

Holley-Navarre Fire District Pension Trust Fund

FINANCIAL STATEMENTS

September 30, 2018



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Holley-Navarre Fire District Pension Trust Fund
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September 30, 2018

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Holley-Navarre Fire District Pension Trust Fund

We have audited the accompanying statement of fiduciary net position of the Holley-Navarre Fire District Pension Trust Fund (Plan) as of September 30, 2018, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to financial statements.

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the Plan's financial position as of September 30, 2018, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 1, the financial statements present only the Holley-Navarre Fire District Pension Trust Fund, a pension trust fund of Holley-Navarre Fire District and are not intended to present fairly the financial position of the Holley-Navarre Fire District as of September 30, 2018 or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis (MD&A) and the required supplementary information other than MD&A as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2019, on our consideration of the Holley-Navarre Fire District Pension Trust Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's 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 Holley-Navarre Fire District Pension Trust Fund's internal control over financial reporting and compliance.

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

Certified Public Accountants
Niceville, Florida
March 15, 2019

Management's Discussion and Analysis

Management's Discussion and Analysis

Management's discussion and analysis provide an easily readable analysis of the Holley-Navarre Fire District Pension Trust Fund (Plan)'s financial activities. The analysis provides summary financial information of the plan and should be read in conjunction with the Plan's financial statements.

Financial Highlights

- Total overall financial position of the plan increased during the year ended September 30, 2018: the fiduciary net position of the Plan increased to \$2,992,051, an increase of \$344,880 or 13% above the fiduciary net position at September 30, 2017.
- The Plan relies upon contributions from employees and employers, along with investment income to meet the funding requirement of an actuarially-determined accrued liability. As of September 30, 2018, the Plan's funded ratio was 135.58%.
- Contribution revenue recognized from employees, employers and the State during fiscal year 2018 totaled \$231,450, an increase of \$24,154 or 12% from the prior fiscal year due to an increase of 21% for employee and employer contributions and increase of 7% for contributions from the State. The employer continues to be required to pay the full unfunded actuarial liability (UAL) rates recommended by the plan's consulting actuary.
- The Plan's actuarial valuation was prepared as of October 1, 2018. The Required Supplementary Information and the Actuarial Section of this report provide information on the net pension liability, key methods and assumptions used, and other required disclosures for the defined benefit plan.

Overview of the Financial Statements

As required by generally accepted accounting principles, the Plan's financial statements consist of the following components: basic financial statements, notes to financial statements and required supplementary information.

Basic Financial Statements

This Plan's basic financial statements include the statement of fiduciary net position and statement of changes in fiduciary net position. The Plan reports operations and fiduciary net position on a full accrual basis of accounting and a focus on economic resources. The statement of fiduciary net position reports the assets, liabilities and resulting fiduciary net position, providing a measurement of the financial position of the funds as of the end of the fiscal year. The statement of changes in fiduciary net position presents the results of operating activities in the fiduciary funds during the fiscal year and reflects the change in resources available to provide future retirement benefits.

The notes to financial statements are an integral part of the financial statements. They are important to the reader's understanding of the statements and provide additional information on plan description, significant accounting policies, material account balances and activities, and related party transactions.

Required Supplementary Information

The following schedules are included to assist the reader by adding operational, economic, and historical context to the financial statements and notes to financial statements.

- Schedule of Changes in Net Pension Liability and Related Ratios
- Schedule of Pension Contributions
- Schedule of Pension Investment Returns
- Notes to Required Supplementary Information

Condensed Financial Statements and Overall Financial Analysis

Statement of Fiduciary Net Position

The following schedule provides a summary of the assets, liabilities and fiduciary net position of the Plan at the end of fiscal years 2018 and 2017.

<i>September 30,</i>	2018	2017
Cash and investments	\$ 2,985,877	\$ 2,508,782
Other assets	6,174	139,639
Total assets	2,992,051	2,648,421
Total liabilities	-	(1,250)
Fiduciary net position	\$ 2,992,051	\$ 2,647,171

Statement of Changes in Fiduciary Net Position

These statements detail the changes in fiduciary net position that occurred during the fiscal year.

<i>Year ended September 30,</i>	2018	2017
Additions/revenues		
Contributions - employer	\$ 40,855	\$ 33,829
Contributions - employees	40,855	33,829
Contributions - State	149,740	139,639
		(Continued)

Statement of Changes in Fiduciary Net Position (Continued)

Insurance reimbursement	\$ -	\$ 55,868
Net investment income	160,026	231,581
Total additions/revenues	391,476	494,746
Deductions/expenses		
Participant refunds	2,275	-
Administrative expenses	44,321	57,770
Total deductions/expenses	46,596	57,770
Change in fiduciary net position	344,880	436,976
Fiduciary net position - beginning	2,647,171	2,210,195
Fiduciary net position - ending	\$ 2,992,051	\$ 2,647,171

Financial Analysis

The Plan's fiduciary net position held in trust for pension benefits increased by 13% as of September 30, 2018, as compared to September 30, 2017. The increase is the result of additions from contributions and investment income totaling \$231,450 and \$160,026, respectively, and deductions resulting from plan expenses of \$46,596. The long-term average annual investment return assumption for the 2018 plan valuation was 6%.

Economic Factors and Next Year's Budget

The long-term financial health of the Plan is dependent upon several key items: future investment returns, contributions, and future benefit payments. Annual valuations are performed every two years and utilized to measure the Plan's actual economic and demographic experience compared to the Plan's assumptions to determine the contribution level required to meet the long-term benefit obligations. The amount of assets available to meet future obligations will be based on actual future investment returns and actual contributions rather than the assumed future investment returns and assumed contributions. The Plan's budget for next year will be based on the actuarially required contributions and the administrative expenses necessary to manage the Plan.

Contacting the Plan

This report is designed to provide an overview of the Plan's activities to retirement plan members and the Florida Municipal Police Officers' and Firefighters' Retirement Division. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Holley-Navarre Fire District Pension Trust Fund, 8618 Esplanade Street, Navarre, Florida 32566.



Holley-Navarre Fire District Pension Trust Fund Statement of Fiduciary Net Position

September 30, 2018

Assets

Cash and cash equivalents	\$ 300,111
Investments, at fair value	
Mutual funds	1,561,233
Common stock and REITs	1,124,533
Total investments	2,685,766
Contributions receivable - State	5,936
Accrued interest and dividends	238
Total assets	2,992,051
Fiduciary net position	\$ 2,992,051

See accompanying notes to financial statements.

Holley-Navarre Fire District Pension Trust Fund Statement of Changes in Fiduciary Net Position

Year ended September 30, 2018

Additions

Contributions		
Contributions - employer	\$	40,855
Contributions - employees		40,855
Contributions - State		149,740
Total contributions		231,450
Investment income		
Net appreciation		
in fair value of investments		5,412
Realized gain on investments		119,962
Interest and dividends		56,462
Total investment income		181,836
Less investment expenses		21,810
Net investment income		160,026
Total additions		391,476

Deductions

Participant refunds		2,275
Accounting fees		11,000
Legal fees		13,474
Actuarial services		6,750
Insurance		2,832
Other administrative expenses		10,265
Total deductions		46,596
Change in fiduciary net position		344,880
Fiduciary net position - beginning		2,647,171
Fiduciary net position - ending	\$	2,992,051

See accompanying notes to financial statements.

Holley-Navarre Fire District Pension Trust Fund Statement of Changes in Fiduciary Net Position

NOTE 1 – PLAN DESCRIPTION

The Holley-Navarre Fire District Pension Trust Fund (Plan) is a single-employer, public employee pension trust fund established by the Holley-Navarre Fire District (District) under Florida Statutes Chapters 175 and 185. The following is a brief description of the Plan. The plan agreement provides additional information.

It is mandatory that all full-time firefighters employed by the Holley-Navarre Fire District (District) participate in the Plan. Membership of the Plan consists of the following at September 30, 2018:

Retirees and beneficiaries receiving benefits	0
Terminated employees entitled to, but not yet receiving benefits	<u>7</u>
Active plan members:	
Vested	4
Nonvested	<u>18</u>
Total active plan members	<u>22</u>
Total plan members	<u><u>29</u></u>

The Plan provides retirement benefits and reduced early retirement benefits, as well as death and disability benefits. All benefits vest after 10 years of credited service. Employees who retire at or after age 55 with 10 years of credited service or age 52 with 25 years of credited service are eligible for normal retirement and are entitled to an annual retirement benefit of two percent (3%) multiplied by years of credited service times your average final compensation, which is 1/12 of the average salary of the three best years of the last ten years of credited service prior to termination, retirement or death or the career average as a full-time Firefighter, whichever is greater. A year is defined as 12 consecutive months. The average final compensation period was amended from the five best to the three best years of the last ten years of credited service. Early retirement is available upon the attainment of age 50 and 10 years of credited service. The monthly benefit is reduced by three percent (3%) for each year by which the commencement of benefits precedes the date which would have been the Members' normal retirement date determined based upon his actual years of credited service. All members are eligible for service connected to disability benefits. Ten years of credited service is required for nonservice connected to disability benefits. Upon the death of a member with at least ten years of credited service before the early or normal retirement date, the beneficiary will receive a monthly income, payable in the form of a ten year certain and life annuity in an amount equal to the accrued normal retirement benefit.

Cost of Living Allowance

For measurement date September 30, 2017, a cost of living allowance (COLA) was implemented, payable to all normal and early service retirees who retire after October 1, 2017. The COLA shall equal the lesser of 3% or the increase in the CPI (all items United States city average), except that the pension benefit shall not be decreased in any year based on this adjustment.

Holley-Navarre Fire District Pension Trust Fund Statement of Changes in Fiduciary Net Position

NOTE 1 – PLAN DESCRIPTION (CONTINUED)

Contributions

The District is required to contribute any remaining amount necessary for payment of normal (current year's) cost and amortization of any accrued past service liability over no more than thirty years (Part VII, Ch. 112, Florida Statutes). The funding amount is determined by an independent actuary, based upon anticipated earnings of the investments, salaries, mortality, and employee turnover experience. Any amendments to the Plan are accomplished through revision and amendment of District ordinances.

Covered employees are required by District ordinance to contribute 5% of their annual salary to the Plan. If an employee leaves covered employment before 10 years of credited service, accumulated employee contributions are refunded to the employee.

Plan administration

The Plan is administered by a Board of Trustees comprised of five trustees, two are legal residents of the District who are appointed by the District Board of Commissioners, two are members of the Plan who are elected by a majority of the firefighters who are members of the Plan and the fifth trustee is chosen by a majority of the other four trustees.

Financial statements

These financial statements present only the Holley-Navarre Fire District Pension Trust Fund, a pension trust fund of Holley-Navarre Fire District and are not intended to present fairly the financial position of the Holley-Navarre Fire District as of September 30, 2018, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Plan's financial statements are prepared on the accrual basis of accounting. Income is reported when earned and expenses are recorded when incurred. Employee and employer contributions are recognized as additions in the period in which employee services are performed. Liabilities for participant refunds are recognized and recorded in the period in which they are incurred. Receivables for additional required contributions from the employer are recognized and recorded in the period in which they are earned.

Holley-Navarre Fire District Pension Trust Fund Statement of Changes in Fiduciary Net Position

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

The Plan considers all highly liquid debt instruments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents are reported at cost, which approximates fair value.

Investment valuation

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Securities traded on a national or international exchange are valued at the last reported sales prices at current exchange rates. The fair value of real estate investments is based on independent appraisals. Investment income is recognized as earned. Gains and losses on sales and exchanges of investments are recognized on the transaction date and are calculated independent of the calculation of net change in the fair value of investments. The unrealized appreciation (depreciation) of investments, which represents the net change in the market value of investments when compared to the cost of the investments, is reflected as an addition (deduction) in the statement of changes in fiduciary net position. Changes in value compared to costs are a result of transactions conducted by the Plan as well as general market conditions.

Rate of return

For the year ended September 30, 2018, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 5.84%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Income tax status

The Plan is exempt from income taxes under section 401(a) of the Internal Revenue Code as a retirement plan established for the employees of a state agency and therefore has recorded no income tax liability or expense.

Plan expenses

Plan expenses, including fees and expenses in connection with the provision of administrative services performed by external service providers, are paid from plan assets. The Plan paid \$44,321 for administrative expenses for the plan year ended September 30, 2018.

Related parties

Three members of the Board of Trustees are covered employees of the Plan.

Holley-Navarre Fire District Pension Trust Fund Statement of Changes in Fiduciary Net Position

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of plan assets available for benefits as of the date of the financial statements. Actual results could differ from those estimates.

Investment risk

The Plan invests in various investment fund options which in turn invest in any combination of stocks, bonds and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near-term would materially affect the Plan's investment balances and the amounts reported in the statement of fiduciary net position and the statement of changes in fiduciary net position.

Subsequent events

Management of the Plan has evaluated subsequent events through March 15, 2019, the date the financial statements were available to be issued.

NOTE 3 – DEPOSITS AND INVESTMENTS

The deposits and investments of the Plan are held separately from those of the District. The ordinance establishing the Plan sets forth the investment guidelines to be followed by the Trustees. The Plan has retained Raymond James Financial Services, Inc. as investment manager and Salem Trust Company as custodian of the Plan to handle investment duties for the Trustees and, as such, are bound by the investment guidelines of the ordinance.

According to the investment guidelines, all investments made or held in the Plan shall be limited to:

1. Time, savings and money market deposit accounts of a national bank, a state bank or a savings and loan institution, insured by the Federal Deposit Insurance Corporation, provided the amount deposited does not exceed the insured limits,
2. Obligations issued by the United States Government or obligations guaranteed as to principal and interest by the United States Government or by an agency of the United States Government,

Holley-Navarre Fire District Pension Trust Fund Statement of Changes in Fiduciary Net Position

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

3. Stocks, commingled funds administered by national or state banks, mutual funds and bonds or other evidences of indebtedness, issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States or the District of Columbia, provided:
 - a. The securities meet the ranking criteria:
 Fixed Income: Standard & Poor's Investment Grade or Moody's Investment Grade except that 20% of the fund assets may be invested in securities not meeting these requirements,
 Equities have no restrictions, and
 Money Market: Standard & Poor's A1 or Moody's P1.
 - b. Not more than 5% of the fund's assets shall be invested in the common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company, and
 - c. The value of bonds issued by any single corporation shall not exceed 10% of the total fund.
4. Commingled stock, bond or money market funds whose investments are restricted to securities meeting the above criteria, or
5. Foreign securities.

Additional limitations state the following: Investments in corporate common stock and convertible bonds shall not exceed 75% of the plan assets at market nor shall foreign securities exceed 25% of Plan's market value.

Deposits

Investments

The Plan held the following investments at September 30, 2018:

	Fair Market Value	Cost
Common stocks	\$ 1,114,152	\$ 890,128
Mutual funds	1,561,233	1,502,313
REITs	10,381	9,639
Total investments	\$ 2,685,766	\$ 2,402,080

Holley-Navarre Fire District Pension Trust Fund Statement of Changes in Fiduciary Net Position

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Credit risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Plan's investment policy does not specifically address credit risk for investments, except for restrictions allowing no investment activity in private placement, direct commodities, repurchase agreements, venture capital or any investments prohibited by State or federal law.

Custodial credit risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Plan will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Plan has selected a third-party custodian for safekeeping of the assets of the Plan.

Interest rate risk

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The Plan limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed for expected current cash flows. The Plan's investment policy does not limit the maximum maturity length of investments. The asset classification of the funds are based upon the investment objective.

Concentrations of credit risk

The Plan has adopted an asset allocation policy as follows:

Asset class	Target	Allocation at September 30, 2018
Domestic equities	45%	35%
International equities	20%	22%
Fixed income	35%	31%
Alternatives	0%	0%
Cash and equivalents	0%	12%
Total	100%	100%

Holley-Navarre Fire District Pension Trust Fund Statement of Changes in Fiduciary Net Position

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Fair value hierarchy

The Plan's investments are measured and reported at fair value and classified according to the following hierarchy:

Level 1 – Investments reflect unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Investments reflect prices that are based on inputs that are either directly or indirectly observable for an asset or liability (including quoted prices for similar assets or liabilities), which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable inputs for an asset or liability.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment risk.

The schedule below discloses the fair value measurements as of September 30, 2018:

Investment class	Total Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stocks	\$ 1,114,152	\$ 1,114,152	\$ -	\$ -
Mutual funds	1,561,233	1,561,233	-	-
REITs	10,381	10,381	-	-
Total investments	\$ 2,685,766	\$ 2,685,766	\$ -	\$ -

NOTE 4 – PLAN TERMINATION

In the event the Plan terminates, there shall be full vesting (100%) of benefits accrued to date of termination and such benefits shall be nonforfeitable.

Holley-Navarre Fire District Pension Trust Fund Statement of Changes in Fiduciary Net Position

NOTE 5 – NET PENSION LIABILITY

Net pension liability of the District

The components of the net pension liability of the District are based on an actuarial valuation as follows on October 1, 2018, and used to calculate the pension liability at the Plan's fiscal year-end, September 30, 2018:

Total pension liability	\$ 2,206,782
Plan fiduciary net position	(2,992,051)
<hr/>	
Sponsor's net pension liability (asset)	\$ (785,269)
<hr/>	
Plan fiduciary net position as a percentage of total pension liability	135.58%

Actuarial assumptions

The total pension liability, measured at September 30, 2018, was determined by an actuarial valuation dated October 1, 2018, using individual entry-age normal actuarial cost method and the following significant actuarial assumptions:

Inflation	2.50%
Salary increases	Service-based
Discount rate	6.00%
Investment rate of return	6.00%

Mortality rates were based on the RP-2000 healthy males and females. 60% RP2000 for disabled male lives are set back 4 years. 60% RP2000 disabled female lives set forward 2 years. The assumed rates of mortality were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in the July 1, 2015, FRS actuarial valuation for special risk employees. 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. For 2018, the inflation rate was 2.50%. 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.

Holley-Navarre Fire District Pension Trust Fund Statement of Changes in Fiduciary Net Position

NOTE 5 – NET PENSION LIABILITY (CONTINUED)

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table as of September 30, 2018:

Asset class	Long-term Expected Real Rate of Return
US large cap equity	5.44%
US small/mid cap equity	5.79%
Non-US developed large cap equity	6.74%
US aggregate fixed income	3.45%
US short G/C fixed income	3.49%

Discount rate

The discount rate used to measure the total pension liability was 6%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability/(asset) of the District calculated using the discount rate of 6%, as well as what the District's net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5%), or 1 percentage point higher (7%) than the current rate.

September 30, 2018

1% decrease of discount rate to 5.00%	\$ (337,055)
Current discount rate of 6.00%	(785,269)
1% increase of discount rate to 7.00%	(1,139,774)



Holley-Navarre Fire District Pension Trust Fund Statement of Changes in Fiduciary Net Position

NOTE 6 – CONTRIBUTIONS REQUIRED, CONTRIBUTIONS MADE AND CONTRIBUTIONS RECEIVABLE

The Plan's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available pay benefits when due. The rate for the District's employee group as a whole has tended to increase as a percentage of covered annual payroll. The frozen entry-age method is used to determine required contributions under the Plan. The use of this method involves the systematic funding of the normal cost and the unfunded actuarial accrued liability. Plan administrative costs are funded by investment earnings.

The significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation. The contributions to the Plan for the year ended September 30, 2018, of \$231,450 (\$40,855 District; \$149,740 State; and \$40,855 employees) were made in accordance with actuarial required contribution computed through an actuarial valuation as of October 1, 2016. Contributions represented 5%, 18% and 5%, respectively, of covered payroll. The contribution consisted of normal cost (defined as the current year's costs for benefits yet to be funded) plus an amount sufficient to amortize the unfunded accrued liability.

Contributions receivable at September 30, 2018, totaled \$5,936. These amounts relate to state contributions received shortly after year-end.

REQUIRED SUPPLEMENTARY INFORMATION
(other than MD&A)

Holley-Navarre Fire District Pension Trust Fund
Schedule of Changes in Net Pension Liability and Related Ratios
Last Three Years*

<i>Year ended September 30,</i>	2018	2017	2016
Total pension liability			
Service cost	\$ 268,401	\$ 173,790	\$ 87,576
Interest	129,399	103,449	44,040
Changes of benefit terms	-	638,189	-
Differences between expected and actual experience	(209,619)	-	-
Changes of assumptions	439,579	-	-
Contributions - buy back	-	-	25,256
Benefit payments, including refunds of employee contributions	(2,275)	-	(14,635)
Net change in total pension liability	625,485	915,428	142,237
Total pension liability - beginning	1,581,297	665,869	523,632
Total pension liability - ending	2,206,782	1,581,297	665,869
Plan fiduciary net position			
Contributions - employer	40,855	33,829	34,100
Contributions - State	149,740	139,639	173,775
Contributions - employee	40,855	33,829	34,099
Contributions - buy back	-	-	25,256
Insurance reimbursement	-	55,868	-
Net investment income	160,026	231,581	120,508
Benefit payments, including refunds of employee contributions	(2,275)	-	(14,635)
Administrative expense	(44,321)	(57,770)	(9,609)
Net change in plan fiduciary net position	344,880	436,976	363,494
Plan fiduciary net position - beginning	2,647,171	2,210,195	1,846,701
Plan fiduciary net position - ending	2,992,051	2,647,171	2,210,195
Net pension liability/(asset) - ending	\$ (785,269)	\$ (1,065,874)	\$ (1,544,326)
Plan fiduciary net position as a percentage of the total net pension liability/(asset)	135.58%	167.41%	331.93%
Covered payroll	\$ 817,093	\$ 676,576	\$ 682,134
Net pension liability/(asset) as a percentage of covered payroll	(96.11%)	(157.54%)	(226.40%)

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

See independent auditors' report.

Holley-Navarre Fire District Pension Trust Fund
Schedule of Pension Contributions
Last Three Years*

<i>Year ended September 30,</i>	2018	2017	2016
Actuarially determined contribution	\$ 114,417	\$ 8,119	\$ 6,053
Contributions in relation to the actuarially determined contributions	190,595	173,468	207,875
Contribution deficiency/(excess)	<u>\$ (76,178)</u>	<u>\$ (165,349)</u>	<u>\$ (201,822)</u>
Covered payroll	\$ 817,093	\$ 676,576	\$ 682,134
Contributions as a percentage of covered payroll	23.33%	25.64%	30.47%

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

Schedule of Pension Investment Returns
Last Three Years*

<i>Year ended September 30,</i>	2018	2017	2016
Annual money-weighted rate of return net of investment expense	5.84%	12.80%	6.47%

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

See independent auditors' report.

Holley-Navarre Fire District Pension Trust Fund

Notes to Required Supplementary Information

NOTES TO SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Changes of benefit terms

For measurement date September 30, 2017, amounts reported as changes of benefit terms resulted from the following changes:

1. The average final compensation period was amended from the five (5) best to the three (3) best years of the last ten (10) years of credited service,
2. The benefit accrual rate was increased from 2.00% to 3.00% per year of credited service, and
3. A cost of living allowance (COLA) was implemented, payable to all normal and early service retirees who retire after October 1, 2017. The COLA shall equal the lesser of 3.00% or the increase in the CPI (all items United States city average), except that the pension benefit shall not be decreased in any year based on this adjustment. Please note a 2.50% per year assumption was utilized for purposes of applying expected future COLA increases.

Changes of Assumptions

For measurement date September 30, 2018, amounts reported as changes of assumptions resulted from the following changes:

1. A COLA assumption of 2.50% was implemented,
2. The investment rate of return assumption was changed from a 7.00% gross return to 6.00% net return, and
3. As mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed from the rates used by the Florida Retirement System actuary in the July 1, 2015 actuarial valuation to the rates used in the July 1, 2016 actuarial valuation for special risk lives.

For measurement date September 30, 2017, the inflation rate was increased from 2.20% to 2.50%

NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS

Valuation Date: 10/1/2016

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.

See independent auditors' report.

Holley-Navarre Fire District Pension Trust Fund

Notes to Required Supplementary Information

NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS (CONTINUED)

Methods and assumptions used to determine contribution rates:

Mortality Rate: RP-2000 Table - Sex Distinct

Interest Rate: 7.00% compounded annually, including investment related expenses. This assumption is supported by the Plan's target asset allocation and expected long-term rate of return by asset class.

Retirement Age: Commencing at eligibility for Normal Retirement, members are assumed to retire at the rate of 10% per year, with 100% at Age 52 and 25 years of Credited Service. Members who are eligible to retire on the valuation date are assumed to work one additional year.

Early Retirement: Commencing at eligibility for Early Retirement, members are assumed to retire with an immediate benefit at the rate of 10.00% per year.

Disability Rate:	Age	% Becoming Disabled During the Year
	20	0.05%
	30	0.06%
	40	0.12%
	50	0.43%

Termination Rate:	Years of Service	% Terminating during the year
	0 - 2 Years	15.0%
	3+ Years	5.0%

Funding method: Aggregate Actuarial Cost Method.

Actuarial Value of Assets: Market Value of Assets.

Salary Increases: Graded schedule based on service.

Years of Service	Salary increase
0	10.0%
1	8.0%
2	7.0%
3	7.0%
4	7.0%
5	5.5%

See independent auditors' report.

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 Trustees
Holley-Navarre Fire District Pension Trust Fund

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 Holley-Navarre Fire District Pension Trust Fund (Plan) which are comprised of the statement of fiduciary net position, as of September 30, 2018, and the related statement of changes in fiduciary net position for the year then ended and the related notes to financial statements, and have issued our report thereon dated March 15, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan'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 Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the plan'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. We consider the deficiencies in the accompanying schedule of current year findings and responses identified as findings 2018-01, 2018-02, and 2018-03 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan'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 one instance of noncompliance or other matters, identified as finding 2018-04, that is required to be reported under *Government Auditing Standards*.

Responses to Findings

Views of the responsible officials and planned corrective actions identified in our audit are described on the schedule of current year findings and responses. 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 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.

Cam, Riggs & Ingram, L.L.C.

Certified Public Accountants
Niceville, Florida
March 15, 2019

Holley-Navarre Fire District Pension Trust Fund Schedule of Current Year Findings and Responses

Part I – Financial Statement Findings

2018-01 – Classification of pensionable and nonpensionable wages

Condition: Several inconsistencies with the classification of pensionable and nonpensionable wages in the payroll records were encountered during the testing of employee contributions.

Effect: Inaccurate payroll data limits the oversight of employee contributions.

Cause: Incorrect classification of wages when entered into the Plan's accounting software.

Criteria: Wages should be classified between pensionable and nonpensionable when entered into the Plan's accounting software in order to determine required employee contributions.

Recommendation: We recommend the Plan implement internal controls to ensure wages are properly classified between pensionable and nonpensionable when entered into the accounting software.

Views of responsible officials and planned corrective action: We are in agreement with the above finding. To avoid confusion, unnecessary wage classes were eliminated from the accounting software.

2018-02 – Approval of timesheets

Condition: Timesheets for three hourly employees did not have evidence of review and approval.

Effect: Employees' time could be incorrect, resulting in the employees' contributions to the Plan to be incorrect.

Cause: The employees identified are members of the administrative department and were not in the scope of management's review and approval of timesheets.

Criteria: Timesheets for all hourly employees should be reviewed and approved by a member of management with the authority to do so.

Recommendation: We recommend the Plan implement a control to ensure all timesheets for hourly employees are reviewed and approved each pay period.

Views of responsible officials and planned corrective action: We are in agreement with the above finding. The timesheets for the administrative department will be included in the scope of management's review and approval.

Holley-Navarre Fire District Pension Trust Fund Schedule of Current Year Findings and Responses

2018-03 – Incorrect compensation

Condition: Four employees were compensated using a rate of pay inconsistent with the rate of pay that was collectively bargained.

Effect: Employees' contributions to the Plan could be incorrect.

Cause: The annual merit increase is currently being calculated at 2.5%; however in some cases, the rate of pay that was collectively bargained is an amount other than 2.5%.

Criteria: Employees should be paid in accordance with the pay scale that has been collectively bargained.

Recommendation: We recommend the Plan implement internal controls to ensure all timesheets for hourly employees are reviewed for proper pay rate and approved each pay period.

Views of responsible officials and planned corrective action: We are in agreement with the above finding. Pay raises will be granted in accordance with the collective bargaining agreement in effect at the time of the raise.

Part II – Compliance

2018-04 – Investment asset allocation incorrectly calculated

Condition: The investment asset allocation was incorrectly calculated.

Effect: Inaccurate calculation limits effective oversight of the investment allocation by the Board.

Cause: The asset allocation did not include cash on deposit with the custodian.

Criteria: The investment policy guidelines require that the allocation of investment assets are in accordance with the Plan's investment target allocation.

Recommendation: We recommend including all financial assets in the Plan investment allocation analysis.

Views of responsible officials and planned corrective action: We are in agreement with the above finding. The cash held at the custodian is used for administrative expenses. As such, we will amend the investment policy to exclude this cash from the allocation analysis.