264,439).

As of the close of the current fiscal year, the District's general fund reported combined ending fund balances of \$418,442, a decrease of \$55,141 in comparison with the prior year. The unassigned amount of ending fund balance, \$202,182, is *available for spending* at the District's discretion (*unreserved fund balance*) and represents one percent of total general fund expenditures.

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 the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent 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.

Both of the government-wide financial statements distinguish between functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activity of the District is public safety. The District does not have a business-type activity.

The government-wide financial statements can be found on pages 9 and 10 of this report.

OKALOOSA ISLAND FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
SEPTEMBER 30, 2016

Overview of the Financial Statements (Continued)

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 activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District only has one category; governmental funds.

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains an individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11 and 13 of this report.

OKALOOSA ISLAND FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
SEPTEMBER 30, 2016

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows exceeded assets which created a deficit in net position of \$5,455,030 at the close of the most recent fiscal year.

The large deficit in unrestricted net position is the result of the required restatement to recognize the Districts' net pension liability to the Okaloosa Island Firefighters' Pension Trust Fund.

Recapped from Exhibit A, page 9

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 826,075
Capital Assets (Net of Accumulated Depreciation)	
Land	338,700
Buildings	1,181,374
Machinery and Equipment	289,334
Total Assets	<u>2,635,483</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,229,363</u>
LIABILITIES	
Accounts Payable	1,011
Accrued Liabilities	336,256
Other Postemployment Liabilities	42,825
Net Pension Liability	8,411,083
Non Current Liabilities	
Due within one year	70,366
Due in more than one year	216,260
Total Liabilities	<u>9,077,801</u>
DEFERRED INFLOWS OF RESOURCES	<u>242,075</u>
NET POSITION	
Investment in Capital Assets, Net of Related Debt	1,809,409
Unrestricted	<u>(7,264,439)</u>
Total Net Position	<u>\$ (5,455,030)</u>

OKALOOSA ISLAND FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
SEPTEMBER 30, 2016

Governmental Activities

Governmental activities increased the Fire District's net position by \$215,793. Key elements of this increase are as follows:

Recapped from Exhibit B, page 10

<u>Function/Program</u>	<u>Expenses</u>	<u>Program Revenue Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
Primary Government			
Governmental Activities			
Public Safety	\$ 2,797,261	\$ -	\$ (2,797,261)
Total Governmental Activities	2,797,261	-	(2,797,261)
Total Primary Government	<u>\$ 2,797,261</u>	<u>\$ -</u>	<u>(2,797,261)</u>
General Revenues			
Taxes			
Ad Valorem Tax, levied for general purposes			2,970,761
Intergovernmental Revenue			39,083
Miscellaneous			<u>3,210</u>
Total General Revenues			<u>3,013,054</u>
Change in Net Position			215,793
Net Position - Beginning of Year			<u>(5,670,823)</u>
Net Position - Ending of Year			<u>\$ (5,455,030)</u>

Ad Valorem tax increased by \$138,662 during the year.

OKALOOSA ISLAND FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
SEPTEMBER 30, 2016

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to insure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental fund reported an ending fund balance of \$418,442, a decrease of \$55,141 in comparison with the prior year. The *unassigned fund balance* of \$202,182 is available for spending at the District's discretion.

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets for its governmental activities as of September 30, 2016, amounts to \$1,809,408 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was eight percent.

OKALOOSA ISLAND FIRE DISTRICT CAPITAL ASSETS
(Net of Depreciation)

	Governmental Activities		Totals	
	2016	2015	2016	2015
Land	\$ 338,700	\$ 338,700	\$ 338,700	\$ 338,700
Building	1,181,374	1,176,722	1,181,374	1,176,722
Machinery/Equipment	289,334	139,163	289,334	139,163
	<u>\$ 1,809,408</u>	<u>\$ 1,654,585</u>	<u>\$ 1,809,408</u>	<u>\$ 1,654,585</u>

Long-term debt

Additional information on the District's long-term debt can be found in Note 3 on page 23 of this report.

Economic Factors and Next Year's Budgets and Rates

The District receives the majority of its funds from Property Taxes based on value (Ad Valorem). There is currently a system set in place within the Ad Valorem Taxation process that "protects" the taxpayers within our district. It is called Roll-Back Rate. When a taxing authority chooses to levy a roll-back rate millage, it is levying a rate that will bring in the same amount of property taxes as was collected the previous year. Therefore, the taxpayers do not pay any more into the budget. Thus, the taxing authority is depending on any new construction to bring in new or additional revenues. For the fiscal year 2016/2017, ad valorem millage rate was 3.5550 mils.

OKALOOSA ISLAND FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
SEPTEMBER 30, 2016

Request for Information

This financial report is designed to provide a general overview of the Okaloosa Island Fire District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Board of Commissioners, Okaloosa Island Fire District, 104 Santa Rosa Boulevard, Fort Walton Beach, Florida, 32548.

**OKALOOSA ISLAND FIRE DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

EXHIBIT A

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 826,075
Capital Assets (Net of Accumulated Depreciation)	
Land	338,700
Buildings	1,181,374
Equipment/Machinery	<u>289,334</u>
TOTAL ASSETS	<u>2,635,483</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,229,363</u>
LIABILITIES	
Accounts Payable	1,011
Accrued Liabilities	336,256
Other Postemployment Liability	42,825
Net Pension Liability	8,411,083
Non Current Liabilities	
Due within one year	70,366
Due in more than one year	<u>216,260</u>
TOTAL LIABILITIES	<u>9,077,801</u>
DEFERRED INFLOWS OF RESOURCES	<u>242,075</u>
NET POSITION	
Investments in Capital Assets, Net of Related Debt	1,809,409
Unrestricted (Deficit)	<u>(7,264,439)</u>
TOTAL NET POSITION	<u><u>\$ (5,455,030)</u></u>

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

**OKALOOSA ISLAND FIRE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT B

		Program Revenues	Net (Expense) Revenue and Changes In Net Position
Function/Programs	Expenses	Operating Grants and Contributions	Governmental Activities
Primary Government			
Governmental Activities			
Public Safety	\$ 2,797,261	\$ -	\$ (2,797,261)
Total Governmental Activities	2,797,261	-	(2,797,261)
Total Primary Government	<u>\$ 2,797,261</u>	<u>\$ -</u>	<u>(2,797,261)</u>
General Revenues			
Taxes			
Ad Valorem Tax, levied for general purposes			2,970,761
Intergovernmental Revenue			39,083
Miscellaneous			<u>3,210</u>
Total General Revenues			<u>3,013,054</u>
Change in Net Position			215,793
Net Position - Beginning of Year			<u>(5,670,823)</u>
Net Position - End of Year			<u>\$ (5,455,030)</u>

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

**OKALOOSA ISLAND FIRE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

EXHIBIT C-1

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 826,075
TOTAL ASSETS AND OTHER DEBITS	<u>\$ 826,075</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 1,011
Accrued Expenses	<u>406,622</u>
TOTAL LIABILITIES	<u>407,633</u>
FUND BALANCE	
Fund Balance	
Committed Fund Balance	216,260
Unassigned Fund Balance	<u>202,182</u>
TOTAL FUND BALANCE	<u>418,442</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 826,075</u>

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

**OKALOOSA ISLAND FIRE DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT C-2

Fund Balances - Total Governmental Funds - Exhibit C-1 \$ 418,442

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds. Those assets consist of:

Land	\$ 338,700	
Building, Net of \$642,674 accumulated depreciation	1,181,374	
Machinery & Equipment, Net of \$1,447,377 accumulated depreciation	<u>289,334</u>	1,809,408

Deferred inflows of resources and deferred outflows of resources related to pensions are not available/receivable or due/payable, respectively, in the current period and therefore, are not reported in the government funds.

Deferred outflows of resources - pensions	1,229,363
Deferred inflows of resources - pensions	(242,075)

Other liabilities used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.

Net pension liability	(8,411,083)
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Long-term liabilities, are not payable in the current period and therefore, are not reported in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when paid. All liabilities, both current and long-term, are reported in the statement of net position.

Balances at September 30, 2016 are:

Compensated Absences	(216,260)	
Other postemployment benefits	<u>(42,825)</u>	<u>(259,085)</u>

Net Position of Governmental Activities - Exhibit A	<u><u>\$ (5,455,030)</u></u>
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The accompanying notes are an integral part of these financial statements.

OKALOOSA ISLAND FIRE DISTRICT
STATEMENT OF REVENUES, EXPENSES & CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

EXHIBIT D-1

	Total Governmental Fund
REVENUES	
Taxes	
Ad Valorem Taxes	\$ 2,970,761
Intergovernmental Revenue	
State Incentive	3,360
County Revenue	30,723
Miscellaneous Revenues	
Interest Earnings	1,155
Other Miscellaneous Revenue	7,055
TOTAL REVENUES	<u>3,013,054</u>
EXPENDITURES	
Public Safety - Fire Control	
Personal Services	
Salaries	1,185,438
Payroll Taxes & Employee Benefits	1,176,306
Operating Expenses	
Professional Services	120,669
Communication Services	3,132
Utility Services	43,300
Insurance	4,378
Repair & Maintenance Services	167,836
Other Current Changes & Obligations	10,626
Office Supplies	21,120
Operating Supplies	68,468
Subscriptions & Memberships	24,309
Capital Outlay	
Machinery & Equipment	242,613
TOTAL EXPENDITURES	<u>3,068,195</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(55,141)
FUND BALANCE - Beginning of Year	<u>473,583</u>
FUND BALANCE - End of Year	<u><u>\$ 418,442</u></u>

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

**OKALOOSA ISLAND FIRE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES & CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT D-2

Amounts reported for governmental activities in the statement
of activities are different because:

Net Change in Fund Balances - Governmental Fund - Exhibit D-1	\$ (55,141)
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Governmental funds report 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. This is the amount by which capital outlay (\$242,613) exceeded depreciation (\$87,789) in the current period.	154,824
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial sources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial sources are available. This adjustment is the net change in the following balance:

Accrued Compensated Absences	(4,841)
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Current change in other postemployment liabilities does not consume current resources and therefore, is not reported as an expenditure in the governmental fund.	(6,021)
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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 the governmental funds.

Change in net pension liabilities	(969,118)	
Change in deferred inflows	1,229,363	
Change in deferred outflows	(133,273)	126,972

Changes in Net Position of Governmental Activities - Exhibit B	\$ 215,793
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The accompanying notes are an integral part of these financial statements.

**OKALOOSA ISLAND FIRE DISTRICT
FIDUCIARY FUND
PENSION TRUST FUND
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2016**

EXHIBIT E

ASSETS

Investments, at Fair Value

Money Market Fund	\$ 275,191	
Corporate Bonds	664,888	
Mutual Funds	1,740,819	
U.S. Government Securities	7,862	
U.S. Treasury	429,854	
Real Estate	618,861	
Common Stocks	<u>2,840,099</u>	\$ 6,577,574

Receivables

District Contributions	333,440	
Employee Contributions	3,278	
State Contributions	43,485	
Accrued Interest and Dividends	<u>12,590</u>	<u>392,793</u>

TOTAL ASSETS

\$ 6,970,367

NET POSITION

Fiduciary Net Position

Held in Trust for Pension Benefits		<u><u>\$ 6,970,367</u></u>
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The accompanying notes are an integral part of these financial statements.

**OKALOOSA ISLAND FIRE DISTRICT
FIDUCIARY FUND
PENSION TRUST FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR FISCAL YEAR ENDING SEPTEMBER 30, 2016**

EXHIBIT F

ADDITIONS TO NET POSITION

Contributions		
Employer	\$ 775,574	
Employees	91,721	
Florida Division of Retirement	<u>45,330</u>	<u>\$ 912,625</u>
Investment Gains		
Interest/Dividend Income	189,744	
Net Appreciation in Fair Value of Investments	<u>205,868</u>	<u>395,612</u>
Investment Losses		
Investment Expenses	52,708	
Loss on Sale of Investments	<u>54,457</u>	<u>107,165</u>
Net Investment Loss		<u>288,447</u>
TOTAL ADDITIONS TO NET POSITION		<u><u>1,201,072</u></u>

DEDUCTIONS FROM NET POSITION

Benefit Payments	639,223
Fiduciary Insurance	2,550
Administrative Expenses	<u>21,091</u>

TOTAL DEDUCTIONS FROM NET POSITION

662,864

CHANGE IN NET POSITION

538,208

NET POSITION

Beginning of Year	<u>6,432,159</u>
End of Year	<u><u>\$ 6,970,367</u></u>

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

**OKALOOSA ISLAND FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Okaloosa Island Fire District (the District) is an independent Special District created in 1977 by ordinance 77-4 of Okaloosa County, pursuant to Florida law. The legal name of the District is Okaloosa Island Fire District.

The District is governed by an elected Board of Fire Commissioners.

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 Government Accounting and Financial Reporting Standards, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationships with the Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are reported.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide statements and the major fund statements along with the notes to the financial statements comprise the basic financial statements. The government-wide financial statements (i.e. the statement of net position and the statement of activities) concentrate on the District as a whole. These statements include the non-fiduciary financial activity of the primary government.

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

Government-wide financial statement net position is divided into three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of amounts that do not meet the definition of "restricted" or "net investment in capital assets".

OKALOOSA ISLAND FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government wide financial statements are reported using the economic resources focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Grants are recognized as soon as the eligibility requirements imposed by the provider are met. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers the revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the District and are recognized as revenue at that time.

The District reports the following major governmental fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the governmental entity not required to be accounted for in another fund.

The following is a description of the District's various fund balance accounts:

Nonspendable fund balance includes amounts that are not in a spendable form (prepaid insurance, for example) or are required to be maintained intact. There are no nonspendable funds as of September 30, 2016.

Restricted fund balance includes amounts that can be spent only for specific purposes stipulated by external resource providers (for example, impact fees as authorized under FL Statute 191.009(2)), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of the resource provider. The District had no restricted funds as of September 30, 2016.

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority which is the Board of Commissioners. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally. As of September 30, 2016, the District had committed funds for compensated absences of \$216,260.

OKALOOSA ISLAND FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

Assigned fund balance comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body (the board of commissioners) or by management to whom the governing body delegates the authority. The District had no assigned funds as of September 30, 2016.

Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. In funds other than the General Fund, unassigned fund balances are limited to negative residual balances. As of September 30, 2016, the District had \$202,182 in unassigned balances.

Restricted resources are only used for their specific designation and with approval from the Board of Commissioners. Committed and Assigned funds are used for their specific designation. If the District does not have sufficient funds allocated to committed or assigned funds to cover the full cost of an expenditure, then unassigned funds would be used to cover the remaining portion of the expense. The District considers committed amounts to be reduced first, followed by assigned amounts, then unassigned amounts when expenditures are incurred for purposes which amounts in the unrestricted fund balance classification could be used.

For the year ended September 30, 2016, the District does not report any proprietary funds.

Fiduciary Funds 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.

Pension Trust Fund - The Pension Trust Fund is custodial in nature and does not present results of operations or have a measurement focus. Pension Trust Funds are accounted for using the modified accrual basis of accounting. The Pension Trust Fund accounts for the assets of the District's defined benefit plan (Florida Statute Chapter 175 Firefighters' Pension Trust Fund).

BUDGETS AND BUDGETARY ACCOUNTING

Budgets and Encumbrances

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. Revenues and expenditures are controlled by a formal budget adopted by the Board of Commissioners of the District. The legal level of control for appropriations is exercised at the object level.

The District generally does not have significant encumbrances (commitments related to unperformed contracts for goods or services), and any such amounts are not recorded in any manner in the accounting books.

OKALOOSA ISLAND FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and balances in the State Board of Administration account. These are all accounts that can be liquidated without delay or penalties.

Capital Assets

Capital assets which include land, buildings, machinery and equipment are reported in the governmental-type activities in the government-wide financial statements. Capital assets are defined by acquisitions in excess of \$750 cost and with an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the estimated useful life of the asset as follows:

<i>Assets</i>	<i>Years</i>
Building	40
Machinery & Equipment	5-10

Compensated Absences

The District's compensated absence policy allows employees to accumulate earned but unused vacation and sick pay benefits. Employees are entitled to annual leave and sick leave in accordance with a union contract. Generally, this entitles payment at their regular rate of pay for all accumulated annual leave upon termination of employment. Employees are vested in sick leave, payable upon termination of employment, at an increasing percentage of their accumulated sick leave of 10% per year from the end of the first year of employment. Employees with more than ten years of employment are fully vested in sick leave. Annual leave is earned based on the length of service. This entitlement ranges from five service days per year for one to three years of service to twelve service days for over fifteen years of service. Sick leave is accrued for all employees on the basis of one service day per month. A maximum of twenty service days of annual leave and twenty service days of sick leave may be accumulated.

All vacation is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund (General Fund) only if they have matured, for example, as a result of employee resignation or retirement.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are restricted by outside parties for use as a specific purpose. Committed fund balances represent constraints on use imposed by the District itself using its highest level of decision making authority and can only be removed or changed by taking the same action. Assigned fund balance is intended to be used for specific purposes and intent is expressed by the Board of Fire Commissioners. Unassigned fund balance is available for any purpose.

OKALOOSA ISLAND FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the Statements of Net Position will sometimes include a separate section for 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 so will not be recognized as an inflow of resources (revenue) until then. The District has one item related to pensions that qualifies for reporting this category.

New Pronouncements

The GASB issued Statements No. 72, *Fair Value Measurement and Application* and No. 79, *Certain External Investment Pools and Pool Participants* effective for reporting periods beginning after June 15, 2015. The statements address accounting and financial reporting issues related to fair value measurements; provide guidance in determining a fair value measurement with accepted valuation techniques to enhance comparability; and establish accounting and financial reporting standards for external investment pools valued at amortized cost. Adoption of these two standards did not have a significant effect on the District's financial statements.

NOTE 2 - PROPERTY TAXES

Property taxes are due and payable on November 1st of each year. No accrual is made in these financial statements since these taxes are collected to finance future expenditures. Ad valorem taxes are billed to property owners through the Okaloosa County Tax Collector's office and then remitted to the District upon collection. Delinquent taxes are generally immaterial in amount and therefore, not recorded as a receivable on the balance sheet.

The property tax calendar for the current year is as follows:

Lien date	January 1, 2016
Levy date	November 1, 2016
Due date	November 1, 2016
Delinquent date	April 1, 2017
Tax Certificate Sale	Prior to June 1, 2017

OKALOOSA ISLAND FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS

CASH AND INVESTMENTS

Deposits

The District maintains deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida securities in accordance with collateral requirements determined by the State's Chief Financial Officer. 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 Qualified Public Depositories.

Under this method, all the District's deposits are fully insured or collateralized at the highest level as defined by GASB Statement No 40, *Deposits and Investment Disclosures (An Amendment of GASB Statement No 3)*.

The bank carrying balance at September 30, 2016, was \$914,944. FDIC insurance covers \$250,000, with the remaining amount covered by Chapter 280, Florida Statutes. Reconciled book balance was \$821,135.

Cash and cash equivalents are as follows:

Cash on Hand	\$ 98
Cash in Bank	821,135
Local Government Surplus Funds	
Investment Pool Trust Fund	<u>4,842</u>
Cash & Cash Equivalents	<u>\$ 826,075</u>

Investment of Excess Cash

The District invests excess cash in the State of Florida Local Government Surplus Trust Funds Investment Pool, which is administered by the State Board of Administration (SBA). Florida Statutes authorize the investment of surplus funds in interest-bearing time deposits or savings accounts, the State of Florida Local Government Surplus Trust Funds, and certain obligations of the United States Government. The State of Florida provides regulatory oversight for the external investment pool in which the District invests. The pool meets the "2A-7 like" criteria of GASB Statement No. 72; therefore, the fair value is the same as the value of the pool shares. These funds are considered to be cash equivalents and not securities. Investments with the State of Florida Local Government Trust Funds Investment Pool were \$4,842 at September 30, 2016.

OKALOOSA ISLAND FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2016 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government				
Governmental Activities				
Capital asset, being depreciated-				
Buildings	\$ 1,774,312	\$ 49,736	\$ -	\$ 1,824,048
Machinery & Equipment	1,543,835	192,876	-	1,736,711
Less: Depreciation for -				
Buildings	(597,589)	(45,083)	-	(642,672)
Machinery & Equipment	(1,404,673)	(42,706)	-	(1,447,379)
Gov't Activities, Capital Assets, Net	<u>\$ 1,315,885</u>	<u>\$ 154,823</u>	<u>\$ -</u>	<u>\$ 1,470,708</u>

Depreciation has been charged to the functions/programs of the primary government-

Governmental Public Safety	<u>\$ 87,789</u>
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LONG-TERM DEBT

Compensated Absences

The following is an analysis of accumulated annual leave and sick leave liability:

	Sick	Vacation	Total
Balance at October 1, 2015	\$ 66,357	\$ 211,419	\$ 277,776
Increase (Decrease) During Year	4,009	4,841	8,850
Balance at September 30, 2016	<u>\$ 70,366</u>	<u>\$ 216,260</u>	<u>\$ 286,626</u>

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities at September 30, 2016, is as follows:

	Beginning Balance	Increases	Payments & Other Decreases	Ending Balance
Liability for OPEB obligation	\$ 36,804	\$ 6,021	\$ -	\$ 42,825
Net Pension Liability	7,441,966	969,117	-	8,411,083
Accrued Compensated Absences	211,419	4,841	-	216,260
Total long-term liabilities	<u>\$ 7,690,189</u>	<u>\$ 979,979</u>	<u>\$ -</u>	<u>\$ 8,670,168</u>

OKALOOSA ISLAND FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 4 - DEFINED BENEFIT PENSION PLAN

Plan Description

The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees comprised of:

- a) Two District appointees,
- b) Two Members of the Department elected by the membership,
- c) One Member of the Department elected by District.

Full-time employees who are classified as full-time certified firefighters shall participate in the System as a condition of employment.

Plan Membership as of October 1, 2015:

12	Inactive Plan Members or Beneficiaries
1	Inactive Plan Members Entitled to But Not Yet Receiving
18	Active Plan Members
<u>31</u>	

Benefits Provided

The Plan provides retirement, termination, disability and death benefits as follows:

Normal Retirement

Eligibility: Earlier of age 55 and the completion of 10 years of Credited Service or age 52 and the completion of 25 years of Credited Service.

Benefit Amount: 3.5% of Average Final Compensation of Credited Service.

Early Retirement

Eligibility: Age 50 and 10 Years of Credited Service.

Benefit Amount: Accrued benefit, reduced 3% for each year prior to Normal Retirement.

Supplemental Monthly Benefit

Normal and Early service retirees receive \$250 (reduced for Early) for life.

Cost-of-Living Increase

Annuity holders, receive annual 3% benefit increases beginning the first October 1 following 5 years of retirement.

Vesting

Schedule: 100% after 10 years of Credited Service.

Benefit Amount: Member will receive the vested portion of his (her) accrued benefit payable at the otherwise Normal Retirement Date.

OKALOOSA ISLAND FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 4 - DEFINED BENEFIT PENSION PLAN (Continued)

Disability Retirement

Eligibility: 10 years of credited service for non-service related; coverage from date of hire for service incurred.

Benefit Amount: Accrued benefit, but not less than 42% of Average Final Compensation (if Service Incurred)

Death Benefits Pre-Retirement

Vested: Monthly accrued benefit payable to designated beneficiary for 10 years.

Non-Vested: Refund of accumulated contribution without interest.

Contributions

Member Contributions: 8.0% of Salary.

District and State Contributions: Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.

Net Pension Liability

The measurement date is September 30, 2016.

The measurement period for the pension expense was October 1, 2015 to September 30, 2016.

The reporting period is October 1, 2016 through September 30, 2017.

The Sponsor's Net Pension Liability was measured as of September 30, 2016.

The Total Pension Liability used to calculate the Net Pension Liability was determined as of that date.

Actuarial Assumptions

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2015 updated to September 30, 2016 using the following actuarial assumptions.

Inflation	2.50%
Salary Increases	7.00%
Discount Rate	7.75%
Investment Rate of Return	7.75%

Mortality Rate

RP-2000 Mortality Table (Combined Healthy) with no projection. Disabled lives are set forward five years.

The significant assumptions are based upon the most recent actuarial experience study dated August 26th, 2008 for the period 1993-2007.

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.

OKALOOSA ISLAND FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 4 - DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	45%	7.50%
International Equity	15%	8.50%
Broad Market Fixed Inc.	25%	2.50%
Global Fixed Income	5%	3.50%
Real Estate	10%	4.50%
	<u>100%</u>	

Discount Rate

The Discount Rate used to measure the Total Pension Liability was 7.75%.

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.

Net Pension Liability of Sponsor

The components of the net pension liability of the sponsor on September 30, 2016 were as follows:

Total Pension Liability	\$ 15,381,450
Plan Fiduciary Net Position	<u>(6,970,367)</u>
Sponsor's Net Pension Liability	<u>\$ 8,411,083</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	45.32%

OKALOOSA ISLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 4 - DEFINED BENEFIT PENSION PLAN (Continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2015	\$ 14,238,541	\$ 6,432,794	\$ 7,805,747
Changes for a Year:			
Service Cost	312,345	-	312,345
Interest	1,102,924	-	1,102,924
Change in Excess State Money	(291,603)	-	(291,603)
Share Plan Allocation	658,466	-	658,466
Contributions-Employer	-	775,574	(775,574)
Contributions-State	-	45,330	(45,330)
Contributions-Employee	-	91,087	(91,087)
Net Investment Income	-	288,447	(288,447)
Benefit Payments, Including Refund of Employee Contributions	(639,223)	(639,223)	-
Administrative Expense	-	(23,642)	23,642
Other Changes	-	-	-
New Changes	1,142,909	537,573	605,336
Balance at September 30, 2016	<u>\$ 15,381,450</u>	<u>\$ 6,970,367</u>	<u>\$ 8,411,083</u>

The sensitivity of the Net Pension Liability to changes in the discount rate are as follows:

	Current Discount		
	1% Decrease 6.75%	Rate 7.75%	1% Increase 8.75%
Sponsor's Net Pension Liability	\$ 10,716,302	\$ 8,411,083	\$ 6,552,756

Pension plan fiduciary position

Detailed information about the pension plan's fiduciary net position is available in a separately issued Plan financial report.

OKALOOSA ISLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 4 - DEFINED BENEFIT PENSION PLAN (Continued)

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions**

For the year ended September 30, 2016, the Sponsor will recognize a pension expense of \$840,870. On September 30, 2016, the Sponsor 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	\$ -	\$ 242,075
Changes of Assumptions	-	-
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	408,459	-
Employer and State Contributions Subsequent to the Measurement Date	820,904	-
	<u>\$ 1,229,363</u>	<u>\$ 242,075</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:

2016	\$ 46,899
2017	\$ 46,900
2018	\$ 46,900
2019	\$ 74,100
2020	\$ (48,415)
Thereafter	\$ -

Investments

The Plan's investments were being held by Salem Trust Company, Inc. Investments at September 30, 2016, consist of the following:

Common Stock	\$ 2,840,099
U.S. Treasury	429,854
Government Securities	7,862
Money Market Funds	275,191
Corporate Bonds	664,888
Real Estate	618,861
Mutual Funds	1,740,819
Total	<u>\$ 6,577,574</u>

OKALOOSA ISLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 4 - DEFINED BENEFIT PENSION PLAN (Continued)

Investments (Continued)

The Fund's investments in government securities and corporate bonds had maturities as follows:

Investment Type	Fair Value	Investment maturities (in years)			
		Less than 1	1-5	6-10	More than 10
Corporate Bonds	\$ 664,888	\$ 72,700	\$ 517,733	\$ 15,517	\$ 58,938
Gov't Securities	7,862	-	-	-	7,862
US Treasury	429,854	-	163,123	131,764	134,967
Totals	<u>\$ 1,102,604</u>	<u>\$ 72,700</u>	<u>\$ 680,856</u>	<u>\$ 147,281</u>	<u>\$ 201,767</u>

The Fund has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

No more than 3% of the Plan's assets shall be invested in the common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 3% of the outstanding capital stock of the company. The value of bonds issued by any single corporation shall not exceed 3% of the total fund. The Plan limits investments in corporate common stock and convertible bonds and shall not exceed 60% of the Plan assets at cost or 70% of the Plan assets at market value. Foreign securities shall not exceed 10% of the value at market of the total portfolio.

State law limits investments in corporate bonds and governmental securities to the top 3 ratings issued by nationally recognized statistical rating organizations. The Plan's corporate bonds and governmental securities were rated by Moody's Investors Services as follows:

Rating	Fair Value
Aaa	\$ 495,444
A1 to A3	330,600
Baa1-Baa3	268,698
NR	7,862
Total	<u>\$ 1,102,604</u>

The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

OKALOOSA ISLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 4 - DEFINED BENEFIT PENSION PLAN (Continued)

Investments (Continued)

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

		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)
	Total			
<u>Investments by amortized cost</u>				
Goldman Sachs	\$ 275,191	\$ 275,191	\$ -	\$ -
Total investments by amortized cost	<u>\$ 275,191</u>	<u>\$ 275,191</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Investments by fair value level</u>				
Equity securities:				
Common Stocks	\$ 2,752,209	\$ 2,752,209	\$ -	\$ -
Unit Investment Trust	87,890	87,890	-	-
Mutual Funds	895,544	895,544	-	-
Total equity securities	<u>3,735,643</u>	<u>3,735,643</u>	<u>-</u>	<u>-</u>
Debt securities:				
U.S. treasury securities	429,855	429,855	-	-
Government securities	7,862	-	7,862	-
Corporate bonds	599,299	-	599,299	-
Foreign bonds	65,589	-	65,589	-
Mutual Funds - Fixed Income	845,274	845,274	-	-
Total debt securities	<u>1,947,879</u>	<u>1,275,129</u>	<u>672,750</u>	<u>-</u>
Total investments by fair value	<u>\$ 5,683,522</u>	<u>\$ 5,010,772</u>	<u>\$ 672,750</u>	<u>\$ -</u>
<u>Investments measured at the net asset value (NAV)</u>				
Real Estate Fund	<u>\$ 618,861</u>			

OKALOOSA ISLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS

The Postemployment Healthcare Benefits Plan (Plan) is a single employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District, and eligible dependents, may continue to participate in the District's health and hospitalization plan for medical, and prescription drug coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the plan at a reduced or blended group (implicitly subsidized) premium rate 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. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The rates paid by the retirees eligible for Medicare are reduced by the Medicare premium. 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.

Funding Policy

Contribution requirements of the District and plan members are established and may be amended through action from the District board. The District has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2015-2016 fiscal year, two retirees received postemployment health care benefits.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with government accounting standards. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Normal Cost (service cost for one year)	\$ 5,642
Amortization of Unfunded Actuarial Accrued	16,347
Interest on Normal Cost and Amortization	990
Annual Required Contribution (ARC)	<u>22,979</u>
Interest on Net OPEB Obligation	1,656
Adjustment to Annual Required Contribution	<u>(2,299)</u>
Annual OPEB Cost (Expense)	22,336
Contributions Made	<u>(16,315)</u>
Increase (decrease) in Net OPEB Obligation	6,021
Net OPEB Obligation, beginning of year	<u>36,804</u>
Net OPEB Obligation, end of year	<u><u>\$ 42,825</u></u>

OKALOOSA ISLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2016, are as follows:

Fiscal year Ending	Annual OPEB Cost	Amount Contributed	Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2016	\$ 22,336	\$ 16,315	73.0%	\$ 42,825
9/30/2015	22,062	15,970	72.4%	36,804
9/30/2014	23,347	17,071	73.1%	30,712
9/30/2013	14,297	6,297	44.0%	24,436

Funded Status and Funding Progress

As of October 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was \$258,666 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$258,666. The covered payroll (annual payroll of active participating employees) was \$904,076 for the 2013-2014 fiscal year, and the ratio of unfunded actuarial accrued liability to the covered payroll was 28.6%.

Actuarial Method and Assumptions

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

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

OKALOOSA ISLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Method and Assumptions (Continued)

The District's OPEB actuarial valuation as of October 1, 2013, used the Entry Age Normal actuarial method with amortization on a level percentage basis, to estimate the unfunded and funded actuarial liability as of September 30, 2014 and to estimate the District's 2013-2014 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4.5% discount rate. The actuarial assumptions also included a payroll growth rate of 0% per year, and an annual healthcare cost trend rate of 7.5% initially for the 2013-2014 fiscal year, reduced to an rate of 6% by the 2016 fiscal year. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at September 30, 2016, is 40 years.

NOTE 6 - SUBSEQUENT EVENTS

The District did not have any subsequent events through June 22, 2017 (the date the financial statements were available to be issued) required to be recorded or disclosed in the financial statements for the year ended September 30, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

OKALOOSA ISLAND FIRE DISTRICT
BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variable Favorable (Unfavorable)</u>
REVENUES				
Taxes				
Ad Valorem Taxes	\$ 2,978,832	\$ 2,978,832	\$ 2,970,761	\$ (8,071)
Intergovernmental Revenue				
State Incentive	-	-	3,360	3,360
County Revenue	33,516	33,516	30,723	(2,793)
Miscellaneous Revenues				
Interest Earnings	-	-	1,155	1,155
Other Miscellaneous Revenue	-	-	7,055	7,055
Contingency Reserve	463,000	463,000	-	(463,000)
Hurricane Reserve	50,000	50,000	-	(50,000)
Cash Brought Forward	146,666	146,666	-	(146,666)
TOTAL REVENUES	<u>3,672,014</u>	<u>3,672,014</u>	<u>3,013,054</u>	<u>(658,960)</u>
EXPENDITURES				
Public Safety - Fire Control				
Personal Services				
Salaries	1,175,000	1,175,000	1,185,438	(10,438)
Payroll Taxes & Employee Benefits	1,153,000	1,153,000	1,176,306	(23,306)
Operating Expenses				
Professional Services	120,000	102,000	106,169	(4,169)
Accounting & Auditing	14,500	14,500	14,500	-
Communication Services	4,500	4,500	3,132	1,368
Utility Services	45,000	45,000	43,300	1,700
Insurance	30,200	30,200	4,378	25,822
Repair & Maintenance Services	50,000	50,000	167,836	(117,836)
Other Current Changes & Obligations	33,900	33,900	10,626	23,274
Office Supplies	37,500	37,500	21,120	16,380
Operating Supplies	87,000	87,000	68,468	18,532
Subscriptions & Memberships	14,000	14,000	24,309	(10,309)
Capital Outlay				
Machinery & Equipment	130,000	148,000	242,613	(94,613)
Vehicles	214,414	214,414	-	214,414
Contingency	563,000	563,000	-	563,000
TOTAL EXPENDITURES	<u>3,672,014</u>	<u>3,672,014</u>	<u>3,068,195</u>	<u>603,819</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(55,141)	(55,141)
FUND BALANCE - Beginning of Year	-	-	473,583	473,583
FUND BALANCE - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 418,442</u>	<u>\$ 418,442</u>

See independent auditor's report.

OKALOOSA ISLAND FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
(UNAUDITED)

	9/30/2016	9/30/2015	9/30/2014
Total Pension Liability			
Service Cost	\$ 312,345	\$ 292,647	\$ 290,356
Interest	1,102,924	1,067,883	1,017,277
Changes of benefit terms	-	-	-
Differences between Expected and Actual Experience	(291,603)	(290,489)	-
Changes of assumptions	658,466	-	-
Contributions- Buy Back	-	8,928	-
Benefit Payments, including Refunds of Employee Contributions	(639,223)	(653,839)	(660,031)
Net Change in Total Pension Liability	1,142,909	425,130	647,602
Total Pension Liability - Beginning	14,238,541	13,813,411	13,165,809
Total Pension Liability - Ending (a)	<u>\$ 15,381,450</u>	<u>\$ 14,238,541</u>	<u>\$ 13,813,411</u>
Plan Fiduciary Net Position			
Contributions- Employer	\$ 775,574	\$ 708,789	\$ 673,090
Contributions- State	45,330	43,485	56,846
Contributions- Employees	91,087	85,999	79,884
Contributions- Buy Back	-	8,928	-
Net Investment Income	288,447	(112,066)	579,975
Benefit Payments, including Refunds of Employee Contributions	(639,223)	(653,839)	(660,031)
Administrative Expense	(23,642)	(19,947)	(24,204)
Net Change in Plan Fiduciary Net Position	537,573	61,349	705,560
Plan Fiduciary Net Position - Beginning	6,432,794	6,371,445	5,665,885
Plan Fiduciary Net Position - Ending (b)	<u>\$ 6,970,367</u>	<u>\$ 6,432,794</u>	<u>\$ 6,371,445</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 8,411,083</u>	<u>\$ 7,805,747</u>	<u>\$ 7,441,966</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	45.32%	45.18%	46.13%
Covered Employee Payroll*	\$ 1,146,514	\$ 1,119,731	N/A
Net Pension Liability as percentage of Covered Payroll	733.62%	697.11	N/A

**The covered employee payroll numbers shown are in compliance with GASB 82.*

See independent auditor's report.

OKALOOSA ISLAND FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
(UNAUDITED)

	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Actuarially Determined Contribution	\$ 820,904	\$ 752,274	\$ 729,936
Contributions in relation to the Actuarially Determined Contributions	<u>820,904</u>	<u>752,274</u>	<u>729,936</u>
Contributions Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll*	\$ 1,146,514	\$ 1,119,731	N/A
Contributions as a percentage of Covered Employee Payroll	71.60%	67.18%	N/A

**The covered employee payroll numbers shown are in compliance with GASB 82.*

See independent auditor's report.

**OKALOOSA ISLAND FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE SCHEDULE OF CONTRIBUTIONS
(UNAUDITED)**

Valuation Date: October 1, 2014

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost Method: Individual Entry-Age Actuarial Cost Method

Amortization method: Level % of Pay, Closed

Remaining
amortization period: 30 Years

Inflation: 3.0% per year

Mortality: RP 2000 Combined Healthy Mortality Table, with no projection. Disabled lives are set forward 5 years. Based on study over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

Interest Rate: 7.75% per year, compounded annually

Retirement Age: Age 55 and 10 years of Credited Service, or age 52 and 25 years of Credited Service. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year.

Early Retirement: Commencing with the earliest Early Retirement Age (50), members are assumed to retire with an immediate subsidized benefit at the rate of 2% per year.

Disability Rates: See table below. It is assumed that 75% of Disability Retirees are service related.

Termination Rates: See table below.

Salary Increases: 7.0% per year until the assumed retirement age.

Payroll Increases: 3.5% per year.

Asset Valuation
Method: Actuarial Value of Assets is brought forward using the historical four-year geometric average of Market Value Returns (net-of-fees). It is impossible that over time this technique will produce an insignificant bias above or below Market Value of Assets.

Termination and Disability Rate Table:

Age	% Terminating During the Year	% Becoming Disable During the Year
20	9.30%	0.03%
30	7.90%	0.04%
40	4.30%	0.07%
50	1.10%	0.18%

**OKALOOSA ISLAND FIRE DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR
OTHER POSTEMPLOYMENT BENEFITS (UNAUDITED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/2013	\$ -	\$ 258,666	\$ 258,666	0.00%	\$ 904,076	28.60%
10/1/2010	-	115,371	115,371	0.00%	1,092,729	10.60%

See independent auditor's report.

COMPLIANCE

Nicholson, Reeder & Reynolds, P.A.
Certified Public Accountant

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

To the Board of Commissioners
Okaloosa Island Fire District
Fort Walton Beach, Florida

We have examined Okaloosa Island Fire District's compliance with Florida Statute 218.415 with regards to the investments for the year ended September 30, 2016.

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

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

In our opinion, the Okaloosa Island Fire District complied, in all material respects, with Florida Statute 218.415 with regards to the investments for the year ended September 30, 2016.

Nicholson, Reeder & Reynolds, PA

Fort Walton Beach, Florida
June 22, 2017

Nicholson, Reeder & Reynolds, P.A.
Certified Public Accountant

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

To the Board of Commissioners
Okaloosa Island Fire District
Fort Walton Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Okaloosa Island Fire District, ("the District") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 22, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses, and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

Nicholson, Reeder & Reynolds PA

Fort Walton Beach, Florida

June 22, 2107

Nicholson, Reeder & Reynolds, P.A.
Certified Public Accountant

MANAGEMENT LETTER

To the Board of Commissioners
Okaloosa Island Fire District
Fort Walton Beach, Florida

Report on the Financial Statements

We have audited the financial statements of the Okaloosa Island Fire District ("District"), Fort Walton Beach, Florida, as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated June 22, 2017.

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 Audit Standards*, issued by Comptroller General of the United States.

Other Reports

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports are dated June 22, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.

Office 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 each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Okaloosa Island Fire District was established by Florida Special Act in 1977 by ordinance 77-4.

Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require we report the results of our determination as to whether or not Okaloosa Island Fire District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Okaloosa Island Fire District did not meet any of the conditions described by Section 218.503(1), Florida Statutes.

Financial Condition (Continued)

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Okaloosa Island Fire 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.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require we report the results of our determination as to whether the annual financial report for the Okaloosa Island Fire District for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

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

We greatly appreciate the assistance and cooperation extended to us during our audit.

Nicholson, Reeder & Reynolds PA

Fort Walton Beach, Florida

June 22, 2017