

**HOLLEY - NAVARRE FIRE DISTRICT**

**ANNUAL FINANCIAL REPORTS**

**SEPTEMBER 30, 2016**

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Holley-Navarre Fire District  
Navarre, Florida

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holley-Navarre Fire District ("the District"), Navarre, Florida, 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 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 its 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 the 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 and 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 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 part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in 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 20, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and 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*

Fort Walton Beach, Florida

June 20, 2017

**HOLLEY-NAVARRE FIRE DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2016**

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

**FINANCIAL HIGHLIGHTS**

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which required restatement of the beginning net position by an increase of \$1,323,069 and reporting the net pension asset of \$1,544,326 as of September 30, 2016.

The District's governmental fund reported ending fund balance of \$774,228, a decrease of \$55,428 and is available for spending at the District's discretion.

The District's total debt decreased by \$44,151 during the current fiscal year due to the payments on the notes.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis intends 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 themselves.

**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) and 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 Holley-Navarre Fire District is public safety and impact fees. The Holley-Navarre Fire District does not have a business-type activity.

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

**HOLLEY - NAVARRE FIRE DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)  
SEPTEMBER 30, 2016**

*FUND FINANCIAL STATEMENTS*

A *fund* is a grouping of related accounts 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 utilizes governmental funds and fiduciary funds.

**Governmental Fund**

The *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, the 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.

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 the governmental fund and governmental activities.

The District maintains two governmental funds: the general fund and special revenue fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the two funds. The General Fund is considered a major fund.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement is 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.

**Fiduciary Fund**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The District has one fiduciary fund (Pension Trust Fund). Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Holley-Navarre Fire District's own programs. The accounting used for fiduciary funds is much like that used for the government-wide financial statement presentation (private-sector business). The basic fiduciary fund financial statements are found on pages 15 and 16 of this report.

**HOLLEY - NAVARRE FIRE DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)  
SEPTEMBER 30, 2016**

**NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information, which is essential to the full understanding of the data provided in the government-wide and governmental fund financial statements. Beginning on page 17 of this report are the notes to the financial statements.

**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, assets and deferred outflows exceeded liabilities by \$3,050,559 (net assets) at the close of the most recent fiscal year.

The reason for the large increase in the Unrestricted fund is due to the restatement of net position of \$1,323,069. The restatement was required to recognize the District's net pension asset to the Holley-Navarre Fire District Pension Trust Fund.

**TABLE 1**

**Recapped from Exhibit A, page 9**

	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 289,150
Deposits	42
Restricted cash and cash equivalents	595,979
Capital Assets (Net of Accumulated Depreciation)	
Land	137,931
Buildings	1,110,075
Equipment/Machinery	43,787
Net Pension Asset	1,544,326
Total Assets	3,721,290
Deferred outflows of resources	13,812
Total Assets and deferred outflows of resources	3,735,102
<b>LIABILITIES</b>	
Accounts Payable	12,323
Accrued Expenses	98,620
Accrued Interest	14,650
Non-Current Liabilities	
Due within one year	44,151
Due in more than one year	514,799
Total Liabilities	684,543
<b>NET POSITION</b>	
Investment in Capital Assets, Net of Related Debt	877,655
Restricted - Impact Fees	571,968
Unrestricted	1,600,936
Total Net Position	\$ 3,050,559

**HOLLEY - NAVARRE FIRE DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)  
SEPTEMBER 30, 2016**

**Governmental Activities**

Governmental activities increased the District's net assets by \$91,339. Reported in Table 2 are the key elements of this increase.

**TABLE 2**

**Recapped from Exhibit B, page 10**

Fucntion/Program	Expenses	Progam Revenue <u>Operating Grants and Contributions</u>	Net (Expense) Revenue and Changes in Net Assets <u>Governmental Activities</u>
Primary Government			
Government Activities			
Public Safety	\$ 1,367,343	\$ -	\$ (1,367,343)
Total Government Activities	<u>1,367,343</u>	<u>-</u>	<u>(1,367,343)</u>
Total Primary Government	<u>\$ 1,367,343</u>	<u>\$ -</u>	<u>\$ (1,367,343)</u>
General Revenues			
Taxes			
Ad Valorem Tax			1,409,573
Impact Fees			113,902
Miscellaneous			600
Total General Revenues			<u>1,524,075</u>
Change in Net Position			156,732
Net Position- Beginning of Year			1,570,758
Restatemnet of Net Position for GASB Stmt No 68			<u>1,323,069</u>
Net Position - Ending Year			<u>\$ 3,050,559</u>

**FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS**

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

Governmental Funds

The focus of the District's governmental funds 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, unreserved 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 funds reported total fund balances of \$774,228, a decrease of \$55,428 in comparison with the prior year. This constitutes the unreserved/undesignated fund balance, which is available for spending at the District's discretion.

**HOLLEY-NAVARRE FIRE DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)  
SEPTEMBER 30, 2016**

**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 \$1,291,793 (net accumulated depreciation). This investment in capital assets includes land, buildings, fire trucks, and equipment. The additions to the District's investment in capital assets for the current fiscal year were \$15,705 and the increase to accumulated depreciation totaled \$63,538.

**TABLE 3  
CAPITAL ASSETS  
(NET OF DEPRECIATION)**

	Governmental Activities	
	2016	2015
Land	\$ 137,931	\$ 137,931
Building	1,110,075	1,151,221
Fire Truck and Equipment	19,984	35,740
Equipment	23,803	14,734
Total	\$ 1,291,793	\$ 1,339,626

Additional information on the capital assets of the District can be found in Note 3 of this report.

Long-term Debt

At the end of the current fiscal year, the District had total debt outstanding of \$558,950. The District's debt consists of capital leases and accrued compensated absences. The District has no special assessment debt.

**TABLE 4  
OUTSTANDING DEBT  
NOTE PAYABLE AND CAPITAL LEASES**

	Governmental Activities	
	2016	2015
Note Payable	\$ 414,139	\$ 458,289
Accrued Compensated Absences	144,811	124,057
Total	\$ 558,950	\$ 582,346

The District's total debt decreased by \$44,151 during the 2016 fiscal year.

Additional information on the District's long-term debt can be found in Note 4 of this report.

**HOLLEY-NAVARRE FIRE DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)  
SEPTEMBER 30, 2016**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The State of Florida, by constitution, does not have a state personal income tax and therefore, the State operates primarily using sales, gasoline, and corporate income taxes. Local governments, such as the District, primarily rely on property, special assessment, and a limited array of permitted other taxes (such as impact fees and user fees) for their governmental activities. There are a limited number of state shared revenues and recurring and non-recurring grants from both the state and federal government which provide funding for specific programs, projects, or activities.

The primary source of income for the District is non-ad valorem taxes on property within the District (special assessment fees). With a significant amount of growth in the District, we anticipate a continued increase in revenue.

Current trends in growth will create a higher demand for services and it is anticipated that an increase in the non-ad valorem tax will have to be requested in the 2017 election cycle.

**REQUESTS FOR INFORMATION**

The financial report is designed to provide a general overview for 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 Administrative Assistant, Holley-Navarre Fire District, 8618 Esplanade Street, Navarre, Florida 32566. The District's website address is [www.hnfd.org](http://www.hnfd.org). Inquiries may also be sent via e-mail to [chief@hnfd.org](mailto:chief@hnfd.org).

**HOLLEY-NAVARRE FIRE DISTRICT  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016**

EXHIBIT A

	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 289,150
Deposits	42
Restricted cash and cash equivalents	595,979
Capital Assets (Net of Accumulated Depreciation)	
Land	137,931
Buildings	1,110,075
Equipment/Machinery	43,787
Net Pension Asset	1,544,326
	3,721,290
 <b>Deferred outflows of resources</b>	
Net difference between projected and actual earnings on pension plan investments	13,812
	3,735,102
 <b>LIABILITIES</b>	
Accounts Payable	12,323
Accrued Expenses	98,620
Accrued Interest	14,650
Non-Current Liabilities	
Due within one year	44,151
Due in more than one year	514,799
	684,543
 <b>NET POSITION</b>	
Investment in Capital Assets, Net of Related Debt	877,655
Restricted - Impact Fees	571,968
Unrestricted	1,600,936
	3,050,559
Total Net Position	\$ 3,050,559

The accompanying notes are an integral part of these statements.

**HOLLEY-NAVARRE FIRE DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT B

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes In Net Assets</u>
			<u>Governmental Activities</u>
Primary Government			
Governmental Activities			
Public Safety	\$ 1,367,343	\$ -	\$ (1,367,343)
Total Governmental Activities	1,367,343	-	(1,367,343)
Total Primary Government	\$ 1,367,343	\$ -	(1,367,343)
General Revenues			
Taxes			
Assessments levied for general purposes			1,409,573
Impact Fees			113,902
Miscellaneous			600
Total General Revenues			1,524,075
Change in Net Position			156,732
Net Position - Beginning of Year			1,570,758
Restatement of Net Position for GASB No. 68			1,323,069
Net Position - Ending of Year			\$ 3,050,559

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

**HOLLEY-NAVARRE FIRE DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016**

EXHIBIT C-1

	GENERAL FUND	SPECIAL REVENUE	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 313,161	\$ 571,968	\$ 885,129
Deposits	42	-	42
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$ 313,203</b>	<b>\$ 571,968</b>	<b>\$ 885,171</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 12,323	\$ -	\$ 12,323
Accrued Expenses	98,620	-	98,620
<b>TOTAL LIABILITIES</b>	<b>110,943</b>	<b>-</b>	<b>110,943</b>
<b>FUND BALANCE</b>			
Restricted Fund Balance	-	571,968	571,968
Unassigned Fund Balance	202,260	-	202,260
<b>TOTAL FUND BALANCE</b>	<b>202,260</b>	<b>571,968</b>	<b>774,228</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 313,203</b>	<b>\$ 571,968</b>	<b>\$ 885,171</b>

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

**HOLLEY-NAVARRE FIRE DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016**

EXHIBIT C-2

Fund Balances - Total Governmental Funds - Exhibit C-1 \$ 774,228

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	\$	137,931	
Building, Net of \$541,232 accumulated depreciation		1,110,075	
Machinery & Equipment, Net of \$1,885,063 accumulated depreciation		<u>43,787</u>	1,291,793

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 13,812

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

Net pension asset 1,544,326

Long-term liabilities are not due and 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 due. All liabilities, both current and long-term, are reported in the statement of net assets.

Balances changed at September 30, 2016, are:

Interest Payable		(14,650)	
Accrued Compensated Absences		(144,812)	
Notes Payable		<u>(414,138)</u>	<u>(573,600)</u>

Net Position of Governmental Activities - Exhibit A \$ 3,050,559

**HOLLEY-NAVARRE FIRE DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT D-1

<b>REVENUES</b>	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Fund</u>
Taxes			
Assessments	\$ 1,409,573	\$ -	\$ 1,409,573
Miscellaneous Revenues			
Interest Earnings	46	54	100
Impact Fees	-	113,902	113,902
Other Miscellaneous Revenue	500	-	500
<b>TOTAL REVENUES</b>	<u>1,410,119</u>	<u>113,956</u>	<u>1,524,075</u>
<b>EXPENDITURES</b>			
Public Safety			
Personal Services			
Salaries	898,194	-	898,194
Payroll Taxes & Employee Benefits	279,801	-	279,801
Operating Expenses			
Professional Services	5,864	17,500	23,364
Utility Services	31,804	-	31,804
Insurance	65,289	-	65,289
Repair & Maintenance Services	82,357	-	82,357
Training	9,953	-	9,953
Office Supplies	20,424	-	20,424
Operating Supplies	80,615	-	80,615
Subscriptions & Memberships	3,873	-	3,873
Capital Outlay			
Machinery and Equipment	15,705	-	15,705
Debt Services			
Principal	44,151	-	44,151
Interest	23,973	-	23,973
<b>TOTAL EXPENDITURES</b>	<u>1,562,003</u>	<u>17,500</u>	<u>1,579,503</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(151,884)	96,456	(55,428)
<b>FUND BALANCE - Beginning of Year</b>	<u>354,144</u>	<u>475,512</u>	<u>829,656</u>
<b>FUND BALANCE - End of Year</b>	<u>\$ 202,260</u>	<u>\$ 571,968</u>	<u>\$ 774,228</u>

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

**HOLLEY-NAVARRE 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		\$ (55,428)
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 depreciation (\$63,538) exceeded capital outlay (\$15,705) in the current period.		(47,833)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(20,754)
Repayment of principal on bonds and other long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Payment on Long-term Debt		44,151
In the statement of activity, interest is accrued on outstanding long-term debt, whereas in the governmental fund, an interest expenditure is reported when due.		
Change in Interest Payable		1,527
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 asset	221,257	
Change in deferred outflows	13,812	235,069
Changes in Net Position of Governmental Activities - Exhibit B		\$ 156,732

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

**HOLLEY-NAVARRE FIRE DISTRICT  
 FIDUCIARY FUND  
 PENSION TRUST FUND  
 STATEMENT OF FIDUCIARY NET POSITION  
 SEPTEMBER 30, 2016**

**ASSETS**

Investments, at Fair Value

Money Market Fund	\$ 68,966	
Mutual Funds	987,091	
Common Stocks	918,735	\$ 1,974,792

Cash		35,256
------	--	--------

Receivable

State Contributions	173,775	
Member Buy-Back Contributions	25,256	
Accrued Interest & Dividends	1,116	200,147

**TOTAL ASSETS**

2,210,195

**NET ASSETS AVAILABLE FOR BENEFITS**

\$ 2,210,195

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

**HOLLEY-NAVARRE FIRE DISTRICT  
 FIDUCIARY FUND  
 PENSION TRUST FUND  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 SEPTEMBER 30, 2016**

**ADDITIONS**

Contributions			
Employer	\$ 34,100		
Employees	34,099		
Buy-Back	25,256		
State of Florida	<u>173,775</u>	\$	267,230
Investment Gains			
Interest/Dividend Income	41,498		
Net Appreciation in Fair Value of Investments	<u>140,606</u>		182,104
Investment Losses			
Investment Expense	(54,433)		
Realized Loss on Investments	<u>(7,163)</u>		<u>(61,596)</u>
<b>TOTAL ADDITIONS</b>			<u>387,738</u>

**DEDUCTIONS**

Benefit Payments			14,635
Fiduciary Liability Insurance			2,360
Administrative Expenses			<u>7,249</u>

**TOTAL DEDUCTIONS** 24,244

**NET INCREASE** 363,494

**FIDUCIARY NET POSITION**

Beginning of Year			<u>1,846,701</u>
End of Year		\$	<u><u>2,210,195</u></u>

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

**HOLLEY-NAVARRE FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The purpose of the District is to raise funds for the operations of the Holley-Navarre Volunteer Fire Department of Santa Rosa County, Inc. (the Department), a not-for-profit corporation, through the levy of special assessment taxes on property within the District. The District is served by a five member Board of Commissioners elected at large from the residents of the District. The District is authorized to provide equipment and funds to the Department and to enter into debt agreements on its behalf.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting.

The following is a summary of the District's accounting policies applied in the preparation of these financial statements.

**REPORTING ENTITY**

As required by accounting principles generally accepted in the United States of America, these financial statements present the District as the primary government. In evaluating the District as a reporting entity, management has concluded, based on criteria set forth in GASB No. 61, there are no component units which are required to be included in these financial statements.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. Since only one governmental fund is utilized, there is no interfund activity which required elimination. Governmental activities of the District are primarily supported by taxes and intergovernmental revenues. There are no business-type activities, which rely, to a significant extent, on fees and charges for support, conducted by the District.

Separate fund financial statements are provided for government funds and fiduciary funds, even though fiduciary funds are excluded from government-wide financial statements.

**MEASUREMENT FOCUS**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Special assessment taxes are recorded as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as the eligibility requirements imposed by the provider have been met.

**HOLLEY-NAVARRE FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*MEASUREMENT FOCUS (Continued)*

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 to be 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 revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

*BASIS OF PRESENTATION*

The financial transactions of the District are recorded in an individual fund. The fund is a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

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, as they are needed.

The following broad classification is used to categorize the fund type used by the District:

**Governmental**

Governmental funds focus on the determination of financial position and changes in financial position (sources, uses, and balances of financial resources) and not on net income. The District has the following governmental funds:

General Fund - This fund is the District's primary operating fund and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - This fund is used to account for the collection and disbursement of earmarked monies.

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).

**HOLLEY-NAVARRE FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*BUDGETS*

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.

*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.

*CASH, DEPOSITS AND INVESTMENTS*

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.

Section 218.415, Florida Statutes, prescribes certain allowable investments including the Local Government Surplus Funds Trust Fund (Florida PRIME), SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and interest-bearing time deposits or savings accounts in qualified public depositories, or direct obligations of the U.S. Treasury.

**HOLLEY-NAVARRE FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

CASH, DEPOSITS AND INVESTMENTS (Continued)

The District's general fund investments are invested in the Florida PRIME, an external investment pool operated by Florida's State Board of Administration (SBA). The SBA is governed by Chapter 19-7 of the Florida Administrative Code (FAC). The FAC provides guidance and establishes the general operating procedures for the administration of the Florida PRIME. The Florida PRIME meets the criteria of GASB No. 79 to measure its investments at amortized cost, which approximates fair value, and the reported investment balance is equal to the value of the pooled shares. The Florida Auditor General performs an operational audit of activities and investments of the SBA.

Under this method, all the District's deposits are fully insured or collateralized at the highest level of security as defined by GASB Statement 40, *Deposits and Investment Disclosures (An Amendment of ASB, Statement Number 3)*.

CAPITAL ASSETS

Capital assets, which include property, plant and equipment, are reported in the governmental activities columns in the government-wide financial statements. The District does not engage in the acquisition of public domain (infrastructure) assets. Capital assets are defined by the District as assets with an initial cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their 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

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Lives
Buildings	40 years
Machinery	5-15 years
Equipment	5-10 years

COMPENSATED ABSENCES

The District's compensated absence policy allows employees to accumulate earned but unused paid time off (PTO) benefits. Employees are entitled to Paid Time Off in accordance with District's policy. PTO is based on the length of service. This entitlement ranges from 312 hours per year for zero to one year of service, 360 hours per year for two to four years of service; 432 hours per year for five to nine hours of service, and 552 hours for ten plus years of service. Members shall be allowed to accrue a maximum of 3,600 hours of PTO. Members shall not be allowed to accrue more than 3,600 hours for any reason.

**HOLLEY-NAVARRE FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

COMPENSATED ABSENCES (Continued)

All PTO 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.

SPECIAL ASSESSMENT TAXES

The Santa Rosa County Tax Collector performs the billing and collection functions for the District's special assessment taxes. Special assessment taxes are included in the Santa Rosa County tax rolls and levied on January 1. All special assessment taxes become due and payable on November 1. The collection period is from November 1 through March 31, with discounts allowed of 4, 3, 2, and 1 percent for early payment in November through February, respectively. All special assessment taxes become delinquent on April 1 in the following year, and tax certificates are sold on all real property with unpaid taxes as of June 1. Therefore, revenue recognition of special assessment taxes takes place during the fiscal year of assessment. The balance of delinquent assessments was not available and consequently, was not accrued.

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.

Fund Balance

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

**Nonspendable** - This category includes the resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. There are no nonspendable funds as of September 30, 2016.

**Restricted** - This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. The balance as of September 30, 2016, of \$571,968, is from impact fees which are restricted in use to purchase or construct new facilities, to provide fire protection and emergency services to new construction and an apparatus replacement fund.

**Committed** - This category includes resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority which is the Board of Commissioners. There are no committed funds as of September 30, 2016.

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

**HOLLEY-NAVARRE FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Fund Balance (Continued)*

Unassigned - This category is the residual classification for the District's fund balance. As of September 30, 2016, the District had \$202,260.

*Net Position*

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

Invested in capital assets, net of related debt - represents the difference between the cost of capital assets, less accumulated depreciation reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. At September 30, 2016, the District had an outstanding long-term debt of \$558,950.

Restricted - indicates that portion of the net assets that is restricted for the purchase of the assets necessary due to new growth in the district.

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

**NOTE 2 - CASH AND INVESTMENTS**

*Cash and Cash Equivalents*

Cash and cash equivalent are as follows:

Cash in Bank	\$ 877,906
Local Government Surplus Funds	
Investment Pool Trust Fund	<u>7,223</u>
Cash and Cash Equivalents	<u><u>\$ 885,129</u></u>

*INVESTMENT OF EXCESS CASH*

At September 30, 2016, the District had investments of \$7,223 with the Florida PRIME. The fair value of the District's position in Florida PRIME is the same as the value of the pool shares. In accordance with GASB No.79, Florida PRIME qualifies for measuring its investments at amortized cost and management of the pool believes the pool is exempt from the GASB No.72 fair value hierarchy disclosures.

At September 30, 2016, there were no redemption fees for maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100% of their account value.

*Foreign Currency Risk*

The Florida PRIME was not exposed to any foreign currency risk during the year ended September 30, 2016.

**HOLLEY-NAVARRE FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2016**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

INVESTMENT OF EXCESS CASH (Continued)

Security Lending

The Florida PRIME did not participate in a securities lending program during the year ended September 30, 2016.

Credit Quality

The Florida PRIME did not participate in a securities lending program during the year ended September 30, 2016.

Interest Rate Risk

As of September 30, 2016, the Florida PRIME portfolio's weighted average days to maturity (WAM) was 50 days. A portfolio's WAM reflects the average maturity in days based on the final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the Florida PRIME to interest rate changes.

**NOTE 3 - CHANGE IN CAPITAL ASSETS**

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Deletions/ Transfers</u>	<u>Ending Balances</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 137,931	\$ -	\$ -	\$ 137,931
Total capital assets not being depreciated	<u>137,931</u>	<u>-</u>	<u>-</u>	<u>137,931</u>
Capital assets being depreciated				
Buildings	1,651,308	-	-	1,651,308
Fire Trucks & Equipment	1,486,685	-	-	1,486,685
Equipment	426,460	15,705	-	442,165
Total capital assets being depreciated	<u>3,564,453</u>	<u>15,705</u>	<u>-</u>	<u>3,580,158</u>
Less accumulated depreciation				
Buildings	(500,086)	(41,145)	-	(541,231)
Fire Trucks & Equipment	(1,450,948)	(15,756)	-	(1,466,704)
Equipment	(411,724)	(6,637)	-	(418,361)
Total accumulated depreciation	<u>(2,362,758)</u>	<u>(63,538)</u>	<u>-</u>	<u>(2,426,296)</u>
Total capital assets being depreciated, net	<u>1,201,695</u>	<u>(47,833)</u>	<u>-</u>	<u>1,153,862</u>
Governmental activities, net	<u>\$ 1,339,626</u>	<u>\$ (47,833)</u>	<u>\$ -</u>	<u>\$ 1,291,793</u>

Depreciation expense reported in the government-wide financial statements was \$63,538 for the current year.

**HOLLEY-NAVARRE FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2016**

**NOTE 4 - LONG -TERM DEBT**

CHANGE IN LONG-TERM DEBT

The following is a summary of changes in the long-term debt:

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
<b>Governmental Activities</b>					
Note Payable	\$ 458,289	\$ -	\$ 44,151	\$ 414,138	\$ 46,611
Accrued Compensated Absences	124,057	20,755	-	144,812	-
Total Governmental Activities	<u>\$ 582,346</u>	<u>\$ 20,755</u>	<u>\$ 44,151</u>	<u>\$ 558,950</u>	<u>\$ 46,611</u>

DESCRIPTION OF LONG-TERM DEBT

Construction note payable to Bank of the West with a fixed rate of 5.571%, due in 17 annual payments of principal and interest. The note proceeds were used to refinance the existing station. The balance at September 30, 2016 was \$558,950.

ANNUAL REQUIREMENTS TO AMORTIZE DEBT OUTSTANDING

The annual requirements to amortize notes payable outstanding at September 30, 2016 are as follows:

Year Ending September 30:	Note Payable	
	Principal	Interest
2017	46,611	21,513
2018	49,207	18,916
2019	51,949	16,175
2020	54,843	13,281
2021-2023	211,528	20,821
Total	<u>\$ 414,138</u>	<u>\$ 90,706</u>

**NOTE 5 - RETIREMENT PLAN**

Plan Description

The Holley-Navarre Fire District Firefighters' Retirement Trust Fund is the administrator of a single-employer plan established October 23, 2006, by the Holley-Navarre Fire District. The District adopted the plan provisions of Florida Statute 175 creating the "Firefighters' Pension Trust Fund," with certain modifications for member contribution rate and retirement age. Contributors to the plan are covered members, Holley-Navarre Fire District, and the State of Florida (pursuant to Florida Statute 175). All full time state certified firefighters employed by the District are covered. At September 30, 2016, this membership consisted of 18 full time employees. All current members are vested for normal retirement benefits. There are no retirees receiving benefits. The District does not issue stand-alone financial statements for this plan.

**HOLLEY-NAVARRE FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2016**

**NOTE 5 - RETIREMENT PLAN (Continued)**

All full-time employees included in the plan are fully vested in benefits after ten years of credited service as a plan member. Upon attainment of age 55 and the completion of 10 years of credited service or age 52 and completion of 25 years of credited service, (or age 60, regardless of service) members are entitled to an annual retirement benefit, payable for life, of 2% of average annual earnings times the number of years of credited service. "Average Earnings" are defined as earnings in the highest 5 years of the last 10 years of service. Reduced benefits are available for early retirement at age 50 and the completion of 10 years of credited service. Death and disability benefits are also available.

*Basis of Accounting*

The modified accrual basis of accounting is used for the Pension Trust Fund. Contributions made by the District are recognized as revenue when due and the employer has made a formal commitment to provide the contributions. Contributions by the District's employees are recognized as revenue when due. Investment income is recognized as income when earned.

Plan liabilities for benefit and refunds are recognized when due and payable in accordance with the terms of the plan.

*Valuation of Investments*

Investments are reported at fair value. The fair value of U.S. government obligations and investments in bond and equity funds is based on quoted market prices. Investments in certificates of deposit and money market funds are reported at cost which approximates fair market value. During the fiscal year ended September 30, 2016, the majority of the Chapter 175 Plan assets were in various investment accounts at Raymond James.

*Funding Policy*

Employees contribute 5% of base salary and the District matches this amount. All benefit provisions, funding obligations, and other requirements are established by Florida Statute 175 and a local District resolution. The State of Florida contributes the 1.85% excise tax imposed on insurance premiums on property within the District into the Plan. The District is required to contribute at an actuarially determined rate so that sufficient assets will be available to pay benefits when due. The actuarially determined combined rate for 2016 for both the State and the District was 4.5%.

*Annual Pension Cost*

Florida Statute Chapter 175 authorizes special fire control districts to levy a tax upon certain insurance companies who engage in the business of property insurance. The proceeds from this tax are used in partial support of the Chapter 175 Plan. In fiscal year ended September 30, 2016, the District received \$173,775 from this tax.

**HOLLEY-NAVARRE FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2016**

**NOTE 5 - RETIREMENT PLAN (Continued)**

The total required contribution of \$31,778 was determined as part of the October 1, 2016 actuarial valuation using the aggregate actuarial cost method. While contributions to the Plan are currently funded through these various sources, it is ultimately the responsibility of Holley-Navarre Fire District to fund the Plan.

*Schedule of Employer Contributions*

Year Ended September 30	Annual Required Contribution	District Contribution	State Contribution	Percentage Contributed
2016	\$ 35,214	\$ 34,100	\$ 173,775	590.32%
2015	56,485	28,490	209,792	421.85%
2014	52,417	26,473	289,030	601.91%

*Net Pension Liability (Asset) of the Sponsor*

The components of the net pension liability (asset) of the sponsor on September 30, 2106, were as follows:

Total Pension Liability	\$ 665,869
Plan Fiduciary Net Position	(2,210,195)
Sponsor's Net Position Liability (Asset)	<u>\$ 1,544,326</u>
Plan Fiduciary Net Position as a percentage	
Total Liability	331.93%

*Actuarial Assumptions*

For the year ended September 30, 2016, the actuarial assumptions used to determine the Annual Required Contribution included a 7.0% investment rate of return (net of investment related expenses) compounded annually and service based salary increases per year until the assumed retirement age. Projected salary increase includes inflation at 2.20%.

*Mortality Rate*

RP-200 Table - Sex Distinct.

The actuarial assumptions used in the October 1, 2016, valuation were based on the results of an actuarial experience study dated December 1, 2013.

**HOLLEY-NAVARRE FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2016**

**NOTE 5 - RETIREMENT PLAN (Continued)**

*Mortality Rate (Continued)*

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
US Large Cap Equity	33%	7.81%
US Small/Mid Cap Equity (Smid)	13%	8.37%
Non-US Developed Large Cap Equity	18%	9.46%
US Aggregate Fixed Income	29%	3.80%
US Short G/C Fixed Income	3%	3.60%
US High Yield Fixed Income	4%	5.20%
Total	<u>100%</u>	

*Discount Rate*

The discount rate used to measure the total pension liability was 7 percent. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and 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

	<u>Net Pension Liability</u>
1% decrease of discount rate to 6.00%	\$ (1,428,133)
Current discount rate to 7.00%	\$ (1,544,326)
1% decrease of discount rate to 8.00%	\$ (1,639,157)

**HOLLEY-NAVARRE FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2016**

**NOTE 5 - RETIREMENT PLAN (Continued)**

*Deferred outflows and inflows of recourse*

For the year ended September 30, 2016, the District recognized a pension expense of \$(27,194). 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	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	13,812	-
Total	\$ 13,812	\$ -

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

Year ended September 30:	
2017	\$ 3,453
2018	3,453
2019	3,453
2020	3,453
Total	\$ 13,812

*Investments*

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

	Rating	Fair Value	Fair Value as a % of Plan Net Assets
<i>Investments for which Fair Value was Determined by Quoted Market Price:</i>			
Raymond James - Common Stocks	N/A	\$ 918,735	46%
Raymond James - Mutual Funds	N/A	987,091	49%
Raymond James - Money Market	N/A	68,966	3%
Total		1,974,792	98%
Coastal Bank and Trust - Checking	N/A	35,256	2%
Total		\$ 2,010,048	100%

**HOLLEY-NAVARRE FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2016**

**NOTE 5 - RETIREMENT PLAN (Continued)**

*Investments (Continued)*

In addition to the investment options authorized by Florida Statutes, Section 218, Pension Trust Funds are also authorized to invest in corporate stocks, bonds, mutual funds, annuity and life insurance contracts with life insurance companies and commingled trust funds.

Credit Risk: The District's Investment Policy for the Retirement Plan does not explicitly address credit risk (CR). The investment policy specifies the market sectors and the benchmark for each sector.

Interest Rate Risk: The District's Investment Policy for the Retirement Plan does not explicitly address the interest rate risk (IRR). The investment policy specifies the market sectors and the benchmark for each sector.

*Changes in Net Pension Liability*

	9/30/2016
<b>Total Pension Liability</b>	
Service Cost	\$ 87,576
Interest	44,040
Changes of benefit terms	-
Differences between Expected and Actual Experience	-
Changes of assumptions	-
Contributions- Buy Back	25,256
Benefit Payments, including Refunds of Employee Contributions	(14,635)
Net Change in Total Pension Liability	142,237
Total Pension Liability - Beginning	523,632
Total Pension Liability - Ending	665,869
Less: Plan Fiduciary Net Position	(2,210,195)
Net Pension Liability (Asset)	\$ (1,544,326)

**NOTE 6 - RISK MANAGEMENT**

The District is at risk for losses resulting from fire or theft, accidents, and worker's compensation claims resulting from injury or disability of the firemen. The District finances its risk of loss through the purchase of commercial insurance. There were no significant reductions in insurance coverage during the current year. Settlements have not exceeded insurance coverage in each of the past three years.

**HOLLEY-NAVARRE FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2016**

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

The District may be contingently liable with respect to lawsuits and claims incidental to the ordinary course of its operations. In the opinion of Management, there are no claims, either asserted or unassisted, which are likely to have a material effect on the financial position of the District.

**NOTE 8 - CHANGES IN FUND BALANCE**

The following is a summary of the changes to fund balance for the year ending September 30, 2016.

	Balances at September 30, 2015	Excess of Revenues and Other Sources	Changes in Encumbrances and Prepaids	Balance at September 30, 2016
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Restricted				
Impact Fees	\$ 475,512	\$ 96,456	\$ -	\$ 571,968
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

**NOTE 9 - SUBSEQUENT EVENTS**

The District's former administrative assistant had inappropriate bank check card usage in the pension fund which totaled \$55,867 from 2012-2016. The Administrative Assistant's employment with the District was terminated on December 8, 2016 and criminal charges were filed and the former employee was prosecuted. The Pension Trustees filed a claim with its insurance carrier for the loss in 2017. Subsequent to September 30, 2016, an amount approximately equal to the loss was received from the insurance carrier.

**NOTE 10 - CHANGE IN ACCOUNTING PRINCIPLES**

Implementation of GASB Statements No. 68 and No. 71 during fiscal year 2016 requires retroactive restatement of beginning of the year net position. As a result, the District's net position as of October 1, 2015 was increased by \$1,323,069 to recognize the District's net pension asset of the Holley-Navarre Firefighters' Pension Trust Fund as of the measurement date of December 1, 2013. In addition year ending 2016 was adjusted to report the District's net pension asset of \$1,323,069, deferred outflows of \$13,812 as the measurement date of October 1, 2014.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**HOLLEY-NAVARRE FIRE DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUND**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT E

	Original	Final	Actual	Variable Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes				
Assessment Revenue	\$ 1,535,973	\$ 1,535,973	\$ 1,409,573	\$ (126,400)
Miscellaneous Revenues				
Interest Earnings	-	-	100	100
Response Fees	-	-	500	500
Impact Fees	-	-	113,902	113,902
Prior Year Balance	447,043	447,043	-	(447,043)
<b>TOTAL REVENUES</b>	1,983,016	1,983,016	1,524,075	(458,941)
<b>EXPENDITURES</b>				
Public Safety - Fire Control				
Personal Services				
Salaries	872,062	872,062	898,194	(26,132)
Payroll Taxes & Employee Benefits	318,666	318,666	279,801	38,865
Operating Expenses				
Professional Services	16,950	16,950	23,364	(6,414)
Utility Services	27,000	27,000	31,804	(4,804)
Insurance	45,000	45,000	65,289	(20,289)
Repair & Maintenance Services	56,000	56,000	82,357	(26,357)
Training	10,000	10,000	9,953	47
Office Supplies	19,775	19,775	20,424	(649)
Operating Supplies	69,000	69,000	80,615	(11,615)
Subscriptions & Memberships	2,500	2,500	3,873	(1,373)
Capital Outlay				
Machinery & Equipment	38,546	38,546	15,705	22,841
Software Upgrade	6,000	6,000	-	6,000
Land	-	-	-	-
Debt Services				
Principal	35,544	35,544	44,151	(8,607)
Interest	32,580	32,580	23,973	8,607
Reserved	383,393	383,393	-	383,393
Contingency	50,000	50,000	-	50,000
<b>TOTAL EXPENDITURES</b>	1,983,016	1,983,016	1,579,503	403,513
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	(55,428)	(55,428)
<b>FUND BALANCE - Beginning of Year</b>	-	-	829,657	829,657
<b>FUND BALANCE - End of Year</b>	\$ -	\$ -	\$ 774,229	\$ 774,229

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

**HOLLEY-NAVARRE FIRE DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**(UNAUDITED)**

	9/30/2016
<b>Total Pension Liability</b>	
Service Cost	\$ 87,576
Interest	44,040
Changes of benefit terms	-
Differences between Expected and Actual Experience	-
Changes of assumptions	-
Contributions- Buy Back	25,256
Benefit Payments, including Refunds of Employee Contributions	(14,635)
Net Change in Total Pension Liability	142,237
Total Pension Liability - Beginning	523,632
Total Pension Liability - Ending (a)	\$ 665,869
 <b>Plan Fiduciary Net Position</b>	
Contributions- Employer	\$ 34,100
Contributions- State	173,775
Contributions- Employees	34,099
Contributions- Buy Back	25,256
Net Investment Income	120,508
Benefit Payments, including Refunds of Employee Contributions	(14,635)
Administrative Expense	(9,609)
Net Change in Plan Fiduciary Net Position	363,494
Plan Fiduciary Net Position - Beginning	1,846,701
Plan Fiduciary Net Position - Ending (b)	\$ 2,210,195
 Net Pension Liability - Ending (a) - (b)	\$ (1,544,326)
 Plan Fiduciary Net Position as a percentage of the Total Pension Liability	331.93%
 Covered Employee Payroll	\$ 682,134
 Net Pension Liability as percentage of Covered Payroll	-226.40%

**HOLLEY-NAVARRE FIRE DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 (UNAUDITED)**

	<u>9/30/2016</u>
Actuarially determined contribution	\$ 6,053
Contributions in relation to the Actuarially Determined Contributions	<u>207,875</u>
Contributions Deficiency (Excess)	<u>\$ (201,822)</u>
 Covered Employee Payroll	 \$ 682,134
 Contributions as a percentage of Covered Employee Payroll	 30.47%

**HOLLEY-NAVARRE 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: Aggregate Actuarial Cost Method

Mortality: RP 2000 Table - Sex Distinct.

Interest Rate: 7.0% per year, compounded annually

Retirement Age: 10.0% per year eligible for Early Retirement. 10% per year eligible for Normal Retirement (with 100% at Age 52 and 25 Years of Service. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year.

Disability Rate:

Age	% Becoming Disable During the Year
20	0.05%
30	0.06%
40	0.12%
50	0.43%

Termination Rate:

Service	% Terminating During the Year
0-2 Years	15.00%
3+Years	5.00%

Salary Increase:

Years of Service	Salary Increase
0	10.00%
1	8.00%
2-4	7.00%
5+	5.50%

## **COMPLIANCE SECTION**

# 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  
Holley-Navarre Fire District  
Navarre, 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 and each major fund of Holley-Navarre 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 20, 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

#### **Compliance and Other Matters**

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

Holley-Navarre Fire District  
Page Two

**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*

Fort Walton Beach, Florida  
June 20, 2017

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

**MANAGEMENT LETTER**

To the Board of Commissioners  
Holley-Navarre Fire District  
Navarre, Florida

**Report on the Financial Statements**

We have audited the financial statements of the Holley-Navarre Fire District ("District"), Navarre, Florida, as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated June 20, 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; and Chapter 10.550, Rules of the Florida Auditor General.

**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 this report, which is dated June 20, 2017, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.554 (1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no 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 and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Holley-Navarre Fire District was established by Florida Special Act on July 7, 1980, by act 80-603.

**Financial Condition**

Sections 10.554 (1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not Holley-Navarre 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 Holley-Navarre 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 Holley-Navarre 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 that we report the results of our determination as to whether the annual financial report for the Holley-Navarre Fire District for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

**Other Matters**

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

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

Fort Walton Beach, Florida  
June 20, 2017

**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  
Holley-Navarre Fire District  
Navarre, Florida

We have examined Holley-Navarre Fire District's compliance with Florida Statute 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2016. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the 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 Holley-Navarre 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 Holley-Navarre Fire District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

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

*Nicholson Reeder & Reynolds*

Fort Walton Beach, Florida  
June 20, 2017