

Avalon Beach-Mulat Fire Protection District

Financial Statements

September 30, 2018



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Avalon Beach-Mulat Fire Protection District
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INDEPENDENT AUDITORS' REPORT

Board of Fire Commissioners
Avalon Beach-Mulat Fire Protection District

We have audited the accompanying financial statements of the governmental activities and the major fund of Avalon Beach-Mulat Fire Protection District (District), as of and for the year ended September 30, 2018, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District'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 District'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 the major fund of Avalon Beach-Mulat Fire Protection District, as of September 30, 2018, and the respective changes in financial position and budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 8, the schedule of the District's proportionate share of the net pension liability – Florida Retirement System on page 30, the schedule of the District's contributions – Florida Retirement System on page 31, the schedule of the District's proportionate share of the net pension liability – Health Insurance Subsidy Program on page 32, and the schedule of the District's contributions – Health Insurance Subsidy Program on page 33, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures performed 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 July 23, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Carly Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
July 23, 2019

Management's Discussion and Analysis

Management's Discussion and Analysis

Preamble

Avalon Beach-Mulat Fire Protection District (District) is an autonomous, independent, special purpose government providing fire control and rescue activities which are predominately funded through ad valorem taxes. The District sets the millage rate after public hearings and the tax revenue is used to sustain its fire control and rescue activities.

Presentation

The requirements of GASB Statement No. 34 mandate that all local government financial statements include Management's Discussion and Analysis (MD&A). The goal of the MD&A is to give readers an objective and easily readable overview of the District's financial performance. The MD&A is designed to focus on the District's most relevant information regarding overall financial performance to aid users in assessing whether financial position has improved or deteriorated as a result of the year's fire protection activities. Hereinafter, the District briefly discusses the attached financial statements and describes the currently known facts, decisions, and conditions that have a significant effect on financial position and results of fire protection activities.

Financial Highlights

The District's total net position decreased \$7,016 to \$1,450,511 during fiscal year 2018.

The net change in fund balance was a decrease of \$243,079 for the year ended September 30, 2018. Total revenues were \$612,439 and total expenditures were \$855,518.

As of September 30, 2018, the general fund's unassigned fund balance was \$298,051 which was 35% of total general fund expenditures for the year.

Total governmental activities' expenses increased \$61,846 from the prior year, while governmental activities' revenues increased \$45,377.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

The *statement of activities* presents information on all revenues and expenses of the District and the change in net position for the fiscal year. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement of activities for some items that will result in cash flows in future fiscal periods (e.g., uncollected fees and earned, but unused vacation/sick leave).

Expenses are reported by major function, along with program revenues relating to those functions, providing the net cost of all functions provided by the District. The District's operations include governmental activities' expenses for administrative services and fire protection.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific purposes or objectives. Individual funds have been established by the District to account for revenues that are restricted to certain uses, or to comply with legal requirements.

Fund financial statements provide financial information for the District's general fund and more detailed information about the District's activities. Governmental fund financial statements provide information on the *current* assets and liabilities of the fund, changes in *current* financial resources (revenues and expenditures), and *current* available resources.

Fund financial statements for the governmental fund include a *balance sheet* and a *statement of revenues, expenditures, and change in fund balance*. The District's general fund includes a *statement of revenues, expenditures, and change in fund balance – budget and actual*.

The *government-wide financial statements* and the *fund financial statements* provide different presentations of the District's financial position. Categorized as governmental activities the government-wide financial statements provide an overall picture of the District's financial standing. These statements, which are comparable to private-sector companies, provide a good understanding of the District's overall financial health and present the means used to pay for various activities, or functions provided by the District. All assets of the District, including buildings, land, and equipment are reported in the *statement of net position*, as well as all liabilities, including

outstanding loans and future employee benefits obligated but not yet paid by the District. The *statement of activities* includes depreciation on long lived assets of the District. The *fund financial statements* provide a presentation of the District's general fund. In governmental funds, outlays for long lived assets are reported as expenditures and long-term liabilities are not included in the fund financial statements. To facilitate a comparison between the *fund financial statements* and the *government-wide financial statements*, a reconciliation is provided.

The notes to basic financial statements provide additional detail concerning the financial activities and financial balances of the District. Additional information about the accounting practices of the District, investments of the District, and long-term debt are just a few of the items included in the notes to basic financial statements.

Financial Analysis of the District

The following schedule provides a summary of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District at September 30, 2018 and 2017. The District is able to report positive balances in both categories of net position.

Governmental Activities Net Position

<i>September 30,</i>	2018	2017
Cash and cash equivalents	\$ 325,830	\$ 564,942
Other current assets	21,305	21,305
Capital assets, net	1,314,660	1,039,089
Total assets	1,661,795	1,625,336
Deferred outflows of resources	274,078	236,479
Current liabilities	27,779	23,812
Long-term liabilities	369,448	297,554
Total liabilities	397,227	321,366
Deferred inflows of resources	88,135	82,922
Net position		
Net investment in capital assets	1,314,660	1,039,089
Unrestricted	135,851	418,438
Total net position	\$ 1,450,511	\$ 1,457,527

Investment in capital assets (e.g., land, buildings, and equipment), net of any related outstanding debt used to acquire those assets, represents the District's largest portion of net position (91%). These capital assets are utilized to provide services to citizens; consequently, they are not available for future spending.

The balance of unrestricted net position may be used to help meet the District's ongoing obligations to citizens and creditors. As of the year ended September 30, 2018, the balance in unrestricted net position was \$135,851.

The following schedule provides a summary of the change in net position for the years ended September 30, 2018 and 2017:

Governmental Activities Change in Net Position

<i>Year ended September 30,</i>	2018	2017
Program revenues		
Charges for services	\$ 20,200	\$ 15,620
Capital grants and contributions	20,270	10,000
General revenues		
Property taxes	570,250	539,137
Miscellaneous	1,281	1,949
Interest income	438	356
Total revenues	612,439	567,062
Expenses		
Administrative	24,069	23,444
Fire protection	498,497	447,664
Depreciation	96,889	86,501
Total expenses	619,455	557,609
Change in net position	(7,016)	9,453
Beginning net position	1,457,527	1,448,074
Ending net position	\$ 1,450,511	\$ 1,457,527

Ad valorem property tax revenue increased \$31,113 from the prior year due to organic growth of property values within the district. The millage rate set by the District for the year ended September 30, 2018 did not change from the prior year. One grant was awarded to the District which was used for capital outlays. Expenses increased 11% from the prior year.

For the year ended September 30, 2018 governmental activities' expenses exceeded revenues by \$7,016. Total revenues increased \$45,377 from the previous year primarily due to an increase in property taxes levied and collected.

For the year ended September 30, 2018 ninety-three percent (93%) of revenues were generated by taxes, 3% were from capital grants and contributions, and 3% were generated by charges for services. Most of the governmental resources were expended for fire protection (80%) and depreciation (16%).

Financial Analysis of the District's Fund

Governmental Fund

General Fund

The only operating fund of the District is the general fund. As of September 30, 2018, total assets were \$347,135 and total liabilities were \$27,779. At the end of fiscal year 2018, unassigned fund balance of the general fund was \$298,051 while total fund balance was \$319,356.

The general fund budget was not amended during the year. Actual revenues were greater than anticipated by \$46,587. Actual expenditures were more than budgeted expenditures by \$289,666.

Capital Assets Activity

The following schedule provides a summary of the District's capital assets activity. The District's total investment in capital assets as of September 30, 2018, was \$1,314,660 (net of accumulated depreciation). This investment in capital assets includes land and site improvements, buildings, fire equipment, office equipment, fire trucks and other vehicles.

Capital Assets (net of depreciation)

Governmental Activities

<i>September 30,</i>	2018	2017
Land and site improvements	\$ 131,322	\$ 131,322
Buildings	391,702	375,000
Fire equipment	362,117	353,118
Office equipment and furnishings	24,551	23,272
Fire trucks and other vehicles	2,017,816	1,675,336
	2,927,508	2,558,048
Accumulated depreciation	(1,612,848)	(1,518,959)
Total	\$ 1,314,660	\$ 1,039,089

Additional information on the District's capital assets can be found in note 3 – capital assets, of the notes to basic financial statements.

Economic Factors

There are no significant economic factors affecting the District. Management of the District anticipates that operating costs will continue to rise primarily due to the increasing cost of fuel. It is expected that this increase will be offset by an increase in ad valorem tax revenue due to the continuing rise in property values within the county.

Contact Information

Avalon Beach-Mulat Fire Protection District

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Milton, Florida 32583

Telephone number: (850) 994-4445

Website: www.avalonfirerescue.com

Avalon Beach-Mulat Fire Protection District
Statement of Net Position
September 30, 2018

	Governmental Activities
<hr/>	
Assets	
Cash and cash equivalents	\$ 325,830
Prepays	21,305
Capital assets, net	1,314,660
Total assets	1,661,795
Deferred outflows of resources	274,078
Total assets and deferred outflows of resources	1,935,873
<hr/>	
Liabilities	
Accounts payable and accrued expenses	27,779
Net pension liability	369,448
Total liabilities	397,227
Deferred inflows of resources	88,135
Total liabilities and deferred inflows of resources	485,362
<hr/>	
Net position	
Net investment in capital assets	1,314,660
Unrestricted	135,851
Total net position	\$ 1,450,511

See accompanying notes to basic financial statements.

Avalon Beach-Mulat Fire Protection District
Statement of Activities
Year Ended September 30, 2018

	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Capital Grants and Contributions	Revenues and Change
				in Net Position
				Primary Government
				Governmental Activities
Governmental activities				
Administrative	\$ 24,069	\$ -	\$ -	\$ (24,069)
Fire protection	498,497	20,200	20,270	(458,027)
Depreciation	96,889	-	-	(96,889)
Total primary government	\$ 619,455	\$ 20,200	\$ 20,270	(578,985)
		General revenues		
		Property taxes		570,250
		Miscellaneous		1,281
		Total general revenues		571,531
		Interest income		438
		Total general revenues and interest income		571,969
		Change in net position		(7,016)
		Net position - beginning		1,457,527
		Net position - ending		\$ 1,450,511

See accompanying notes to basic financial statements.

**Avalon Beach-Mulat Fire Protection District
Balance Sheet – Governmental Fund
September 30, 2018**

	General Fund
Assets	
Cash and cash equivalents	\$ 325,830
Prepays	21,305
Total assets	347,135
Liabilities	
Accounts payable and accrued expenses	27,779
Total liabilities	27,779
Fund balance	
Nonspendable	21,305
Unassigned	298,051
Total fund balance	319,356
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,314,660
Deferred outflows and inflows of resources are not financial resources or liabilities and therefore are not reported in the funds.	185,943
Long-term liabilities, including net pension liability, are not due and payable in the current period and therefore are not reported in the funds.	(369,448)
Net position of governmental activities	\$ 1,450,511

See accompanying notes to basic financial statements.

**Avalon Beach-Mulat Fire Protection District
Statement of Revenues, Expenditures, and Change in
Fund Balance – Governmental Fund
Year Ended September 30, 2018**

	General Fund
<hr/>	
Revenues	
Property taxes	\$ 570,250
Grants	11,270
Impact fees	20,200
Interest income	438
Miscellaneous	1,281
Donations	9,000
<hr/>	
Total revenues	<hr/> 612,439 <hr/>
Expenditures	
Administrative	25,347
Fire protection	457,711
Capital outlay	
Fire protection	372,460
<hr/>	
Total expenditures	<hr/> 855,518 <hr/>
Net change in fund balance	 (243,079)
Fund balance	
Beginning of year	 562,435
<hr/>	
End of year	 \$ 319,356 <hr/> <hr/>

See accompanying notes to basic financial statements.

**Avalon Beach-Mulat Fire Protection District
Reconciliation of the Statement of Revenues, Expenditures, and Change in
Fund Balance of the Governmental Fund to the Statement of Activities
Year Ended September 30, 2018**

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

Net change in fund balance - governmental fund (page 12)	\$ (243,079)
The governmental fund reports capital outlays as expenditures. However, in the statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays during the year.	275,571
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 governmental funds (i.e. pension related liabilities, deferred inflows of resources, and deferred outflows of resources).	(39,508)
Change in net position of governmental activities (page 10)	\$ (7,016)

See accompanying notes to basic financial statements.

Avalon Beach-Mulat Fire Protection District
Statement of Revenues, Expenditures, and Change in Fund Balance
Budget and Actual – General Fund
Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original	Final		
Revenues				
Property taxes	\$ 552,502	\$ 552,502	\$ 570,250	\$ 17,748
Grants	10,000	10,000	11,270	1,270
Impact fees	3,000	3,000	20,200	17,200
Interest income	350	350	438	88
Miscellaneous	-	-	1,281	1,281
Donations	-	-	9,000	9,000
Total revenues	565,852	565,852	612,439	46,587
Expenditures				
Administrative	20,365	20,365	25,347	(4,982)
Fire protection	541,287	541,287	457,711	83,576
Capital outlay				
Fire protection	4,200	4,200	372,460	(368,260)
Total expenditures	565,852	565,852	855,518	(289,666)
Net change in fund balance	\$ -	\$ -	\$ (243,079)	\$ (243,079)

See accompanying notes to basic financial statements.

Avalon Beach-Mulat Fire Protection District Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Avalon Beach-Mulat Fire Protection District (District) have been prepared in conformity with United States generally accepted accounting principles (GAAP) as applied to governmental units promulgated by the Governmental Accounting Standards Board (GASB).

This summary of the District's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies are considered essential and should be read in conjunction with the accompanying financial statements.

Reporting Entity

The District was established under, HB 1497, Chapter 191, Section 633.15, Florida Statutes, in 1980 as a Fire Control and Rescue District to provide fire protection and rescue response services for the Avalon Beach and Mulat, Florida area. As a special-purpose government, the District has only one governmental program. The Board of Fire Commissioners (Board) of the District, an elected five member group, is the level of government which has governance responsibility over the activities of the District. Included in the District's financial statements are all programs and organizations for which the District has oversight responsibility which includes, but is not limited to, financial interdependency, designation of management, ability to significantly influence operation and accountability for fixed matters.

The District's basic financial statements include all of the funds relevant to the operations of the District's fire control activities. There are no other entities or component units that the District exercises control over that are required to be included with the reporting entity.

Measurement Focus and Basis of Accounting

The basic financial statements of the District are composed of the following:

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

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for fiduciary activities. These statements include separate columns for the governmental activities of the primary government.

Government-wide financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, deferred outflows of resources, deferred inflows of resources, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, deferred inflows of resources, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 – *Accounting and Financial Reporting for Nonexchange Transactions*.

Avalon Beach-Mulat Fire Protection District Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry when applicable, if that money is restricted to a particular program. Program revenues are netted against program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenses. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as reductions of the related liabilities, rather than as expenses.

Fund Financial Statements

The underlying accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Governmental resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental fund are presented after the government-wide financial statements. These statements display information about the government's major fund.

Governmental Fund

Governmental fund financial statements are reported using the flow of 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 collected 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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the District.

Under the flow of current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

Avalon Beach-Mulat Fire Protection District Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources are expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability.

Basis of Presentation

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of either fund category or the governmental and enterprise combined) for the determination of major funds. The District has used GASB Statement No. 34 minimum criteria for major fund determination to determine which funds are required to be reported as major funds.

Governmental Major Fund

The general fund is the general operating fund of the District, and accounts for all financial resources that are not required to be accounted for in another fund. This fund is established to account for resources devoted to financing the special services that the District performs for its citizens. Tax revenue and other sources of revenue used to finance the fundamental operations of the District are included in this fund as are all costs of operations.

Noncurrent Governmental Assets/Liabilities

GASB Statement No. 34 requires noncurrent governmental assets, such as land, buildings and equipment, and noncurrent governmental liabilities, to be reported in the governmental activities column in the government-wide statement of net position.

Budgets

Annual budgets are legally adopted for the governmental fund. Budgets are prepared and adopted on a basis of accounting consistent with GAAP. All annual appropriations lapse at fiscal year-end.

Florida Statutes provide that it is unlawful to make expenditures that exceed the total amount budgeted for each fund. Chapter 166, Florida Statutes, governs the manner in which the budget may be legally amended once it has been approved. Therefore, the fund level is the legal level of control for budget considerations.

The District's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ending September 30. The District adopts an annual operating budget for the fiscal year beginning on October 1 and it can be amended by the District throughout the year. The budget for the general fund is adopted annually after public hearings are conducted to obtain taxpayer comments. The same basis of accounting is used to reflect actual revenues and expenditures recognized on a GAAP basis. Over expenditure of adopted budget line items are not contrary to law. The District's annual budget does not include unanticipated grant awards.

Avalon Beach-Mulat Fire Protection District Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District generally follows these procedures in establishing the general fund budgetary data reflected in the basic financial statements:

- In early July, the Board prepares a proposed operating budget for the fiscal year commencing the following October 1.
- During the months of August and September, the District holds public hearings on the operating budget and the proposed expenditures and the means to finance them.
- Prior to October 1, the District's Board formally approves the budget document following the public hearings.
- The approved annual budget is used as a control device for the general fund.

Budgetary data presented in the accompanying basic financial statements in the final budgeted amounts column represents the final budgetary data. In this column, the effects of budget amendments, if any, have been applied to the original budgetary data.

Property Tax Revenues

Property taxes are levied on November 1st based on the assessed value of property as listed the previous January. Property values are assessed by the County Property Appraiser who considers them to be an approximation of market value. Property taxes are recognized as revenue when received because they are considered measurable and available. The Santa Rosa Tax Collector is responsible for collecting and distributing property taxes in accordance with enabling state legislation. Property taxes become due on November 1st. A lien is filed on April 1st for those property taxes that have not paid by March 31st, when the taxes become delinquent. Tax certificates are sold on June 1st for any unpaid taxes.

Encumbrances

Encumbrance accounting is not utilized as an extension of the formal budgetary process in the governmental fund. Therefore, no provision for encumbrances has been made.

Cash and Cash Equivalents

The District considers demand deposits, certificates of deposit with maturities of up to one year, and all highly liquid debt instruments with an original maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Receivables are reported at their gross value and, where appropriate, reduced by the estimated portion that is expected to be uncollectible.

Avalon Beach-Mulat Fire Protection District Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend its useful life are not capitalized. When applicable, major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are stated at cost, except for contributed assets, which are recorded at estimated fair market value on the date received by the District. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets generally as follows:

Buildings	40 Years
Equipment	5 - 10 Years
Fire trucks and other vehicles	10 - 20 Years

Fund Balances

The District follows GASB Statement No. 54 using the following terminology and classifications for fund balance.

Nonspendable – This category includes the resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The nonspendable fund balance as of September 30, 2018 of \$21,305 is from prepaids which are not in spendable form.

Restricted – This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or other enabling legislation. There is no restricted fund balance at September 30, 2018 by enabling legislation or other restrictions.

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. Commitments may be established, modified, or rescinded only through ordinances approved by the Board of Commissioners. There is no committed fund balance at September 30, 2018.

Assigned – This category includes resources that are intended to be used for specific purposes, but are neither restricted nor committed. These are resources that have been set aside for a specific purpose by an authorized government body or official. There is no assigned fund balance at September 30, 2018.

Unassigned – This category is the residual classification for the District’s fund balance. The balance as of September 30, 2018, is \$298,051.

Avalon Beach-Mulat Fire Protection District Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets

Certain assets of the various funds are required by resolutions or ordinances to be set aside and used for specific purposes; thus, they are not available to be used for general operations. When both restricted and unrestricted resources are available for use, it is the government's policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

Deferred Outflows, Deferred Inflows, and Net Position

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and renames the components of net position which were previously considered net assets.

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

Net investment in capital assets - represents the cost of capital assets, less accumulated depreciation reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Restricted - includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or other enabling legislation.

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

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflow of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. At this time, the District has one item that qualifies for reporting in this category, deferred outflows of resources related to the net pension liability.

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

Avalon Beach-Mulat Fire Protection District Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Subsequent Events

Management of the District has evaluated subsequent events through July 23, 2019, the date the financial statements were available to be issued.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits Policies

All cash resources of the District are placed in banks that are qualified public depositories, as required by law (Florida Security for Public Deposits Act). Every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required by this law to ensure that the District's funds are entirely collateralized throughout the fiscal year. In the event of failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro rata basis.

The District's cash and cash equivalents include demand deposits, certificates of deposit with maturities of up to one year, and all highly liquid debt instruments with original maturities of three months or less.

Investment Policies

Florida Statutes, Section 218.415, authorizes the District to invest surplus funds in the following:

- The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Section 163.01
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency
- Interest bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02
- Direct obligations of the U.S. Treasury

All time-deposits held at year-end were considered cash and cash equivalents for financial statement purposes. The District had no investments at September 30, 2018.

Avalon Beach-Mulat Fire Protection District
Notes to Basic Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

At September 30, 2018, the District did not hold any investments that were considered an interest rate risk.

Credit Risk

At September 30, 2018, the District did not hold any investments that were considered a credit risk.

Custodial Risk

At September 30, 2018, the District did not hold any deposits or investments that were considered a custodial risk.

Concentrations of Credit Risk

At September 30, 2018, the District did not hold any investments that were considered a concentration of credit risk.

NOTE 3 – CAPITAL ASSETS

Changes in capital assets of the governmental activities are summarized as follows:

	September 30, 2017	Increases	Decreases	September 30, 2018
Capital assets, not being depreciated				
Land and site improvements	\$ 131,322	\$ -	\$ -	\$ 131,322
Total capital assets, not being depreciated	131,322	-	-	131,322
Capital assets, being depreciated				
Buildings	375,000	16,702	-	391,702
Fire equipment	353,118	8,999	-	362,117
Office equipment and furnishings	23,272	1,279	-	24,551
Fire trucks and other vehicles	1,675,336	345,480	3,000	2,017,816
Total capital assets, being depreciated	2,426,726	372,460	3,000	2,796,186
Less accumulated depreciation	(1,518,959)	(96,889)	(3,000)	(1,612,848)

(Continued)

Avalon Beach-Mulat Fire Protection District
Notes to Basic Financial Statements

NOTE 3 – CAPITAL ASSETS (CONTINUED)

	September 30, 2017	Increases	Decreases	September 30, 2018
Total capital assets, being depreciated (net of accumulated depreciation)	\$ 907,767	\$ 275,571	\$ -	\$ 1,183,338
Total governmental activities' capital assets (net of accumulated depreciation)	\$ 1,039,089	\$ 275,571	\$ -	\$ 1,314,660

Depreciation expense of \$96,889 was charged to the fire protection function.

NOTE 4 – PENSION PLANS

Defined Benefit Plans

Plan Description

The District participates in two defined benefit pension plans that are administered by the State of Florida, Department of Management Services, Division of Retirement. The plans provide retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report is available from the Florida Department of Management Services' website (www.dms.myflorida.com).

The Florida Retirement System (FRS) Pension Plan (Plan) is a cost-sharing, multiple-employer defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, Florida Statutes, or are allowed to participate in a defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

Avalon Beach-Mulat Fire Protection District Notes to Basic Financial Statements

NOTE 4 – PENSION PLANS (CONTINUED)

The Retirees' Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state administered retirement systems in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under a state administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided

Benefits provided by FRS are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes.

Contributions

The contribution requirements of plan members and the District are established and may be amended by the Florida Legislature. Employees are required to contribute 3% of their salary to FRS. The District's contribution rates for the year ended September 30, 2018 were as follows:

	October 1, 2017 through June 30, 2018		July 1, 2018 through September 30, 2018	
	FRS	HIS	FRS	HIS
Regular class	6.26%	1.66%	6.60%	1.66%
Special risk class	21.61%	1.66%	22.84%	1.66%

The District's contributions for the year ended September 30, 2018, were \$33,372 to FRS and \$2,838 to HIS.

Pension Liabilities and Pension Expenses

In its financial statements for the year ended September 30, 2018, the District reported a liability for its proportionate share of the net pension liability of FRS and its proportionate share of the net pension liability of HIS. The net pension liabilities were measured as of June 30, 2018. The District's proportions of the net pension liabilities were based on its share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

Avalon Beach-Mulat Fire Protection District
Notes to Basic Financial Statements

NOTE 4 – PENSION PLANS (CONTINUED)

	FRS	HIS
Net pension liability	\$ 318,248	\$ 51,200
Proportion at:		
Current measurement date	0.001056583%	0.000483743%
Prior measurement date	0.000863554%	0.000393936%
Pension expense	\$ 67,577	\$ 8,052

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 26,961	\$ 979
Changes of assumptions	103,988	-
Net difference between projected and actual earnings on pension plan investments	-	24,589
Changes in proportion and differences between employer contributions and proportionate share of contributions	95,893	44,980
Employer contributions subsequent to the measurement date	9,783	-
Total	\$ 236,625	\$ 70,548

	HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 784	\$ 88
Changes of assumptions	5,694	5,413
Net difference between projected and actual earnings on pension plan investments	31	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	30,155	12,086
Employer contributions subsequent to the measurement date	789	-
Total	\$ 37,453	\$ 17,587

Avalon Beach-Mulat Fire Protection District Notes to Basic Financial Statements

NOTE 4 – PENSION PLANS (CONTINUED)

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer’s fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2019. Other pension related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Measurement Period Ending June 30,	FRS		HIS	
2019	\$	60,555	\$	13,324
2020		41,326		13,274
2021		5,762		9,300
2022		27,518		2,089
2023		18,400		(12,966)
Thereafter		2,733		(5,944)
Total	\$	156,294	\$	19,077

Actuarial Assumptions

The total pension liability for each of the defined benefit plans was measured as of June 30, 2018. The total pension liability for FRS was determined by an actuarial valuation dated July 1, 2017. For HIS, the total pension liability was determined by an actuarial valuation dated July 1, 2016, rolled-forward using standard actuarial procedures.

The total pension liability for each of the defined benefit plans, measured as of June 30, 2018, was determined by an actuarial valuation dated July 1, 2018, using the individual entry age normal actuarial cost method and the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%
Investment rate of return	7.00%	N/A
Discount rate	7.00%	3.87%

Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB. For both plans, the actuarial assumptions used in the valuation dated July 1, 2018 were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The following changes in key actuarial assumptions occurred in 2018:

FRS: The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 7.1% to 7.0%.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability increased from 3.58 % to 3.87%.

Avalon Beach-Mulat Fire Protection District Notes to Basic Financial Statements

NOTE 4 – PENSION PLANS (CONTINUED)

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For the FRS Pension Plan, the table below summarizes the target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)	Long-term Expected Real Rate of Return (Geometric)
Cash equivalents	1%	2.9%	2.9%
Fixed income	18%	4.4%	4.3%
Global equity	54%	7.6%	6.3%
Real estate	11%	6.6%	6.0%
Private equity	10%	10.7%	7.8%
Strategic investments	6%	6.0%	5.7%
	<u>100%</u>		

Discount Rate

The discount rate used to measure the total pension liability for FRS was 7.00%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because HIS is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.87% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Sensitivity Analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the District's proportionate share of the net pension liability if the discount rate was 1% higher or 1% lower than the current discount rate.

Avalon Beach-Mulat Fire Protection District Notes to Basic Financial Statements

NOTE 4 – PENSION PLANS (CONTINUED)

	FRS		
	Current		
	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Employer's proportionate share of the net pension liability	\$ 580,816	\$ 318,248	\$ 100,170

	HIS		
	Current		
	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Employer's proportionate share of the net pension liability	\$ 58,314	\$ 51,200	\$ 45,270

Pension Plans' Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the State's separately issued financial reports.

Payables to the Pension Plan

As of September 30, 2018, the District reported payables to the pension plans in the amount of \$3,881.

Defined Contribution Plan

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan (FRS Investment Plan), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class. Required employer contributions made to the plan during the year ended September 30, 2018, totaled \$8,708.

NOTE 5 – COMMITMENTS, CONTINGENCIES AND RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; injuries to employees and/or the public; damage to property of others; and natural disasters. The District purchases commercial insurance to cover the risk of loss.



Avalon Beach-Mulat Fire Protection District Notes to Basic Financial Statements

NOTE 6 – BUDGET VARIANCES

For the year ended September 30, 2018, actual expenditures exceeded budgeted expenditures by \$289,666 due to the purchase of a vehicle and a boat that were not included in the final budget.

NOTE 7 – PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED

GASB Statement No. 84, *Fiduciary Activities*, was issued with the objective of improving guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. The standard may have an effect on the District, but management has not yet determined the effect this statement will have on the District's financial statements.

Required Supplementary Information

Avalon Beach-Mulat Fire Protection District
Schedule of the District's Proportionate Share of the Net Pension Liability
– Florida Retirement System

June 30,	2018	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *	2009 *
District's proportion of the net pension liability	0.0010566%	0.0008636%	0.0012506%	0.0003573%	0.0003681%	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability	\$ 318,248	\$ 255,433	\$ 315,786	\$ 46,147	\$ 22,458	N/A	N/A	N/A	N/A	N/A
District's covered payroll	162,542	127,238	198,209	47,151	46,800	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability as a percentage of its covered payroll	195.79%	200.75%	159.32%	97.87%	47.99%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	96.09%	92.00%	N/A	N/A	N/A	N/A	N/A

* Disclosures for 2009 through 2013 are N/A because comparable information is not available at this time.

See Independent Auditors' Report.

**Avalon Beach-Mulat Fire Protection District
Schedule of the District's Contributions
– Florida Retirement System**

Year ended September 30,	2018	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *	2009 *
Contractually required contribution	\$ 33,372	\$ 22,480	\$ 30,499	\$ 8,711	\$ 8,062	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(33,372)	(22,480)	(30,499)	(8,711)	(8,062)	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A
District's covered payroll	\$ 170,965	\$ 131,241	\$ 126,386	\$ 130,432	\$ 46,800	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	19.52%	17.13%	24.13%	6.68%	17.23%	N/A	N/A	N/A	N/A	N/A

* Disclosures for 2009 through 2013 are N/A because comparable information is not available at this time.

See Independent Auditors' Report.

**Avalon Beach-Mulat Fire Protection District
Schedule of the District's Proportionate Share of the Net Pension Liability
– Health Insurance Subsidy Program**

June 30,	2018	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *	2009 *
District's proportion of the net pension liability	0.0004837%	0.0003939%	0.0005625%	0.0001550%	0.0001575%	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability	\$ 51,200	\$ 42,121	\$ 65,557	\$ 15,811	\$ 14,728	N/A	N/A	N/A	N/A	N/A
District's covered payroll	162,542	127,238	198,209	47,151	46,800	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability as a percentage of its covered payroll	31.50%	33.10%	33.07%	33.53%	31.47%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%	0.99%	N/A	N/A	N/A	N/A	N/A

* Disclosures for 2009 through 2013 are N/A because comparable information is not available at this time.

See Independent Auditors' Report.

**Avalon Beach-Mulat Fire Protection District
Schedule of the District's Contributions
– Health Insurance Subsidy Program**

Year ended September 30,	2018	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *	2009 *
Contractually required contribution	\$ 2,838	\$ 2,179	\$ 2,883	\$ 593	\$ 540	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(2,838)	(2,179)	(2,883)	(593)	(540)	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A
District's covered payroll	\$ 170,965	\$ 131,241	\$ 126,386	\$ 130,432	\$ 46,800	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	1.66%	1.66%	2.28%	0.45%	1.15%	N/A	N/A	N/A	N/A	N/A

* Disclosures for 2009 through 2013 are N/A because comparable information is not available at this time.

See Independent Auditors' Report.

Compliance Section

INDEPENDENT AUDITORS' MANAGEMENT LETTER

Board of Fire Commissioners
Avalon Beach-Mulat Fire Protection District

Report on the Financial Statements

We have audited the financial statements of the Avalon Beach-Mulat Fire Protection District (District), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated July 23, 2019.

Auditors' Responsibility

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 and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in these reports, which are dated July 23, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Prior Year Findings and Recommendations

The findings reported the two previous years were 2018-001 and 2018-002.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to basic financial statements. The Avalon Beach-Mulat Fire Protection District was established by HB 1497, Chapter 191, Section 633.15, Florida Statutes, in 1980. There are no component units related to the District.

Financial Condition and Management

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

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

Sections 10.554(1)(i)5.b. 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 the annual financial report for the District for the fiscal year ended September 30, 2018, 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, 2018. In connection with our audit, we determined that these two reports were in agreement.

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

Additional Matters

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

Purpose of This Letter

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

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

Certified Public Accountants
Panama City Beach, Florida
July 23, 2019

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

Board of Fire Commissioners
Avalon Beach-Mulat Fire Protection District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Avalon Beach-Mulat Fire Protection District (District) as of and for the year ended September 30, 2018, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 23, 2019.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We considered the following deficiencies listed below to be material weaknesses.

2018-001 (Prior year 2017-001) – Lack of segregation of duties

Condition: Certain accounting and administrative duties were not segregated sufficiently to achieve an adequate internal control structure.

Cause: Limited staff available.

Criteria: Accounting duties should be adequately segregated.

Effect: Errors or fraud could occur without being detected and corrected in a timely manner.

Recommendation: While the costs associated with achieving proper segregation of duties currently outweigh their benefits, the District should separate duties as much as possible and continue to use/implement compensating controls when possible to reduce risk to an acceptable level.

Views of responsible officials and planned corrective action: The issue results from the limited number of people involved at the District. Proper separation of duties is not considered feasible by the District at this time because of its size and limited number of employees. The District will continue to evaluate compensating controls that reduce risk to an acceptable level.

2018-002 (Prior year 2017-002) – Adjustments to financial statements

Condition: Adjustments to the financial records had to be proposed by the auditors in order for the financial statements to conform to generally accepted accounting principles (GAAP).

Cause: Limited knowledge of adjustments necessary for the financial statements to be in accordance with GAAP.

Criteria: The requirement is for the District to be able to prepare financial statements in accordance with GAAP.

Effect: Financial statements generated for internal use are materially misstated.

Recommendation: While we realize it would not be feasible to implement procedures necessary to eliminate all proposed adjustments, we recommend striving to reduce the number of adjustments needed as much as possible.

Views of responsible officials and planned corrective action: Management has considered the above material weakness in the District's internal controls and believes the costs required to correct this finding would outweigh the benefits derived from implementing corrective action. We will strive to reduce the number of adjusting journal entries needed as much as possible.

2018-003 – Bank reconciliations

Condition: The main operating general ledger bank account balance did not agree with monthly and year-end reconciliations.

Cause: Limited knowledge of procedures necessary to reconcile bank balances to the general ledger.

Criteria: Bank reconciliations should be completed accurately and timely.

Effect: Failure to perform accurate and timely reconciliations could result in ineffective cash management and/or a material error or undetected fraud.

Recommendation: The District should implement controls to ensure accurate and timely bank reconciliations.

Views of responsible officials and planned corrective action: The District will implement procedures and controls to ensure monthly bank reconciliations are accurately and timely performed.

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.

Compliance and other matters

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

The District's responses to findings

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

Purpose of This report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Certified Public Accountants
Panama City Beach, Florida
July 23, 2019



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INDEPENDENT ACCOUNTANTS' REPORT

Board of Fire Commissioners
Avalon Beach-Mulat Fire Protection District

We have examined Avalon Beach-Mulat Fire Protection District's (District) compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2018. Management 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the District's compliance with the specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2018.

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

Carr, Riggs & Ingram, LLC

Certified Public Accountants
Panama City Beach, Florida
July 23, 2019