

**Ocean City-Wright Fire Control  
District**

**Financial Statements**

**September 30, 2018**



**CRI** CARR  
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**Ocean City-Wright Fire Control District**  
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**September 30, 2018**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Commissioners  
Ocean City-Wright Fire Control District  
Fort Walton Beach, Florida

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ocean City-Wright Fire Control District ("the District") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of September 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in Note 2 to the financial statements, the District implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is a change in accounting principle that addresses accounting and financial reporting for other postemployment benefits. This affects the comparability of the amounts reported for the 2017-18 fiscal year with amounts reported for the 2016-17 fiscal year. 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 the management's discussion and analysis and required supplementary information other than MD&A as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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 May 31, 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 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 District's internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

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

CARR, RIGGS & INGRAM, LLC  
Miramar Beach, Florida  
May 31, 2019



## **Management's Discussion and Analysis**

## Ocean City-Wright Fire Control District Management's Discussion and Analysis

This discussion and analysis (MD&A) of the Ocean City-Wright Fire Control District's (the "District") financial condition provides an overview of financial activity, identifies changes in financial position, and assists the reader in focusing on significant financial issues. The primary purpose of the District is to provide fire suppression, fire inspection, rescue and emergency medical services to the northern boundaries of the Greater Fort Walton Beach areas in Ocean City and Wright, Florida. The District covers approximately 11.5 square miles and serves approximately 40,000 residents. The District operates and maintains three fire stations covering the service area. Although it is important to the long-term existence of the District to maintain its financial health, net position is accumulated only to the extent required by Florida statutes to ensure that the District has sufficient reserve funds for future operations and anticipated capital acquisitions.

The MD&A provides summary level financial information; therefore, it should be read in conjunction with the accompanying financial statements.

### HIGHLIGHTS

- Total assets increased \$251,429
- Total liabilities increased \$621,832
- Net position decreased by \$493,062
- Total revenues increased \$85,475 and total expenses increased \$31,202. Revenues increased due to higher ad valorem taxes and expenses increased due to higher operating service costs.

### USING THE ANNUAL REPORT

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement 34, Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments, as amended by Statement 37. The Statement of Net Position and the Statement of Activities on pages 9 – 10 provide information about the activities of the District as a whole and present a long-term view of the District's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide financial statements by providing information about the District's funds. The remaining statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the government.

Keys to understanding the financial condition of the District are the Statement of Net Position and the Statement of Activities. These statements present financial information in a form similar to that used by private business enterprises. The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting.

All of the current year revenues and expenses are taken into account regardless of when cash is received or paid. The net position of the District (the difference between assets and liabilities) is one indicator of the District's financial health or financial position.

## Ocean City-Wright Fire Control District Management's Discussion and Analysis

### CONDENSED STATEMENT OF NET POSITION

The following table reflects the condensed Statement of Net Position and is compared to the prior year.

<i>As of September 30,</i>	<b>2018</b>	<b>2017</b>	<b>Change</b>
<b>Assets</b>			
Current and other assets	\$ 2,943,837	\$ 2,589,349	\$ 354,488
Capital assets, net	5,862,191	5,965,250	(103,059)
Total assets	<u>8,806,028</u>	<u>8,554,599</u>	<u>251,429</u>
<b>Deferred outflows of resources</b>	<u>1,100,432</u>	<u>789,192</u>	<u>311,240</u>
Total assets and deferred outflows of resources	<u>\$ 9,906,460</u>	<u>\$ 9,343,791</u>	<u>\$ 562,669</u>
<b>Liabilities</b>			
Current liabilities	\$ 629,025	\$ 517,873	\$ 111,152
Other liabilities	12,229,332	11,718,652	510,680
Total liabilities	<u>12,858,357</u>	<u>12,236,525</u>	<u>621,832</u>
<b>Deferred inflows of resources</b>	<u>1,121,618</u>	<u>687,719</u>	<u>433,899</u>
<b>Net position</b>			
Net investment in capital assets	2,873,137	2,808,532	64,605
Restricted - impact fees	187,217	210,184	(22,967)
Unrestricted (deficit)	(7,133,869)	(6,599,169)	(534,700)
Total net position	<u>(4,073,515)</u>	<u>(3,580,453)</u>	<u>(493,062)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 9,906,460</u>	<u>\$ 9,343,791</u>	<u>\$ 562,669</u>

For more detailed information, see the accompanying Statement of Net Position.

Total assets increased \$251,429 or 3% during the fiscal year ended September 30, 2018. Capital assets decreased in the amount of \$103,059 or 2% as a result of depreciation expense. Total liabilities increased \$621,832 or 5% over prior year as a result of an increase in the OPEB liability.

## Ocean City-Wright Fire Control District Management's Discussion and Analysis

### CONDENSED STATEMENTS OF ACTIVITIES

The following schedule compares the Statement of Activities for the current and previous fiscal year.

<i>Year ended September 30,</i>	<b>2018</b>	<b>2017</b>	<b>Change</b>
<b>Program revenues:</b>			
Charges for services	\$ 95,452	\$ 207,268	\$ (111,816)
State retirement contributions	242,853	261,635	(18,782)
Grants and contributions	70,985	134,358	(63,373)
Total program revenues	<u>409,290</u>	<u>603,261</u>	<u>(193,971)</u>
<b>General revenues:</b>			
Ad Valorem taxes	5,674,205	5,426,939	247,266
Investment interest	11,753	7,037	4,716
Miscellaneous	28,155	691	27,464
Total general revenues	<u>5,714,113</u>	<u>5,434,667</u>	<u>279,446</u>
Total revenues	<u>6,123,403</u>	<u>6,037,928</u>	<u>85,475</u>
<b>Program expenses:</b>			
Public safety			
Personal services	4,249,781	4,403,514	(153,733)
Operating services	1,032,788	937,745	95,043
Depreciation	275,989	241,544	34,445
Loss on disposal of capital assets	55,757	310	55,447
Total public safety expenses	<u>5,614,315</u>	<u>5,583,113</u>	<u>31,202</u>
Increase (decrease) in net position	<u>509,088</u>	<u>454,815</u>	<u>54,273</u>
Net position (deficit), beginning	<u>(3,580,453)</u>	<u>(4,035,268)</u>	<u>454,815</u>
Cumulative effect of change in accounting principle (Note 9)	<u>(1,002,150)</u>	<u>-</u>	<u>(1,002,150)</u>
Net position (deficit) - beginning of year, as restated	<u>(4,582,603)</u>	<u>(4,035,268)</u>	<u>(547,335)</u>
Net position (deficit), ending	<u>\$ (4,073,515)</u>	<u>\$ (3,580,453)</u>	<u>\$ (493,062)</u>

For more detailed information, see the accompanying Statement of Activities.



## Ocean City-Wright Fire Control District Management's Discussion and Analysis

Ad valorem tax revenues increased 5% or \$247,266 from the previous year as a result of the increase in the taxable base. Grant revenues decreased due to the District receiving additional state and federal grants in the prior year than in the current year. Public safety expenses increased 1% or \$31,202 over the previous year as a result of increased operating service costs for the year.

Overall, net position decreased \$493,062 as compared to prior year as a result of adopting GASB 75 and increasing the OPEB liability by \$1,002,150.

### GOVERNMENTAL FUND

As of September 30, 2018, the District's governmental funds (as presented on pages 11 - 15) reported a fund balance of \$2,763,746 which is an increase of \$258,300 or 10% as compared to the prior year.

During fiscal year 2018, the District incurred debt service payments including principal and interest totaling \$290,000. The District also incurred \$182,080 in capital outlay which is a decrease of \$1,520,762 or 89% from prior year capital outlay of \$1,702,842.

### GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS

The District experienced a favorable increase in revenues as compared to the budget in the amount of \$98,531. This increase occurred due to additional ad valorem tax revenues and unbudgeted impact fee income.

The District experienced a favorable decrease in expenditures as compared to the final budget in the amount of \$138,003. This decrease occurred as a result of reduced salaries, health insurance, and capital outlay costs.

Overall, the Governmental Fund has a favorable excess over budgeted net revenues and expenditures in the amount of \$258,300 as reported in the Budgetary Comparison Schedule – Governmental Fund.

### FUTURE FINANCIAL FACTORS

Ocean City-Wright Fire Control District, an independent fire control district under the provisions of Chapter 191, Florida Statutes provides fire prevention and control as provided under Chapter 633. The District operates under an elected Board of Fire Commissioners. The Board establishes policy and sets the millage rate. The District has taxing authority as revenues are generated by ad valorem taxes. The Board has approved 2.75 for the millage rate assessed in fiscal year 2019 which is anticipated to provide the District adequate funds necessary for normal operations and future capital requirements. The District's maximum millage rate is 3.75.

## Ocean City-Wright Fire Control District Management's Discussion and Analysis

### CAPITAL ASSETS

At September 30, 2018, the District had \$5,862,191 invested in capital assets (net of depreciation). This amount represents a net decrease (including additions and reductions) of \$103,059 or 2% below the fiscal year 2017 total primarily as the result of depreciation expense.

A listing of capital assets by major category for the current and prior year follows:

	<b>2018</b>	<b>2017</b>	<b>Change</b>
Land	\$ 1,178,230	\$ 1,106,271	\$ 71,959
Construction in progress	5,431	-	5,431
Buildings	3,846,060	3,841,060	5,000
Improvements	135,044	135,044	-
Furniture and fixtures	7,456	12,443	(4,987)
Vehicles/Apparatus	2,968,434	2,899,060	69,374
Other equipment	1,032,991	1,088,796	(55,805)
<b>Total, prior to depreciation</b>	<b>9,173,646</b>	<b>9,082,674</b>	<b>90,972</b>
Accumulated depreciation	(3,311,455)	(3,117,424)	(194,031)
<b>Net capital assets</b>	<b>\$ 5,862,191</b>	<b>\$ 5,965,250</b>	<b>\$ (103,059)</b>

More information about the District's capital assets is presented in Note 3 to the financial statements.

### LONG-TERM LIABILITIES

At September 30, 2018, the District has long-term liabilities which include compensated absences and an estimated liability for other postemployment benefits ("OPEB"), and the net pension liability. The District's long-term liabilities increased \$510,680 as compared to 2017 due to payments on the capital lease obligations, adoption of GASB 75 for OPEB obligation, and a reduction in the pension liability.

	<b>2018</b>	<b>2017</b>	<b>Change</b>
Compensated absences, due in more than one year	\$ 271,114	\$ 280,879	\$ (9,765)
Other postemployment liability	1,052,039	97,538	954,501
Capital lease obligations, due in more than one year	2,829,034	3,002,971	(173,937)
Net pension liability	8,077,145	8,337,264	(260,119)
<b>Total long-term liabilities</b>	<b>\$ 12,229,332</b>	<b>\$ 11,718,652</b>	<b>\$ 510,680</b>

Additional information about the District's long-term debt is presented in Notes 4 and 5 to the financial statements.



## Ocean City-Wright Fire Control District Management's Discussion and Analysis

### **BOARD OF FIRE COMMISSIONERS**

John Johnston  
Chairman

Aaron Brown  
Vice-Chairman

Donna Lambert  
Secretary/Treasurer

Edward Tras  
Commissioner

Robert Jankowski  
Commissioner

### **RETIREMENT BOARD OF TRUSTEES**

Brad Sasser

Jennifer Benedict

Payne Walker

Clint Aden

Walter Ebbert

### **MANAGEMENT**

William Lord  
Fire Chief

Jennifer Benedict  
Financial Administrator



## **Basic Financial Statements**

**Ocean City-Wright Fire Control District**  
**Statement of Net Position**

<i>September 30,</i>	<b>2018</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,525,610
Due from other governments	5,204
Prepaid insurance	47,343
Investments	365,680
Capital assets, net	5,862,191
<b>Total assets</b>	<b>8,806,028</b>
<b>Deferred outflows of resources</b>	
Pension	1,100,432
<b>Total deferred outflows of resources</b>	<b>1,100,432</b>
<b>Liabilities</b>	
Accounts payable and accrued salaries	96,657
Due to pension fund	83,434
Accrued interest payable	42,620
Compensated absences - due within one year	246,295
Capital lease obligations - due within one year	160,019
Other postemployment liability	1,052,039
Compensated absences - due in more than one year	271,114
Capital lease obligations - due in more than one year	2,829,034
Net pension liability	8,077,145
<b>Total liabilities</b>	<b>12,858,357</b>
<b>Deferred inflows of resources</b>	
Pension	1,121,618
<b>Total deferred inflows of resources</b>	<b>1,121,618</b>
<b>Net position</b>	
Net investment in capital assets	2,873,137
Restricted - impact fees	187,217
Unrestricted (deficit)	(7,133,869)
<b>Total net position (deficit)</b>	<b>\$ (4,073,515)</b>

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

**Ocean City-Wright Fire Control District**  
**Statement of Activities**

<i>Year ended September 30,</i>	<b>2018</b>
<b>Expenses</b>	
Public safety - fire protection	
Personal services	\$ (4,249,781)
Operating services	(1,032,788)
Unallocated depreciation	(275,989)
Loss on disposal of capital assets	(55,757)
Total program expenses	(5,614,315)
<b>Program Revenues</b>	
Charges for services	95,452
State retirement contributions	242,853
Grants and contributions	70,985
Total program revenues	409,290
Net program expense	(5,205,025)
<b>General revenues</b>	
Ad valorem taxes	5,674,205
Investment interest	11,753
Miscellaneous	28,155
Total general revenues	5,714,113
Change in net position	509,088
Net position - beginning of year (deficit)	(3,580,453)
Cumulative effect of change in accounting principle (Note 9)	(1,002,150)
Net position (deficit) - beginning of year, as restated	(4,582,603)
Net position (deficit) - end of the year	\$ (4,073,515)

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

**Ocean City-Wright Fire Control District  
Balance Sheet – Governmental Funds**

<i>September 30,</i>	<b>2018</b>
	<b>General Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,525,610
Due from other governments	5,204
Prepaid insurance	47,343
Investments	365,680
<b>Total assets</b>	<b>\$ 2,943,837</b>
<b>Liabilities and Fund Balances</b>	
<b>Liabilities</b>	
Accounts payable and accrued salaries	\$ 96,657
Due to pension fund	83,434
<b>Total liabilities</b>	<b>180,091</b>
<b>Fund balances</b>	
Nonspendable	47,343
Restricted	187,217
Committed	375,156
Assigned	69,322
Unassigned	2,084,708
<b>Total fund balances</b>	<b>2,763,746</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,943,837</b>

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

**Ocean City-Wright Fire Control District  
Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Position**

<i>September 30,</i>	<b>2018</b>
Total fund balances, governmental funds	\$ 2,763,746
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	5,862,191
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds balance sheet.	
Deferred outflows of resources - pensions	1,100,432
Deferred inflows of resources - pensions	(1,121,618)
Interest payable on long-term liabilities does not consume current resources and therefore is not reported in the governmental funds balance sheet.	(42,620)
Other postemployment liabilities do not consume current resources and therefore are not reported in the governmental funds balance sheet.	(1,052,039)
Capital lease obligation liabilities do not consume current resources and therefore are not reported in the governmental funds balance sheet.	(2,989,053)
Net pension liability does not consume current resources are not reported in the governmental funds balance sheet.	(8,077,145)
Compensated absences that are not currently due do not consume current resources and therefore, are not reported in the governmental funds balance sheet.	(517,409)
<b>Total net position (deficit) - governmental activities</b>	<b>\$ (4,073,515)</b>

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



**Ocean City-Wright Fire Control District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance –**  
**Governmental Funds**

*Year ended September 30,*

**2018**

	<b>General Fund</b>
<b>Revenues</b>	
Ad valorem taxes, net of discounts	\$ 5,674,205
Investment interest	11,753
State retirement contributions	242,853
Capital grants	25,235
Impact fees	43,927
Other fees and donations	57,914
<b>Total revenues</b>	<b>6,055,887</b>
<b>Expenditures</b>	
Public safety	
Personal services:	
Salaries	2,474,353
Group employee life and health insurance	463,739
Employees' retirement contribution	
Section 175 plan - District	911,984
Section 175 plan - State	242,853
401(a) and 457(b) plans	36,181
Taxes - payroll	178,667
Workers compensation	127,113
Education	40,598
Operating services:	
Professional services	162,244
Central dispatch	5,472
Bunker gear	29,615
Fuel	42,287
Insurance	92,802
Advertising	2,717
Small equipment	29,631
Miscellaneous	44,217
Property appraiser	76,626

(continued)

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

**Ocean City-Wright Fire Control District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance –**  
**Governmental Funds (Continued)**

<i>Year ended September 30,</i>	<b>2018</b>
	<b>General Fund</b>
<b>Expenditures</b>	
Repairs and maintenance	\$ 185,633
Administrative supplies	5,499
Building supplies	9,280
Uniforms	10,861
Utilities	61,421
Tax collector fee	113,480
<b>Capital Outlay</b>	
Land and building	71,959
Equipment	110,121
<b>Debt Service</b>	
Debt payments - principal	167,665
Debt payments - interest	122,335
<b>Total expenditures</b>	<b>5,819,353</b>
Excess (deficiency) of revenues over expenditures	236,534
<b>Other Financing Sources</b>	
Insurance proceeds	21,766
<b>Total other financing sources</b>	<b>21,766</b>
Net change in fund balance	258,300
Fund balances, beginning of year	2,505,446
Fund balances, end of year	\$ 2,763,746

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

**Ocean City-Wright Fire Control District**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balance - Governmental Funds to the Statement of Activities**

<i>Year ended September 30,</i>	<b>2018</b>
Net change in fund balances - governmental funds	\$ 258,300
Capital outlay, reported as expenditures in the governmental fund, is shown as capital assets in the Statement of Net Position.	182,080
Depreciation expense on capital assets included in the Statement of Activities does not require the use of current financial resources; therefore it is not reported in the governmental funds.	(275,989)
Current change in other postemployment liabilities does not consume current resources and therefore is not reported in the governmental funds.	47,649
Deferred pension expenses are applicable to future periods and, therefore, are not reported in the funds.	137,460
The change in accrued interest between the current and prior year is recorded in the Statement of Activities but not in the fund financial statements.	2,188
Losses on the disposal of fixed assets do not require the use of current financial resources; therefore they are not reported as expenditures in the governmental fund.	(55,757)
Current year change in debt and capital lease obligation utilizes (provides) current financial resources of the governmental funds, but reduces (increases) long-term liabilities in the Statement of Net Position.	167,665
Assets donated to the District do not require the use of current financial resources but have been recorded as assets in the Statement of Net Position.	46,607
Current year change in compensated absence liability does not consume current resources so therefore it is not reflected in the governmental funds.	(1,115)
<b>Change in net position of governmental activities</b>	<b>\$ 509,088</b>

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

**Ocean City-Wright Fire Control District  
Statement of Fiduciary Net Position – Pension Trust Fund**

<i>September 30,</i>	<b>2018</b>
<hr/>	
<b>Assets</b>	
Investments	\$ 13,106,545
Due from general fund	83,434
Accrued investment income	28,386
<hr/>	
Total Assets	\$ 13,218,365
<hr/> <hr/>	
<b>Liabilities</b>	
Accounts payable	\$ 22,656
<hr/>	
Total Liabilities	22,656
<hr/>	
<b>Net Position</b>	
Net position restricted for pensions	\$ 13,195,709
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*The accompanying notes are an integral part of these financial statements.*

**Ocean City-Wright Fire Control District**  
**Statement of Changes in Fiduciary Net Position – Pension Trust Fund**

<i>Year ended September 30,</i>	<b>2018</b>
<b>Additions</b>	
Contributions - District	\$ 911,984
Contributions - Plan members	153,260
Contributions - State	242,853
<b>Total contributions</b>	<b>1,308,097</b>
<b>Investment Income</b>	
Net change in fair value of investments	1,313,675
Interest	226,746
<b>Total net investment income</b>	<b>1,540,421</b>
<b>Total additions</b>	<b>2,848,518</b>
<b>Deductions</b>	
Administrative expense	165,911
Benefit payments	931,758
<b>Total deductions</b>	<b>1,097,669</b>
Change in net position restricted for pensions	1,750,849
Net position restricted for pensions, beginning of year	11,444,860
<b>Net position restricted for pensions, end of year</b>	<b>\$ 13,195,709</b>

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

## Ocean City-Wright Fire Control District Notes to Financial Statements

### NOTE 1 – NATURE OF ORGANIZATION

The Ocean City-Wright Fire Control District (the District) is a special independent District created by Chapter 63-1685, Laws of Florida in 1963. The original charter was periodically amended, most recently by Chapter 94-472 in 1994. The District operates under an elected Board of Commissioners form of government and provides the following services: fire suppression, fire inspection, rescue, and emergency medical.

Criteria for determining if other entities are potential component units which should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationships with the Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are reported.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to Generally Accepted Accounting Principles (GAAP) as applicable to governments in accordance with those promulgated by GASB. The following is a summary of the more significant policies:

#### ***Measurement Focus, Basis of Accounting and Basis of Presentation***

The basic financial statements include both government-wide and fund financial statements.

**Government-wide Financial Statements** – Government-wide financial statements, including the statement of net position and statement of activities, present information about the District as a whole. These statements include the non-fiduciary financial activity of the primary government.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operations or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the District.

## Ocean City-Wright Fire Control District Notes to Financial Statements

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

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

### **Fund Financial Statements:**

**Governmental Funds** are used to account for the general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

## Ocean City-Wright Fire Control District Notes to Financial Statements

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes, reimbursements for incidents and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The District reports the following major governmental funds:

General Fund - The General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

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

Nonspendable fund balance includes amounts that are not in a spendable form (prepaid insurance, for example) or are required to be maintained intact.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers (for example, impact fees as authorized under FL Statute 191.009(2)), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of the resource provider.

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority which is the Board of Commissioners. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.

Assigned fund balance comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body (the board of commissioners) or by management to whom the governing body delegates the authority.

Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.



## Ocean City-Wright Fire Control District Notes to Financial Statements

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

For the year ended September 30, 2018, the District does not report any proprietary funds.

**Fiduciary Funds** account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement.

**Pension Trust Fund** – Pension Trust Funds are accounted for using the modified accrual basis of accounting. The Pension Trust Fund accounts for the assets of the District's defined benefit plan (Florida Statute Chapter 175 Firefighters' Pension Trust Fund).

#### ***Cash, Cash Equivalents, and Investments***

The District is authorized to invest in financial instruments as established by Section 218.415, Florida Statutes. The authorized investments include among others negotiable direct obligations of the United States Treasury; the Local Government Surplus Trust Funds as created by Section 218.405, Florida Statutes; interest-bearing time deposits or savings accounts in authorized financial institutions, and SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

Cash at September 30, 2018 consisted of \$2,525,610 in interest bearing checking accounts. Investments at September 30, 2018 consisted of \$365,680 in a certificate of deposit. The certificate of deposit matures December 2019 and carries an annual percentage rate of 1.1%.

The District maintains deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida securities in accordance with collateral requirements determined by the State's Chief Financial Officer. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories.

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

## Ocean City-Wright Fire Control District Notes to Financial Statements

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Prepaid Expenses*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items on the Statement of Net Position and Balance Sheet – Governmental Fund. These items will be expensed over the applicable usage period.

#### *Capital Assets*

Capital assets, which include property and equipment, are reported in the government-wide financial statements but are not recorded in the governmental fund financial statements. Capital assets are defined by the District as assets with an initial/individual cost of more than \$1,000. Such assets are recorded at historical cost and estimated cost if purchased or constructed. Firefighter protective clothing, or bunker gear, is not considered to have a long-term useful life and is therefore considered a current period expense.

Donated assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property and equipment sold, destroyed or obsolete is removed from the accounts periodically. Property and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Buildings	40
Improvements	25 - 40
Furniture and fixtures	5 - 20
Vehicles/Apparatus	5 - 25
Other equipment	5 - 7

Depreciation expense is not reported in the governmental fund financial statements. In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures.

#### *Accrued Compensated Absences*

Unpaid vacation pay and sick leave is accrued for all employees. The District has accrued the unpaid compensation due its employees in the financial statements at September 30, 2018. The current and long-term portion of vested leave payable is recorded as an expense and a liability in the government-wide financial statements.

## Ocean City-Wright Fire Control District Notes to Financial Statements

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Any change during the year in the compensated absence liability is a reconciling item between the government-wide financial statements and the fund-level financial statements. The amount recorded as accrued leave represents the total amount the District would owe its employees if all employees quit or were terminated.

The current portion of compensated absences accrued is \$246,295. This amount plus the long-term portion of \$271,114 is reported in the government-wide financial statements. When combined, the District has a total accrued compensated absence liability of \$517,409 as of September 30, 2018.

#### ***Long-Term Obligations***

In the government-wide financial statements, long-term debt and capital lease obligations are reported as liabilities in the governmental statement of net position. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

#### ***Ad Valorem Tax Revenue***

Significant dates relative to ad valorem tax revenue are as follows:

- Assessment date - January 1<sup>st</sup>
- Tax bills mailed out - November 1<sup>st</sup>
- Delinquent - April 1<sup>st</sup> of the following year
- Tax certificates sold - June 1<sup>st</sup> of the following year

The Board of Commissioners approved for this fiscal year the millage rate of 2.58. The maximum millage rate, as approved by voters, is 3.75 mill.

#### ***Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires the District's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### ***Encumbrances***

To prevent over-expenditure of funds, the District has adopted an encumbrance system. Under this system, when approved purchase orders are outstanding at year-end, a commitment of fund balance is made. The amount segregated acts as a reminder that commitments (encumbrances) have been made and should not be included in Unassigned Fund Balance. Encumbered amounts are included within committed or assigned fund balance, as appropriate, based on the definitions and criteria described above.

## Ocean City-Wright Fire Control District Notes to Financial Statements

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### ***Deferred Outflows/Inflows of Resources***

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

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

#### ***Budgets***

An appropriated budget is legally adopted for the general fund. Any revision to the budget must be approved by the Board of Commissioners. The budgets are compared to actual expenditures. In instances where budget appropriations and estimated revenues have been revised during the year, budget data presented in the financial statements represent final authorized amounts. Fund balance rollforward amounts are not presented in the Budgetary Comparison Schedule.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. Prior to September 1, the Fire Chief and a committee appointed by the Board of Commissioners submit to the Board a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- B. The budget is submitted in summary form, but a more detailed line item budget is included for administrative control. The level of control for the detailed budget is at the department head level.
- C. Upon tentative approval by the Board of Commissioners, public hearings are conducted to obtain taxpayer comment.
- D. Prior to September 30, the budget is legally enacted through approval by the Board.
- E. Formal budgetary integration is employed as a management control device during the year for the general fund.
- F. The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).
- G. Appropriations lapse at the end of each fiscal year.
- H. The Board of Commissioners may authorize supplemental appropriations during the year.

## Ocean City-Wright Fire Control District Notes to Financial Statements

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *New Pronouncements*

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This Statement was implemented during the fiscal year ended September 30, 2018. Implementation of this statement has resulted in a prior period adjustment which reduced beginning net position by \$1,002,150 in the Statement of Activities. (See Note 9).

### NOTE 3 – CHANGES IN CAPITAL ASSETS

The following is a summary of changes in the capital assets for the year ended September 30, 2018:

	September 30, 2017	Additions	Retirements and Transfers	September 30, 2018
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
CIP	\$ -	\$ 5,431	\$ -	\$ 5,431
Land	1,106,271	71,959	-	1,178,230
<b>Total capital assets not being depreciated</b>	<b>1,106,271</b>	<b>77,390</b>	<b>-</b>	<b>1,183,661</b>
<i>Capital assets being depreciated:</i>				
Buildings	3,841,060	5,000	-	3,846,060
Improvements	135,044	-	-	135,044
Furniture and fixtures	12,443	-	(4,987)	7,456
Vehicles/Apparatus	2,899,060	69,374	-	2,968,434
Other equipment	1,088,796	82,924	(138,729)	1,032,991
<b>Total capital assets being depreciated</b>	<b>7,976,403</b>	<b>157,298</b>	<b>(143,716)</b>	<b>7,989,985</b>
<i>Less accumulated depreciation:</i>				
Buildings	(360,217)	(97,882)	-	(458,099)
Improvements	(102,647)	(2,235)	-	(104,882)
Furniture and fixtures	(12,282)	-	4,987	(7,295)
Vehicles/Apparatus	(1,771,771)	(132,044)	-	(1,903,815)
Other equipment	(870,507)	(43,829)	76,972	(837,364)
<b>Total accumulated depreciation</b>	<b>(3,117,424)</b>	<b>(275,990)</b>	<b>81,959</b>	<b>(3,311,455)</b>
<b>Total capital assets being depreciated, net</b>	<b>4,858,979</b>	<b>(118,692)</b>	<b>(61,757)</b>	<b>4,678,530</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 5,965,250</b>	<b>\$ (41,302)</b>	<b>\$ (61,757)</b>	<b>\$ 5,862,191</b>

Unallocated depreciation expense totaled \$275,990 for governmental activities for fiscal year ended September 30, 2018.

## Ocean City-Wright Fire Control District Notes to Financial Statements

### NOTE 4 – DEBT

#### *Capital Lease Obligations*

##### *Fire Truck*

On July 3, 2013, the District entered into a 10 year lease-purchase agreement to acquire a fire truck. The agreement requires annual lease payments of principal and interest in the amount of \$48,659 beginning July 3, 2014. The District took delivery of the truck in February 2014. The interest rate of the lease-purchase agreement is 3.27% and the final payment is due July 3, 2023. Title to the fire truck conveys to the District at the end of the agreement for no additional buyout costs.

##### *New Station*

On May 15, 2015, the District entered into a 20 year lease-purchase agreement to acquire land and construct a new fire station. The agreement requires annual lease payments of principal and interest in the amount of \$227,423 beginning May 15, 2016. The District acquired the land on May 15, 2015. The interest rate of the lease-purchase agreement is 3.93% and the final payment is due May 15, 2035. Title to the building conveys to the District at the end of the agreement for no additional buyout costs.

The following is a schedule by years of future minimum debt payments:

<i>Year ending September 30,</i>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 160,019	\$ 116,063	\$ 276,082
2020	166,034	110,048	276,082
2021	172,277	103,805	276,082
2022	178,756	97,326	276,082
2023	185,480	90,602	276,082
2024 - 2028	777,775	359,340	1,137,115
2029 - 2033	943,102	194,013	1,137,115
2034 - 2035	405,610	23,677	429,287
Total minimum payments	2,989,053	\$ 1,094,874	\$ 4,083,927
Less current portion	(160,019)		
Capital lease obligations - due in more than one year	\$ 2,829,034		

**Ocean City-Wright Fire Control District  
Notes to Financial Statements**

**NOTE 5 – CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended September 30, 2018, was as follows:

	September 30, 2017	Additions	Reductions	September 30, 2018	Due Within One Year
Government-wide activities:					
Liability for compensated absences	\$ 516,294	\$ 1,115	\$ -	\$ 517,409	\$ 246,295
Liability for OPEB obligation (1)	1,099,688	-	(47,649)	1,052,039	-
Capital lease obligation - truck	261,252	-	(41,457)	219,795	41,428
Capital lease obligation - station	2,895,466	-	(126,208)	2,769,258	118,591
Net pension liability	8,337,264	-	(260,119)	8,077,145	-
<b>Total long-term liabilities</b>	<b>\$ 13,109,964</b>	<b>\$ 1,115</b>	<b>\$ (475,433)</b>	<b>\$ 12,635,646</b>	<b>\$ 406,314</b>

(1) - Liability for OPEB obligation beginning balance adjusted for adoption of GASB Statement No. 75, as described in Note 2.

**NOTE 6 – RETIREMENT PLANS**

***Defined Contribution Plans***

The District sponsors a voluntary 457(b) defined contribution plan for all non-firefighter employees. Employees are eligible beginning on the first day of the calendar year after their hire date. The District contributed \$27,376 in retirement benefits for the year ended September 30, 2018. Contributions to the plan for the year ended September 30, 2018 were based on 15% of the employee's base salary. This plan is also available to firefighter personnel on a voluntary basis, but no District contribution is made. Each participant's account is immediately 100% vested.

The District previously sponsored a 401(a) defined contribution plan (the Plan). There were two employees participating in the plan and no new enrollments can be made. The retirement benefits are based on 15% of the eligible employee's base salary. Contributions to the plan for the year ended September 30, 2018 were based on 15% of the employee's base salary. Total District contributions under this plan for the year ended September 30, 2018 equaled \$8,805.

The plan's assets are held in a custodial account for the exclusive benefit of the participants and beneficiaries, and are not subject to the claims of the District's creditors, nor can they be used by the District for any purpose other than payment of benefits to the plan participants. Accordingly, these plan assets and related liabilities are not recorded in the District's Statement of Net Position.

**NOTE 6 – RETIREMENT PLANS (CONTINUED)**

***Defined Benefit Plan (Florida Statute Chapter 175 Firefighters' Pension Trust Fund)***

*Plan Description*

The District began participating in a Florida Statute Chapter 175 Firefighters Pension Trust Fund (Chapter 175 Plan for full-time state certified firefighters) in 2005. The Chapter 175 Plan is a single-employer defined benefit pension plan administered by the Board of Trustees. It was established to provide retirement, disability, and death benefits for covered employees. Florida Statute 175 establishes eligibility and vesting requirements and benefits provisions.

Membership is compulsory for all full-time firefighters. Non firefighter personnel of the District are excluded from this Plan. The District does not issue stand-alone financial statements for this Plan.

During 2007, the District amended its retirement plan with an early retirement option as adopted by Resolution 07-01. Members opting to take the early retirement incentive prior to March 31, 2008 would not receive an early retirement penalty and the multiplier used to calculate the retirement benefit would be 3.5% of Average Final Compensation times the years of credited service rather than the standard 3.0% multiplier.

The Board of Trustees who administer the plan consists of five trustees, two of whom are residents of the District who are appointed by the District's Board of Commissioners; two of whom are members of the Fund who are elected by a majority of the members of the Fund, and a fifth trustee who is chosen by a majority of the first four trustees. Each trustee serves a two-year term.

*Vesting*

Vesting occurs after 7 years of credited service for employees hired before October 1, 2014 and 10 years of credited services for employees hired after October 1, 2014.

*Eligibility for Retirement*

Members are eligible for normal retirement at the earlier of age 55 and 10 years of credited service, or age 50 and 25 years of credited service. Early retirement may be taken after 10 years of credited service and attaining age 50; however, the accrued benefit will be actuarially reduced at the rate of 3% per year.

*Benefits*

Normal retirement benefits are based on credited service and average final compensation. Credited service is the period of employment measured in years with allowable breaks in service such as serving the military. Average final compensation is defined as the average salary for the best 3 of the last 5 years employed.



**NOTE 6 – RETIREMENT PLANS (CONTINUED)**

For personnel hired before October 1, 2014, the normal retirement benefit is calculated by multiplying 3.0% times the years of credited service times the annual final compensation on total salary. For personnel hired after October 1, 2014, the normal retirement benefit is calculated by multiplying 3.0% times the years of credited service times the annual final compensation as calculated on base pay plus Paramedic or EMT incentive.

Payments commence on the first day of the month following the last day of employment. The benefit is for life, but the participant or the participant's beneficiary shall receive at least 120 monthly benefit payments.

Early retirement benefits are calculated the same as normal benefits beginning on the date of which the participant would have qualified for normal retirement, or if starting immediately, the amount of the benefit is reduced by 3.0% for each year that payments precede the normal retirement date.

Disability retirement may be applied for when a participant becomes totally and permanently unable to perform services as a firefighter. If the injury is service connected, a benefit equal to 3.0% of average final compensation multiplied by the total years of service, but not less than 42% of average final compensation will be paid. If the injury or disease is not service connected, a benefit equal to 3.0% of final average compensation multiplied by the total years of credited service provided the participant has at least 10 years of credited service.

At September 30, 2018, the Plan had a total of 64 members with 39 active members, of which 3 members were eligible for normal retirement and none were participating in DROP. The Plan also has 18 inactive members currently receiving benefits including disability retirees and 13 inactive members entitled to, but not yet receiving benefits.

*Deferred Retirement Option Program*

The Plan offers a deferred retirement option program (DROP) to any member satisfying the normal retirement requirements. Participation in DROP may not exceed 60 months. Upon entering DROP, a member may choose from the following two rate of return options: (a) the actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs) credited each fiscal quarter, or (b) 6.5% per annum compounded annually. At September 30, 2018 the District has no employees currently participating in DROP. During the period of DROP participation, deferred monthly benefits are held in the Plan and accrue interest.

*Basis of Accounting*

The accrual basis of accounting is used for the Pension Trust Fund. Contributions made by the District/State are recognized as revenue when due and the employer has made a formal commitment to provide the contributions. Contributions for the District's employees are recognized as revenue when due. Investment income is recognized as income when earned. Plan liabilities for benefit and refunds are recognized when due and payable in accordance with the terms of the plan.

**NOTE 6 – RETIREMENT PLANS (CONTINUED)**

*Valuation of Investments*

Investments are reported at fair value. The fair value of U.S. government obligations and investments in bond, equity, and money market funds is based on quoted market prices. During the fiscal year ended September 30, 2018, all of the Chapter 175 Plan assets were being managed by Salem Trust Company.

*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 12.75 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Funding Policy*

The plan members are required to contribute 5% of their annual covered salary to the Plan. Effective October 1, 2017, the rate will be 7.0%. The District/State is required to contribute at an actuarially determined rate. The current rate of the District/State is 40.0% of employees' salaries for a combined contribution rate of 47.0% of annual covered payroll. This rate was determined from an actuarial report as of October 1, 2017, using the entry age normal actuarial cost method. Plan members can earn credited service for prior years of employment or for military service by contributing additional amounts based on past time served. These contributions are referred to as "buy-back" contributions.

*Annual Pension Cost*

Florida Statute Chapter 175 authorized special fire control districts to levy a tax upon certain insurance companies who engage in the business of property insurance. The proceeds from this tax are used in partial support of the Chapter 175 Plan. For the year ended September 30, 2018, the District received \$242,853 from the State of Florida as proceeds from this tax. This amount was used to help fund the required contribution.

The District's required contribution of \$954,593 was determined as part of the actuarial valuation as of October 1, 2017, using the entry age normal actuarial cost method. While contributions to the Plan are currently funded through these various sources, it is ultimately the responsibility of Ocean City-Wright Fire Control District to fund the Plan.

**Ocean City-Wright Fire Control District  
Notes to Financial Statements**

**NOTE 6 – RETIREMENT PLANS (CONTINUED)**

*Net Pension Liability of the Sponsor*

The components of the net pension liability of the sponsor on September 30, 2018 were as follows:

Total Pension Liability	\$ 21,290,472
Plan Fiduciary Net Position	(13,213,327)
Sponsor's Net Pension Liability	\$ 8,077,145
Plan Fiduciary Net Position as a percentage of Total Pension Liability	62.06%

*Actuarial Assumptions*

For the year ended September 30, 2018, the actuarial assumptions used to determine the Annual Required Contribution included a 7.25% investment rate of return (net of investment related expenses) compounded annually and a 6.25% projected salary increase per year until the assumed retirement age. Projected salary increase at retirement is increased to 20% for non-regular pay.

RP-2000 Table with no projection - Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years).

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return
Domestic Equity	7.5%
Broad Market Fixed Income	2.5%

*Discount Rate*

The discount rate used to measure the total pension liability was 7.25 percent. 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.

**Ocean City-Wright Fire Control District  
Notes to Financial Statements**

**NOTE 6 – RETIREMENT PLANS (CONTINUED)**

*Sponsor’s Net Pension Liability*

1% decrease of discount rate to 6.25%	\$10,803,109
Current discount rate of 7.25%	\$ 8,077,145
1% increase of discount rate to 8.25%	\$ 5,827,253

For the year ended September 30, 2018, the District recognized a pension expense net of State contributions of \$911,984. Additionally, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 146,340	\$ 281,790
Changes of assumptions	954,092	
Net difference between projected and actual earnings on pension plan investments	-	839,828
<b>Total</b>	<b>\$ 1,100,432</b>	<b>\$ 1,121,618</b>

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

Year ended September 30:	Amount
2019	\$ 73,386
2020	(159,702)
2021	(20,909)
2022	86,039
2023	-

*Investments*

The Plan limits the aggregate investment in corporate equities to 75% of the Plan assets at fair market value. At September 30, 2018, this percentage was approximately 75% which falls within the threshold established by the Plan. In addition, the Plan limits equity positions in any single company to 5% of the Plan assets at fair market value. At September 30, 2018, the plan’s largest equity position in one company equaled approximately 3.2% of the Plan’s total assets at fair market value. At September 30, 2018, none of the investments listed in the investment schedule are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

## Ocean City-Wright Fire Control District Notes to Financial Statements

### NOTE 6 – RETIREMENT PLANS (CONTINUED)

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

#### *Cash and Investments*

The following table presents the Plan's investments at September 30, 2018:

	Amortized Cost	Fair Value Measurements Using			Investment Totals	Percentage of Plan Net Assets
		Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3		
<i>Investments valued at Amortized Cost</i>						
Goldman Sachs Money Market Fund	\$ 127,118	n/a	n/a	n/a	\$ 127,118	1%
<i>Investments for which Fair Value was Determined</i>						
Corporate & Foreign Stocks	-	\$ 9,883,410	-	-	9,883,410	75%
Corporate & Foreign Bonds	-	2,954,192	-	-	2,954,192	23%
US Government Sponsored Agency	-	-	92,030	-	92,030	1%
Municipal Obligations	-	-	49,795	-	49,795	<1%
	<u>\$ 127,118</u>	<u>\$ 12,837,602</u>	<u>\$ 141,825</u>	<u>\$ -</u>	<u>\$ 13,106,545</u>	<u>100%</u>

Florida Statutes authorize the District to invest surplus funds in obligations of the U.S. Treasury, agencies and instrumentalities, bank trust receipts, interest bearing time deposits or savings accounts in qualified public depositories of the state or national banks organized under the laws of the United States, and savings and loan associations located in the state and organized under federal law, providing all deposits are secured by collateral as prescribed by law. The Pension Trust Funds are also authorized to invest in corporate stocks, bonds, asset-backed and mortgage-backed securities, mutual funds and commingled trust funds listed on major stock exchanges which receive one of the three highest ratings by a financial rating service such as Moody's or Standard & Poor's.

**Credit Risk:** The District's Investment Policy for the Retirement Plan does not explicitly address credit risk (CR). The investment policy specifies the market sectors and the benchmark for each sector. The Plan's investment in the Goldman Sachs Financial Square Treasury Obligation Fund was rated AAAM/Aaa and has a weighted average maturity of 36 days. See below for a schedule of investments held by the District as of September 30, 2018 subject to credit risk.

**Foreign Currency Risk:** The District's Investment Policy for the Retirement Plan does not explicitly address foreign currency risk (FCR). The investment policy specifies the market sectors and the benchmark for each sector.

## Ocean City-Wright Fire Control District Notes to Financial Statements

### NOTE 6 – RETIREMENT PLAN (CONTINUED)

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

See below for a schedule of investments held by the District as of September 30, 2018 subject to interest rate and credit risk.

Maturity schedule (IRR)	Reported Value	Less than 1 year	1 - 5 years	6 - 10 years	10+ years
Money Markets	\$ 127,118	\$ 127,118	\$ -	\$ -	\$ -
US Government Sponsored Agency	92,030	-	-	-	92,030
Corporate Bonds	2,954,192	198,399	1,736,439	872,991	146,363
Municipal Bonds	49,795	-	49,795	-	-

  

S & P Rating (CR)	Reported Value	AAA to A-	BBB+ to B-	CCC+ to CCC-	NR
Money Markets	127,118	127,118	-	-	-
US Government Sponsored Agency	92,030	92,030	-	-	-
Corporate Bonds	2,954,192	269,408	2,684,784	-	-
Municipal Bonds	49,795	49,795	-	-	-

#### *Changes in Pension Liability*

<i>September 30,</i>	<i>2018</i>
Total Pension Liability	
Service Cost	\$ 372,837
Interest	1,484,764
Changes of Benefit Terms	112,173
Differences Between Expected and Actual Experience	(125,914)
Changes of Assumptions	601,446
Employee Contributions	(933,361)
Net Change in Total Pension Liability	<u>1,511,945</u>
Total Pension Liability - Beginning	<u>19,778,527</u>
Total Pension Liability - Ending	<u><u>\$ 21,290,472</u></u>

**NOTE 7 – RISK MANAGEMENT**

The District is exposed to risk of loss for claims and judgments for unemployment compensation and employee medical insurance deduction. Descriptions of each program are as follows:

***Unemployment Compensation***

The District retains the entire risk for unemployment compensation claims. As of September 30, 2018, the District had no reserve for unemployment compensation. Because the amount of future loss cannot be estimated, no liability for these claims has been recognized in the financial statements. No claims were incurred or paid in the current year.

***Other***

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

***Accrued Leave***

Vested or accumulated vacation leave that is used and paid for with expendable available financial resources is reported as an expenditure. The current and long-term portion of leave is recorded as an expense and a liability in the government-wide financial statements.

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The methods of accrual are in accordance with standards established by the National Council on Governmental Accounting.

Prior to October 1, 2014, the policy of the District and the Ocean City-Wright Professional Fire Fighters Association, IAFF Local #2879 (“the Union”) for sick leave was that all shift employees would receive 160 hours of sick leave on October 1<sup>st</sup> each year. Regular employees would receive 80 hours of sick leave on October 1<sup>st</sup> each year.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

***Accrued Leave (Continued)***

As of November 15, 2015, the District adopted a new compensated absence policy impacting both annual and sick leave. Sick leave is no longer be offered, but any accumulated sick leave will remain available for illness until balances are utilized on an individual employee basis. Annual leave is now called paid time off (“PTO”) and will accumulate using the following schedule:

Shift Employees

13 hours pay period/Max 500 Hours

Non-union personnel may accumulate paid time off as follows:

Deputy Fire Chief:	Weekly Employee- 11 Hours Max 600 Hours Shift Employee – 13 hours Max 600
Division Chief:	Weekly Employee- 8 Hours Max 500 Hours Shift Employee – 13 hours Max 500
Battalion Chief:	Weekly Employee- 8 hours Max 500 Hours Shift Employee – 13 hours Max 500
Administration:	Weekly Employee- 8 Hours Max 500 Hours

Any unused PTO, up to the maximum, will be paid upon resignation, retirement, disability or death.

Although sick leave will no longer accrue for employees, sick leave does not expire and may be paid out upon resignation or retirement. There was no maximum number of sick leave hours to be accumulated and sick leave may be payable under the following guidelines: For shift employees - maximum of 250 hours with 10 years of service, maximum of 375 hours with 15 years of service, and 500 hours with 20 years or service. For forty (40) hour employees, maximum of 83 hours with 10 years of service, maximum of 111 hours with 15 years of service, and 166 hours with 20 years or service. Employees who resign with less than 10 years of service will receive no payment for sick leave. Also, discharged employees will receive no payment for sick leave. Employees with less than 10 years will receive payment of accrued sick leave up 250 hours if killed in the line of duty. Employees are not allowed to trade, transfer, or give away earned sick leave hours.

Non-union personnel will receive payment sick leave upon resignation, retirement, disability, or death as follows: Deputy Fire Chief - maximum 700 hours, Division Chief - maximum of 600 hours, Battalion Chief - maximum 600 hours, and Administration - maximum 500 hours.

The total amount of the unpaid accrued leave at September 30, 2018, was \$517,409 with \$246,295 estimated to be payable within one year and the remaining \$271,114 due in more than one year.



**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS**

***Plan Description***

The Postemployment Healthcare Benefits Plan (Plan) is a single employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District, and eligible dependents, may continue to participate in the District's health and hospitalization plan for medical, and prescription drug coverage.

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which is effective for financial statements for fiscal years beginning after June 15, 2017 and has been implemented during the fiscal year ended September 30, 2018. Implementation of this statement has resulted in a restatement of OPEB liability and beginning net position totaling \$1,002,150 in the Statement of Activities.

The District subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees.

The District does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The rates paid by the retirees eligible for Medicare are reduced by the Medicare premium. The Plan does not issue a stand-alone report, and it is not included in the report of a Public Employee Retirement System or another entity.

***Funding Policy***

Contribution requirements of the District and plan members are established and may be amended through action from the District Board. The District has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2017-2018 fiscal year, four (4) retirees and three (3) covered spouses received postemployment health care benefits.

***Funded Status and Funding Progress***

As of September 30, 2017, the most recent valuation date, the actuarial accrued liability for benefits was \$1,052,039 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,052,039. The covered payroll (annual payroll of active participating employees) was \$2,206,183 for the 2016-2017 fiscal year, and the ratio of unfunded actuarial accrued liability to the covered payroll was 47.68%.

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

***Plan Membership***

As of September 30, 2017, the most recent valuation date, the plan was comprised of 41 active participants and 4 inactive participants with 3 covered spouses receiving benefits.

***Actuarial Method and Assumptions***

The District qualifies for the Alternative Measurement Method in Accordance with GASB 75; therefore, changes in the total OPEB Liability are not permitted to be included in deferred outflows of resources or deferred inflows of resources related to OPEB. These changes will be immediately recognized through OPEB Expense.

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

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

The District's OPEB actuarial valuation as of September 30, 2017, used the Entry Age Cost actuarial method with amortization on a level percentage basis, to estimate the unfunded and funded actuarial liability as of September 30, 2018 and to estimate the District's 2017-2018 fiscal year liability. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.64% discount rate which is based on the September 28, 2017 Bond Buyer 20-Bond Index rate as published by the Federal Reserve.

***Annual OPEB Cost and Net OPEB Obligation***

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

**Ocean City-Wright Fire Control District**  
**Notes to Financial Statements**

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

For fiscal year ended September 30, 2018, the District recognized OPEB expense of \$1,567.

The following table shows the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

<b><i>Year ended September 30,</i></b>	<b>2018</b>
Service costs	\$ 41,882
Interest	34,241
Change of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(78,256)
Benefit payments	(45,516)
Annual OPEB Cost (Expense)	(47,649)
Net OPEB Obligation, beginning of year	1,099,688
Net OPEB Obligation, end of year	\$ 1,052,039
<b>Covered Employee Payroll</b>	<b>\$ 2,206,183</b>
Net OPEB Liability as a Percentage of Covered Employee Payroll	47.68%

**Notes to Schedule:**

*Changes of assumptions.* Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

Fiscal Year Ending September 30, 2018:	3.64%
Fiscal Year Ending September 30, 2017:	3.06%

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

**Ocean City-Wright Fire Control District  
Notes to Financial Statements**

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Sensitivity of the Total OPEB Liability to changes in the Discount Rate:**

Total OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	2.64%	3.64%	4.64%
Total OPEB Liability (Asset)	\$ 1,192,609	\$ 1,052,039	\$ 935,281

**Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates:**

The following presents the Total OPEB Liability of the Sponsor, as well as what the Sponsor's Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
	3.00% - 7.50%	4.00% - 8.50%	5.00% - 9.50%
Total OPEB Liability (Asset)	\$ 935,556	\$ 1,052,039	\$ 1,191,748

**Ocean City-Wright Fire Control District  
Notes to Financial Statements**

**NOTE 10 – CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TYPES**

The following is a summary of the changes to Fund Balance for the year ending September 30, 2018:

	Balance at September 30, 2017	Excess of Expenditures and Other Uses Over Revenues and Other Sources	Transfers and Changes in Encumbrances and Prepaids	Balance at September 30, 2018
Nonspendable				
Prepaids	\$ 43,067	\$ -	\$ 4,276	\$ 47,343
Restricted				
Impact fees	210,184	(22,967)	-	187,217
Committed				
Committed for working capital	280,711	-	-	280,711
Committed for vehicles	94,437	-	8	94,445
Assigned				
Encumbrances	4,000	-	65,322	69,322
Unassigned	1,873,047	281,267	(69,606)	2,084,708
<b>Totals</b>	<b>\$ 2,505,446</b>	<b>\$ 258,300</b>	<b>\$ -</b>	<b>\$ 2,763,746</b>

**NOTE 11 – RELATED PARTY**

The District obtains grant funds that benefit a related party, Okaloosa County Fire Rescue Organization, Inc. (“Special Ops”). Special Ops is related through common management. Special Ops is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code. Special Ops provides Okaloosa and surrounding counties with a special operations unit providing emergency response to hazardous materials, weapons of mass destruction, and environmental incidents and benefits. During the year, the Board of Directors for Special Ops voted to disband the entity. Related equipment owned by either Special Ops or the District will be transferred as approved by the grantor to other counties in the Panhandle region for future special operations.

The District paid annual dues totaling \$8,500 to Special Ops. Special Ops is not financially dependent on the District and does not meet the financial accountability criteria as a component unit.



**Required Supplementary Information  
(Other than MD&A)**

## Ocean City-Wright Fire Control District Budgetary Comparison Schedule – Governmental Fund

Year ended September 30,

2018

	Original Budget	Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Ad valorem taxes collected	\$ 5,578,898	\$ 5,578,898	\$ 5,674,205	\$ 95,307
Investment interest	8,000	8,000	11,753	3,753
State retirement contributions	275,000	275,000	242,853	(32,147)
Capital grants	52,858	52,858	25,235	(27,623)
Impact fees	-	-	43,927	43,927
Other fees and donations	42,600	42,600	57,914	15,314
<b>Total revenues</b>	<b>5,957,356</b>	<b>5,957,356</b>	<b>6,055,887</b>	<b>98,531</b>
<b>Expenditures</b>				
Personal services:				
Salaries	2,521,861	2,521,861	2,474,353	47,508
Employee life and health insurance	521,000	517,500	463,739	53,761
Employees' retirement contribution				
Section 175 plan - District	953,800	912,000	911,984	16
Section 175 plan - State	275,000	243,000	242,853	147
401(a) and 457(b) plans	36,000	36,400	36,181	219
Taxes - payroll	182,449	180,000	178,667	1,333
Workers compensation	128,000	128,000	127,113	887
Education	62,000	41,345	40,598	747
Operating services:				
Professional services	70,000	165,000	162,244	2,756
Central dispatch	6,500	6,500	5,472	1,028
Bunker gear	20,000	30,000	29,615	385
Fuel	45,000	45,000	42,287	2,713
Insurance	90,000	93,000	92,802	198
Advertising	2,500	3,000	2,717	283
Small equipment	44,950	30,000	29,631	369
Miscellaneous	69,518	48,600	44,217	4,383
Property appraiser	94,000	77,000	76,626	374
Repairs and maintenance	155,600	187,750	185,633	2,117
Supplies				
Administrative	5,000	6,000	5,499	501
Building	8,000	9,500	9,280	220
Uniforms	12,500	10,900	10,861	39
Utilities	54,500	63,000	61,421	1,579
Tax collector fee	111,578	115,000	113,480	1,520

(continued)

**Ocean City-Wright Fire Control District  
Budgetary Comparison Schedule – Governmental Fund (Continued)**

*Year ended September 30,*

**2018**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Capital Outlay</b>				
Land and building	11,000	72,000	71,959	41
Equipment	186,600	125,000	110,121	14,879
<b>Debt Service</b>				
Debt payments - Principal	167,665	167,665	167,665	-
Debt payments - Interest	122,335	122,335	122,335	-
<b>Total expenditures</b>	<b>5,957,356</b>	<b>5,957,356</b>	<b>5,819,353</b>	<b>138,003</b>
Excess (deficiency) of revenues over expenditures	-	-	236,534	236,534
<b>Other Financing Sources</b>				
Capital lease obligation	-	-	21,766	21,766
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>21,766</b>	<b>21,766</b>
Net change in fund balance	-	-	258,300	258,300
Fund balances, beginning of year	2,505,446	2,505,446	2,505,446	-
<b>Fund balances, end of year</b>	<b>\$ 2,505,446</b>	<b>\$ 2,505,446</b>	<b>\$ 2,763,746</b>	<b>\$ 258,300</b>



## Ocean City-Wright Fire Control District Schedule of Changes in Net Pension Liability and Related Ratios

<i>September 30,</i>	2018	2017	2016	2015	2014	2013
<b>Total Pension Liability</b>						
Service Cost	\$ 372,837	\$ 372,747	\$ 356,559	\$ 324,974	\$ 334,644	\$ 310,574
Interest	1,484,764	1,405,503	1,305,113	1,235,278	1,188,991	1,118,143
Change in Excess State Money	-	-	-	-	85,747	-
Changes of Benefit Terms	112,173	101,759	-	(358,128)	-	-
Differences Between Expected and Actual Experience	(125,914)	219,507	(51,218)	(466,348)	-	-
Changes of Assumptions	601,446	437,658	362,326	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(933,361)	(839,338)	(751,402)	(574,097)	(543,077)	(534,162)
Net Change in Total Pension Liability	1,511,945	1,697,836	1,221,378	161,679	1,066,305	894,555
Total Pension Liability - Beginning	19,778,527	18,080,691	16,859,313	16,697,634	15,631,329	14,736,774
Total Pension Liability - Ending	<u>\$21,290,472</u>	<u>\$19,778,527</u>	<u>\$18,080,691</u>	<u>\$16,859,313</u>	<u>\$16,697,634</u>	<u>\$15,631,329</u>
<b>Plan Fiduciary Net Position</b>						
Contributions - Employer	\$ 911,984	\$ 869,937	\$ 767,020	\$ 751,628	\$ 675,794	\$ 751,271
Contributions - State	243,014	281,985	296,666	293,054	271,575	256,100
Contributions - Employee	153,260	112,767	103,249	98,883	98,300	94,763
Net Investment Income	1,462,671	1,546,972	955,354	(511,711)	886,217	515,106
Benefit Payments, Including Refunds of Employee Contributions	(933,361)	(839,338)	(751,402)	(574,097)	(543,077)	(534,162)
Administrative Expense	(65,504)	(68,321)	(26,287)	(31,115)	(16,744)	(14,235)
Net Change in Plan Fiduciary Net Position	1,772,064	1,904,002	1,344,600	26,642	1,372,065	1,068,843
Plan Fiduciary Net Position - Beginning	11,441,263	9,537,261	8,192,661	8,166,019	6,793,954	5,725,111
Plan Fiduciary Net Position - Ending	<u>\$13,213,327</u>	<u>\$11,441,263</u>	<u>\$ 9,537,261</u>	<u>\$ 8,192,661</u>	<u>\$ 8,166,019</u>	<u>\$ 6,793,954</u>
Net Pension Liability - Ending	<u>\$ 8,077,145</u>	<u>\$ 8,337,264</u>	<u>\$ 8,543,430</u>	<u>\$ 8,666,652</u>	<u>\$ 8,531,615</u>	<u>\$ 8,837,375</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.06%	57.85%	52.75%	48.59%	48.91%	43.46%
Covered Employee Payroll	\$ 2,189,434	\$ 2,255,348	\$ 2,064,973	\$ 1,977,651	\$ 1,965,995	\$ 1,895,259
Net Pension Liability as a Percentage of Covered Employee Payroll	368.91%	369.67%	413.73%	438.23%	433.96%	466.29%

## Ocean City-Wright Fire Control District Schedule of Pension Contributions

<i>September 30,</i>	2018	2017	2016	2015	2014	2013
Actuarially Determined Contribution	\$ 954,593	\$ 902,139	\$ 830,119	\$ 761,399	\$ 829,650	\$ 756,208
Contributions in Relation to the						
Actuarially Determined Contributions	1,154,998	1,151,922	1,063,686	1,044,682	861,622	756,208
Contribution Deficiency (Excess)	<u>\$ (200,405)</u>	<u>\$ (249,783)</u>	<u>\$ (233,567)</u>	<u>\$ (283,283)</u>	<u>\$ (31,972)</u>	<u>\$ -</u>
Covered Employee Payroll	\$2,189,434	\$2,255,348	\$2,064,973	\$1,977,651	\$1,965,995	\$1,895,259
Contributions as a Percentage of						
Covered Employee Payroll	52.75%	51.08%	51.51%	52.82%	43.83%	39.90%

### Notes to Schedule

Valuation Date: 10/01/2016 (AIS 11/8/2017)

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

Methods and assumptions used to determine contribution rates:

Funding Method:	Entry Age Normal Actuarial Cost Method
Actuarial Asset Method:	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric four-year average Market Value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below Market Value of Assets.
Salary Increases:	6.25% per year until the assumed retirement age. Projected salary at retirement is increased 20% to account for non-regular pay.
Payroll Increase:	Up to 5.0% per year (2.10% for 2016 valuation)
Interest Rate:	7.75% (amended to 7.25% for 2019) per year compounded annually, net of investment related expenses. This rate is supported by the target asset class allocation of the trust and the expected long-term return by asset class.
Retirement Age:	Earlier of: 1) Age 52 (amended to 50 for 2019) and 25 years of Credited Service or 2) Age 55 and 10 Years of Credited Service. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year.
Early Retirement:	It is assumed that Members who are eligible for Early retirement (age 50) and 10 years of credited service will retire at the rate of 5% per year.

## Ocean City-Wright Fire Control District Schedule of Pension Contributions (Continued)

Termination Rates: See Table Below.

Disability Rates: See Table Below. It is assumed that 75% of disablements are service related.

Mortality: Healthy Males: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB.  
 Healthy Females: RP2000 Generational, 100% Annuitant White Collar, Scale BB. Disabled Males: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.  
 Disabled Females: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.  
 This is the required mortality assumption for actuarial valuations under the Laws of Florida, beginning October 1, 2016.

Other Information: Termination and Disability Rate Table.

Age	% Terminating during the year	% Becoming disabled during the year
20	12.4%	0.03%
30	10.5%	0.04%
40	5.7%	0.07%
50	1.5%	0.18%



## Ocean City-Wright Fire Control District Schedule of Pension Investment Returns

<i>September 30,</i>	2018	2017	2016	2015	2014	2013
Annual Money-Weighted Rate of Return						
Net of Investment Expense	12.75%	16.06%	11.55%	-6.14%	12.85%	8.46%

**Ocean City-Wright Fire Control District**  
**Schedule of Changes in Net OPEB Liability and Related Ratios**

<b>Year ended September 30,</b>	<b>2018</b>	
Service costs	\$	41,882
Interest		34,241
Change of benefit terms		-
Differences between expected and actual experience		-
Changes of assumptions		(78,256)
Benefit payments		(45,516)
Annual OPEB Cost (Expense)		(47,649)
Net OPEB Obligation, beginning of year		1,099,688
Net OPEB Obligation, end of year	\$	1,052,039
<b>Covered Employee Payroll</b>	\$	2,206,183
Net OPEB Liability as a Percentage of Covered Employee Payroll		47.68%

**Notes to Schedule:**

The actuarial methods and assumptions used to calculate the total OPEB liability are described in Note 9 to the financial statements.

The net OPEB liability amount presented for each fiscal year was determined as of September 30 measurement date prior to the fiscal year-end.

The schedule is intended to present ten years of data. Additional years of data will be presented as they become available.

The District has not presented a Schedule of Contributions since an actuarially determined contribution has not been calculated and there is no contractually or statutorily determined contribution applicable to the District.



## **Supplementary Information**

**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**

To the Board of Commissioners  
Ocean City-Wright Fire Control District  
Fort Walton Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ocean City-Wright Fire Control District, ("the District") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 31, 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 (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free 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*.

## **Purpose of this Report**

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

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida  
May 31, 2019



## MANAGEMENT LETTER

To the Board of Commissioners  
Ocean City-Wright Fire Control District  
Fort Walton Beach, Florida

### Report on the Financial Statements

We have audited the financial statements of the Ocean City-Wright Fire Control District (“District”) as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated May 31, 2019.

### Auditors’ Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General.

### Other Reports and Schedule

We have issued our Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants’ Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which is dated May 31, 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. There were no recommendations made in the preceding annual audit report.

### Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The information required is disclosed in the notes to the financial statements.

## **Financial Condition and Management**

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

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

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

## **Other Matters**

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

## **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of 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.*

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida  
May 31, 2019

## **INDEPENDENT ACCOUNTANTS' REPORT**

To the Board of Supervisors  
Ocean City-Wright Fire Control District  
Ocean City-Wright, Florida

We have examined Ocean City-Wright Fire Control District's compliance with the requirements of Section 218.415, Florida Statutes, Local Government Investment Policies, during the year ended September 30, 2018. Management of the District is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements 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 specified requirements.

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

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

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida  
May 31, 2019