

**Avalon Beach-Mulat Fire
Protection District**

FINANCIAL STATEMENTS

September 30, 2019



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Avalon Beach-Mulat Fire Protection District
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September 30, 2019

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INDEPENDENT AUDITORS' REPORT

Board of Fire Commissioners
Avalon Beach-Mulat Fire Protection District

We have audited the accompanying financial statements of the governmental activities and the major fund of Avalon Beach-Mulat Fire Protection District (District), as of and for the year ended September 30, 2019, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Summary of Audit Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
General Fund	Unmodified

Basis for Qualified Opinion on Governmental Activities

The District underreported covered wages to the State of Florida Retirement System (FRS) during the year ended September 30, 2019. By underreporting covered wages, and thereby pension contributions, the percentage allocation by FRS to the District is inappropriate for the plan year ended June 30, 2019. The allocation is based on the District's contributions as a weighted average of the total contributions to FRS. This change in allocation affects the District's reported net pension liability, deferred inflows and outflows of resources related to pensions, and the governmental activities pension expense. The effects of this error on the financial statements have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the District, as of September 30, 2019, and the changes in financial position thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund of Avalon Beach-Mulat Fire Protection District, as of September 30, 2019, and the respective changes in financial position and budgetary comparison thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 8, and the schedules of the defined benefit pension plans on pages 31 through 34, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures performed do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Caru, Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
July 20, 2020

Management's Discussion and Analysis

Management's Discussion and Analysis

Preamble

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

Presentation

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

Financial Highlights

The District's total net position decreased \$236,119 to \$1,214,392 during fiscal year 2019.

The net change in fund balance was a decrease of \$43,808 for the year ended September 30, 2019. Total revenues were \$621,859 and total expenditures were \$665,667 for the year.

As of September 30, 2019, the general fund's unassigned fund balance was \$254,243 which was 38% of total general fund expenditures for the year.

Total governmental activities' expenses increased \$238,523 from the prior year, while governmental activities' revenues increased \$9,420.

Overview of the Financial Statements

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

Government-wide Financial Statements

The *government-wide financial statements* include the *statement of net position* and the *statement of activities*. These statements are designed to provide readers with a broad overview of the District's financial position, in a manner similar to that of private sector companies. Emphasis is placed on the net

position of governmental activities, as well as the change in net position. Governmental activities are primarily supported by ad valorem taxes.

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

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

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

Fund Financial Statements

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

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

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

The *government-wide financial statements* and the *fund financial statements* provide different presentations of the District's financial position. Categorized as governmental activities the government-wide financial statements provide an overall picture of the District's financial standing. These statements, which are comparable to private-sector companies, provide a good understanding of the District's overall financial health and present the means used to pay for various activities, or functions provided by the District. All assets of the District, including buildings, land, and equipment are reported in the *statement of net position*, as well as all liabilities, including outstanding loans and future employee benefits obligated but not yet paid by the District. The *statement of activities* includes depreciation on long lived assets of the District. The *fund financial statements* provide a presentation of the District's general fund. In governmental funds, outlays for long lived assets are reported as expenditures and long-term liabilities are not included in the fund financial statements. To facilitate a comparison between the *fund financial statements* and the *government-wide financial statements*, a reconciliation is provided.

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

Financial Analysis of the District

The following schedule provides a summary of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District at September 30, 2019 and 2018. The District is able to report positive balances in both categories of net position.

Governmental Activities Net Position

<i>September 30,</i>	2019	2018
Cash and cash equivalents	\$ 304,042	\$ 325,830
Other current assets	21,305	21,305
Capital assets, net	1,217,154	1,314,660
Total assets	1,542,501	1,661,795
Deferred outflows of resources	300,056	274,078
Current liabilities	49,799	27,779
Long-term liabilities	505,647	369,448
Total liabilities	555,446	397,227
Deferred inflows of resources	72,719	88,135
Net position		
Net investment in capital assets	1,217,154	1,314,660
Unrestricted	(2,762)	135,851
Total net position	\$ 1,214,392	\$ 1,450,511

Investment in capital assets (e.g., land, buildings, and equipment), net of any related outstanding debt used to acquire those assets, represents the District's largest portion of net position (100%). These capital assets are utilized to provide services to citizens; consequently, they are not available for future spending.

The balance of unrestricted net position may be used to help meet the District's ongoing obligations to citizens and creditors. As of the year ended September 30, 2019, the balance in unrestricted net position was a deficit of \$2,762.

The following schedule provides a summary of the change in net position for the years ended September 30, 2019 and 2018:

Governmental Activities Change in Net Position

<i>Year ended September 30,</i>	2019	2018
Program revenues		
Charges for services	\$ 11,400	\$ 20,200
Capital grants and contributions	-	20,270
General revenues		
Property taxes	610,449	570,250
Miscellaneous	-	1,281
Interest income	10	438
Total revenues	621,859	612,439
Expenses		
Administrative	21,417	24,069
Fire protection	724,813	498,497
Depreciation	111,748	96,889
Total expenses	857,978	619,455
Change in net position	(236,119)	(7,016)
Beginning net position	1,450,511	1,457,527
Ending net position	\$ 1,214,392	\$ 1,450,511

Ad valorem property tax revenue increased \$40,199 over the prior year due to organic growth of property values within the district. The millage rate set by the District for the year ended September 30, 2019 did not change from the 2.0000 mills set in prior year. No grants were awarded to the District this year. Expenses increased 39% over the prior year, mainly due to an increase in overtime costs and related payroll costs including pension and taxes.

For the year ended September 30, 2019 governmental activities' expenses exceeded revenues by \$236,119. Total revenues increased \$9,420 over the previous year primarily due to an increase in property taxes levied offset by a decrease in grants and contributions.

For the year ended September 30, 2019 ninety-eight percent (98%) of revenues were generated by taxes and 2% were generated by charges for services. Most of the governmental resources were expended for fire protection (84%) and depreciation (13%).

Financial Analysis of the District's Fund

Governmental Fund

General Fund

The only operating fund of the District is the general fund. As of September 30, 2019, total assets were \$325,347 and total liabilities were \$49,799. At the end of fiscal year 2019, unassigned fund balance of the general fund was \$254,243 while total fund balance was \$275,548.

The general fund budget was not amended during the year. Actual revenues were greater than budgeted by \$17,429. Actual expenditures were more than budgeted expenditures by \$61,237.

Capital Assets Activity

The following schedule provides a summary of the District’s capital assets activity. The District’s total investment in capital assets as of September 30, 2019, was \$1,217,154 (net of accumulated depreciation). This investment in capital assets includes land and site improvements, buildings, fire equipment, office equipment, fire trucks and other vehicles.

**Capital Assets
(net of depreciation)
Governmental Activities**

<i>September 30,</i>	2019	2018
Land and site improvements	\$ 131,322	\$ 131,322
Buildings	391,702	391,702
Fire equipment	238,890	362,117
Office equipment and furnishings	20,277	24,551
Fire trucks and other vehicles	2,017,816	2,017,816
	2,800,007	2,927,508
Accumulated depreciation	(1,582,853)	(1,612,848)
Total	\$ 1,217,154	\$ 1,314,660

Additional information on the District’s capital assets can be found in note 2: detailed notes on all funds, of the notes to basic financial statements.

Economic Factors and Next Year’s Budget

There are no significant economic factors affecting the District. Management of the District anticipates that operating costs will continue to rise primarily due to increases in salaries. It is expected that this increase will be offset by an increase in ad valorem tax revenue due to the continuing rise in property values within the county while the millage rate will remain unchanged at 2.0000.

Contact Information

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 Milton, Florida 32583
 Telephone number: (850) 994-4445
 Website: www.avalonfirerescue.com

Avalon Beach-Mulat Fire Protection District
Statement of Net Position
September 30, 2019

	Governmental Activities
<hr/>	
Assets	
Cash and cash equivalents	\$ 304,042
Prepays	21,305
Capital assets, net	1,217,154
Total assets	1,542,501
Deferred outflows of resources	300,056
Total assets and deferred outflows of resources	1,842,557
<hr/>	
Liabilities	
Accounts payable and accrued expenses	49,799
Net pension liability	505,647
Total liabilities	555,446
Deferred inflows of resources	72,719
Total liabilities and deferred inflows of resources	628,165
<hr/>	
Net position	
Net investment in capital assets	1,217,154
Unrestricted	(2,762)
Total net position	\$ 1,214,392

The accompanying notes are an integral part of this financial statement.

Avalon Beach-Mulat Fire Protection District
Statement of Activities
Year Ended September 30, 2019

	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Capital Grants and Contributions	Revenues and Change
				in Net Position
				Primary Governmental Activities
Governmental activities				
Administrative	\$ 21,417	\$ -	\$ -	\$ (21,417)
Fire protection	724,813	11,400	-	(713,413)
Depreciation	111,748	-	-	(111,748)
Total primary government	\$ 857,978	\$ 11,400	\$ -	(846,578)
		General revenues		
			Property taxes	610,449
			Total general revenues	610,449
			Interest income	10
			Total general revenues and interest income	610,459
			Change in net position	(236,119)
			Net position - beginning	1,450,511
			Net position - ending	\$ 1,214,392

The accompanying notes are an integral part of this financial statement.

**Avalon Beach-Mulat Fire Protection District
Balance Sheet – Governmental Fund
September 30, 2019**

		General Fund
Assets		
Cash and cash equivalents	\$	304,042
Prepays		21,305
Total assets		325,347
Liabilities		
Accounts payable and accrued expenses		49,799
Total liabilities		49,799
Fund balance		
Nonspendable		21,305
Unassigned		254,243
Total fund balance		275,548
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,217,154
Deferred outflows and inflows of resources are not financial resources or liabilities and therefore are not reported in the funds.		227,337
Long-term liabilities, including net pension liability, are not due and payable in the current period and therefore are not reported in the funds.		(505,647)
Net position of governmental activities	\$	1,214,392

The accompanying notes are an integral part of this financial statement.

**Avalon Beach-Mulat Fire Protection District
Statement of Revenues, Expenditures, and Change in
Fund Balance – Governmental Fund
Year Ended September 30, 2019**

	General Fund
<hr/>	
Revenues	
Property taxes	\$ 610,449
Impact fees	11,400
Interest income	10
Total revenues	621,859
<hr/>	
Expenditures	
Administrative	21,417
Fire protection	630,008
Capital outlay	
Fire protection	14,242
Total expenditures	665,667
<hr/>	
Net change in fund balance	(43,808)
Fund balance	
Beginning of year	319,356
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End of year	\$ 275,548
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The accompanying notes are an integral part of this financial statement.

**Avalon Beach-Mulat Fire Protection District
 Reconciliation of the Statement of Revenues, Expenditures, and Change in
 Fund Balance of the Governmental Fund to the Statement of Activities
 Year Ended September 30, 2019**

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

Net change in fund balance - governmental fund (page 12)	\$ (43,808)
The governmental fund reports capital outlays as expenditures. However, in the statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays during the year.	(97,506)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (i.e. pension related liabilities, deferred inflows of resources, and deferred outflows of resources).	(94,805)
Change in net position of governmental activities (page 10)	\$ (236,119)

The accompanying notes are an integral part of this financial statement.

Avalon Beach-Mulat Fire Protection District
Statement of Revenues, Expenditures, and Change in Fund Balance
Budget and Actual – General Fund
Year Ended September 30, 2019

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 584,130	\$ 584,130	\$ 610,449	\$ 26,319
Grants	10,000	10,000	-	(10,000)
Impact fees	10,000	10,000	11,400	1,400
Interest income	300	300	10	(290)
Total revenues	604,430	604,430	621,859	17,429
Expenditures				
Administrative	24,992	24,992	21,417	3,575
Fire protection	576,726	576,726	630,008	(53,282)
Capital outlay				
Fire protection	2,712	2,712	14,242	(11,530)
Total expenditures	604,430	604,430	665,667	(61,237)
Net change in fund balance	\$ -	\$ -	\$ (43,808)	\$ (43,808)

The accompanying notes are an integral part of this financial statement.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Avalon Beach-Mulat Fire Protection District (District) was established under HB 1497, Chapter 191, Section 633.15, Florida Statutes in 1980 as a Fire Control and Rescue District to provide fire protection and rescue response services for the Avalon Beach and Mulat, Florida area. As a special-purpose government, the District has only one governmental program.

Reporting Entity

The Board of Fire Commissioners (Board) of the District, an elected five member group, is the level of government which has governance responsibility over the activities of the District. Included in the District's financial statements are all programs and organizations for which the District has oversight responsibility which includes, but is not limited to, financial interdependency, designation of management, ability to significantly influence operation and accountability for fixed matters. The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applied to governmental units. The more significant accounting policies used by the District are described below.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for the general fund which is the only governmental fund and the District does not have any proprietary funds or fiduciary funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the District.

Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for the governmental fund.

Fund Financial Statements

The fund financial statements provide information about the District's funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented when applicable. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District reports the following major governmental fund:

The *General Fund* is the District's primary operating fund. It accounts for resources devoted to financing the special services that the District performs for its citizens and all financial resources of the general government, except those accounted for in another fund.

Budgetary Information

Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund.

The appropriated budget is prepared by fund and function. Florida Statutes provide that it is unlawful to make expenditures that exceed the total amount budgeted for each fund. Chapter 166, Florida Statutes, governs the manner in which the budget may be legally amended once it has been approved. Therefore, the legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

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

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

- In early July, the Board prepares a proposed operating budget for the fiscal year commencing the following October 1.
- During the months of August and September, the District holds public hearings on the operating budget and the proposed expenditures and the means to finance them.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Prior to October 1, the District's Board formally approves the budget document following the public hearings.
- The approved annual budget is used as a control device for the general fund.

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

Excess of expenditures over appropriations

For the year ended September 30, 2019, expenditures exceeded appropriations in the general fund (the legal level of budgetary control) by \$61,237 which is considered a budgetary violation.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance

Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Accounts Receivable

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

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Restricted Assets

Certain assets of the District are classified as restricted assets on the statement of net position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments. The District has no restricted assets as of September 30, 2019.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the District chose to include all such items regardless of their acquisition date or amount. The District was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the District constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

Buildings	40	Years
Fire equipment, office equipment, and furnishings	5 - 10	Years
Fire trucks and other vehicles	10 - 20	Years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report 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/ expenditure) until then.

The District has one item that qualifies for reporting as deferred outflows of resources, the deferred outflows related to pensions, reported in the government-wide statement of net position. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years.

In addition to liabilities, the statement of financial position will sometimes report 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 that time. The District has one item that qualifies for reporting as deferred inflows of resources. The deferred inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

The District's policy permits employees to accumulate earned but unused paid time off, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The District annually pays out unused paid time off. The payout for the year ended September 30, 2019 was for \$14,328 which has been reported with accounts payable and accrued expenses in the governmental fund.

Categories and Classification of Fund Equity

Net position flow assumption – Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions – Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, specifies the following classifications:

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonspendable fund balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the District that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance – Unassigned fund balance is the residual classification for the General Fund.

Revenues and Expenditures/Expenses

Program revenues – Amounts reported as *program revenues* include 1) impact fees and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

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

Encumbrances

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, July 20, 2020. See note 5 for the relevant disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 will be effective for the fiscal years beginning after December 15, 2018.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

The District is evaluating the requirements of the above statements and the impact on reporting.

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

Note 2: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

As of September 30, 2019, the District's bank balances are covered by federal depository insurance (FDIC). Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the District pursuant to Section 280.08, Florida Statutes.

The investment program is established in accordance with the District's investment policy, pertinent bond resolutions and Section 218.45, Florida Statutes, which allows the District to invest in the Florida State Board of Administration intergovernmental investment pool or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, direct obligations of the United States Government, obligations of the different agencies of the Federal Government, registered money market funds and accounts of state qualified public depositories.

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

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

All time-deposits held at year-end were considered cash and cash equivalents for financial statement purposes. The District had no investments at September 30, 2019.

Custodial credit risk – Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. The financial institutions in which the District places its deposits are certified as "qualified public depositories," as required under the Florida Security for Public Deposits Act. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Interest rate risk – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. The District's investment policy limits interest rate risk by requiring that an attempt be made to match investment maturities with known cash needs and anticipated cash flow requirements. In addition, investments of current operating funds are required to have maturities of no longer than twelve months.

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

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Credit risk – Section 150: Investments of the GASB Codification requires that governments provide information about credit risk associated with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations. The District’s investment policy limit investments to securities with specific ranking criteria.

Concentration risk – Section 150: Investments of the GASB Codification requires disclosures of investments in any one issuer that represents five percent or more of total investments, excluding investments issued or explicitly guaranteed by the U.S government, investments in mutual funds, external investments pools and other pooled investments. The District’s investment policy does not address concentration risk.

Capital Assets

The following is a summary of changes in capital assets during the year ended September 30, 2019:

	September 30, 2018	Increases	Decreases	September 30, 2019
Capital assets, not being depreciated				
Land and site improvements	\$ 131,322	\$ -	\$ -	\$ 131,322
Total capital assets, not being depreciated	131,322	-	-	131,322
Capital assets, being depreciated				
Buildings	391,702	-	-	391,702
Fire equipment	362,117	9,968	133,195	238,890
Office equipment and furnishings	24,551	4,274	8,548	20,277
Fire trucks and other vehicles	2,017,816	-	-	2,017,816
Total capital assets, being depreciated	2,796,186	14,242	141,743	2,668,685
Less accumulated depreciation	(1,612,848)	(111,748)	(141,743)	(1,582,853)
Total capital assets, being depreciated (net of accumulated depreciation)	1,183,338	(97,506)	-	1,085,832
Total governmental activities' capital assets (net of accumulated depreciation)	\$ 1,314,660	\$ (97,506)	\$ -	\$ 1,217,154

Depreciation expense of \$111,748 was charged to the fire protection function.

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

Note 3: PENSION PLANS

Defined Benefit Plans

Plan Description

The District participates in two defined benefit pension plans that are administered by the State of Florida, Department of Management Services, Division of Retirement. The plans provide retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature.

The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report is available from the Florida Department of Management Services' website (www.dms.myflorida.com).

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

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

Benefits Provided

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

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

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

Note 3: PENSION PLANS (Continued)

Contributions

The contribution requirements of plan members and the District are established and may be amended by the Florida Legislature. Employees are required to contribute 3% of their salary to FRS. The District's contribution rates for the year ended September 30, 2019 were as follows:

	October 1, 2018 through June 30, 2019		July 1, 2019 through September 30, 2019	
	FRS	HIS	FRS	HIS
Regular class	6.60%	1.66%	6.81%	1.66%
Special risk class	22.84%	1.66%	23.82%	1.66%

The District's contributions for the year ended September 30, 2019, were \$40,549 to FRS and \$3,231 to HIS.

Pension Liabilities and Pension Expenses

In its financial statements for the year ended September 30, 2019, the District reported a liability for its proportionate share of the net pension liability of FRS and its proportionate share of the net pension liability of HIS. The net pension liabilities were measured as of June 30, 2019. The District's proportions of the net pension liabilities were based on its share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	FRS	HIS
Net pension liability	\$ 441,112	\$ 64,535
Proportion at:		
Current measurement date	0.00128086%	0.00057677%
Prior measurement date	0.00105658%	0.00048374%
Pension expense	\$ 128,051	\$ 10,533

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

Note 3: PENSION PLANS (Continued)

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 26,164	\$ 274
Changes of assumptions	113,297	-
Net difference between projected and actual earnings on pension plan investments	-	24,405
Changes in proportion and differences between employer contributions and proportionate share of contributions	108,977	32,937
Employer contributions subsequent to the measurement date	10,616	-
Total	\$ 259,054	\$ 57,616

	HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 784	\$ 79
Changes of assumptions	7,470	5,275
Net difference between projected and actual earnings on pension plan investments	42	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	31,889	9,750
Employer contributions subsequent to the measurement date	817	-
Total	\$ 41,002	\$ 15,104

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2020. Other pension related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

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

Note 3: PENSION PLANS (Continued)

Measurement Period Ending June 30,	FRS		HIS	
2020	\$	63,366	\$	6,838
2021		35,204		6,586
2022		41,270		6,157
2023		31,576		963
2024		15,114		2,216
Thereafter		4,292		2,321
Total	\$	190,822	\$	25,081

Actuarial Assumptions

The total pension liability for each of the defined benefit plans was measured as of June 30, 2019. The total pension liability for FRS was determined by an actuarial valuation dated July 1, 2018. For HIS, the total pension liability was determined by an actuarial valuation dated July 1, 2018.

The total pension liability for each of the defined benefit plans, measured as of June 30, 2019, was determined by an actuarial valuation dated July 1, 2019, using the individual entry age normal actuarial cost method and the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%
Investment rate of return	6.90%	N/A
Discount rate	6.90%	3.50%

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

The following changes in key actuarial assumptions occurred in 2019:

FRS: The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 7.0% to 6.9%.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability decreased from 3.78% to 3.5%.

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

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

Note 3: PENSION PLANS (Continued)

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash equivalents	1%	3.3%	3.3%	1.2%
Fixed income	18%	4.1%	4.1%	3.5%
Global equity	54%	8.0%	6.8%	16.5%
Real estate	10%	6.7%	6.1%	11.7%
Private equity	11%	11.2%	8.4%	25.8%
Strategic investments	6%	5.9%	5.7%	6.7%
	<u>100%</u>			

Discount Rate

The discount rate used to measure the total pension liability for FRS was 6.9%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because HIS is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.5% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Sensitivity Analysis

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

	FRS		
	Current		
	1% Decrease (5.9%)	Discount Rate (6.9%)	1% Increase (7.9%)
Employer's proportionate share of the net pension liability	\$ 762,535	\$ 441,112	\$ 172,669

	HIS		
	Current		
	1% Decrease (2.5%)	Discount Rate (3.5%)	1% Increase (4.5%)
Employer's proportionate share of the net pension liability	\$ 73,670	\$ 64,535	\$ 56,927

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

Note 3: PENSION PLANS (Continued)

Pension Plans' Fiduciary Net Position

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

Payables to the Pension Plan

As of September 30, 2019, the District reported payables to the pension plans in the amount of \$4,179.

Defined Contribution Plan

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan (FRS Investment Plan), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class. Required employer contributions made to the plan during the year ended September 30, 2019, totaled \$9,592.

NOTE 4: COMMITMENTS, CONTINGENCIES AND RISK MANAGEMENT

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

NOTE 5: SUBSEQUENT EVENT

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Association. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

Required Supplementary Information

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

June 30,	2019	2018	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *
District's proportion of the net pension liability	0.001281%	0.001057%	0.001057%	0.001251%	0.000357%	0.000368%	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability	\$ 441,112	\$ 318,248	\$ 255,433	\$ 315,786	\$ 46,147	\$ 22,458	N/A	N/A	N/A	N/A
District's covered payroll	192,899	157,998	125,568	192,597	47,034	46,800	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability as a percentage of its covered payroll	228.68%	201.43%	203.42%	163.96%	98.11%	47.99%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	82.61%	84.26%	83.89%	84.88%	96.09%	92.00%	N/A	N/A	N/A	N/A

* Disclosures for 2010 through 2013 are N/A because comparable information is not available at this time.

See Independent Auditors' Report.

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

Year ended September 30,	2019	2018	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *
Contractually required contribution	\$ 40,549	\$ 33,372	\$ 22,480	\$ 30,499	\$ 8,711	\$ 8,062	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(40,549)	(33,372)	(22,480)	(30,499)	(8,711)	(8,062)	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	N/A	N/A	N/A	N/A					
District's covered payroll	\$ 194,576	\$ 170,964	\$ 131,241	\$ 126,386	\$ 130,432	\$ 46,800	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	20.84%	19.52%	17.13%	24.13%	6.68%	17.23%	N/A	N/A	N/A	N/A

* Disclosures for 2010 through 2013 are N/A because comparable information is not available at this time.

See Independent Auditors' Report.

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

June 30,	2019	2018	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *
District's proportion of the net pension liability	0.000577%	0.000484%	0.000394%	0.000562%	0.000155%	0.000158%	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability	\$ 64,535	\$ 51,200	\$ 42,121	\$ 65,557	\$ 15,811	\$ 14,728	N/A	N/A	N/A	N/A
District's covered payroll	192,899	157,998	125,568	192,597	47,034	46,800	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability as a percentage of its covered payroll	33.46%	32.41%	33.54%	34.04%	33.62%	31.47%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%	N/A	N/A	N/A	N/A

* Disclosures for 2010 through 2013 are N/A because comparable information is not available at this time.

See Independent Auditors' Report.

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

Year ended September 30,	2019	2018	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *
Contractually required contribution	\$ 3,231	\$ 2,838	\$ 2,179	\$ 2,883	\$ 593	\$ 540	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(3,231)	(2,838)	(2,179)	(2,883)	(593)	(540)	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	N/A	N/A	N/A	N/A					
District's covered payroll	\$ 194,576	\$ 170,964	\$ 131,241	\$ 126,386	\$ 130,432	\$ 46,800	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	2.28%	0.45%	1.15%	N/A	N/A	N/A	N/A

* Disclosures for 2010 through 2013 are N/A because comparable information is not available at this time.

See Independent Auditors' Report.

Compliance Section

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

Board of Fire Commissioners
Avalon Beach-Mulat Fire Protection District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Avalon Beach-Mulat Fire Protection District (District) as of and for the year ended September 30, 2019, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 20, 2020. We reported a qualified opinion on the government-wide financial statements because the District underreported covered wages to the State of Florida Retirement System (FRS) during the year ended September 30, 2019 which ultimately effects the District's allocated percentage of the net pension liability and related deferred inflows and outflows of resources.

Internal control over financial reporting

In connection with our engagement to audit the financial statements of the District, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

2019-001 (Prior years 2018-001 and 2017-001) – Lack of segregation of duties

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

Cause: Limited staff available.

Criteria: Accounting duties should be adequately segregated.

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

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

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

2019-002 (Prior years 2018-002 and 2017-002) – Adjustments to financial statements

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

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

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

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

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

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

2019-003 – Reporting of wages to FRS understated and lack of reconciliation of wages reported to payroll reports

Condition: Wages reported to the State of Florida for the fiscal year ended September 30, 2019 were understated by an estimated \$99,227. This is an estimated increase in retirement contributions for the year of approximately \$24,741. This understatement was due to overtime not being reported and a lack of a reconciliation between the wages reported to FRS and amounts paid in regular salaries (as well as amounts deducted from employee's paychecks) with the wages reported to FRS.

Cause: Wages were understated due to limited knowledge about what is considered pensionable wages by FRS as well as a lack of reconciliation between wages paid and wages reported to FRS. Additional wages were also deducted from employee's paychecks which have not been remitted to the State of Florida.

Criteria: Per the FRS Employer Handbook regular salaries include "all normal earnings of a member paid for work performed during the calendar month being reported and overtime payments."

Effect: Due to the understatement of wages to FRS, the contributions for the plan year of June 30, 2019 are understated by a material amount to the District. This in turn affects the District's allocation of the net pension liability and related deferred inflows and outflows of resources.

Recommendation: The District should contact the State of Florida Retirement System to determine how best to correct this issue in prior years and moving forward. The District should also review the Employer Handbook to better understand the requirements of the retirement plans.

Views of responsible officials and planned corrective action: The District was unaware that overtime was required to be reported. We will do so in the future and contact the State of Florida to determine how best to correct previous periods. The District will also implement new procedures to reconcile the amounts paid each month to employees with the amounts reported to FRS.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency to be a significant deficiency.

2019-004 – Lack of supporting receipts for credit card purchases

Condition: The District was unable to locate certain receipts requested for credit card purchases during the fiscal year ended September 30, 2019.

Cause: While the credit card statements clearly document that the statement was reviewed with annotations by the Treasurer, the District did not appropriately obtain and reconcile all of the supporting receipts for each monthly statement.

Criteria: Proper documentation for all transactions must be maintained.

Effect: Lack of, or improper documentation, makes it difficult, if not impossible, to provide support for transactions in the general ledger. It could also allow unauthorized or improper transactions to occur and not be detected.

Recommendation: Credit card users should be required to submit all receipts to the District on a monthly basis. Those receipts should be reconciled to the credit card statements prior to payment of the credit card bill.

Views of responsible officials and planned corrective action: The District will do as recommended.

Compliance and other matters

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

The District's responses to findings

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

Purpose of this report

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

Cau, Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
July 20, 2020



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INDEPENDENT AUDITORS' MANAGEMENT LETTER

Board of Fire Commissioners
Avalon Beach-Mulat Fire Protection District

Report on the Financial Statements

We have audited the financial statements of the Avalon Beach-Mulat Fire Protection District (District), as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated July 20, 2020. We reported a qualified opinion on the government-wide financial statements because the District underreported covered wages to the State of Florida Retirement System (FRS) during the year ended September 30, 2019 which ultimately effects the District's allocated percentage of the net pension liability and related deferred inflows and outflows of resources.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in these reports, which are dated July 20, 2020, 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 financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report except as noted below under "Prior Year Findings and Recommendations".

Prior Year Findings and Recommendations

The following findings were reported in the two previous years: 2019-001 and 2019-002.

Official Title and Legal Authority

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

Financial Condition and Management

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

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

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

Additional Matters

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

Purpose of this Letter

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

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

Certified Public Accountants
Panama City Beach, Florida
July 20, 2020



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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

Board of Fire Commissioners
Avalon Beach-Mulat Fire Protection District

We have examined Avalon Beach-Mulat Fire Protection District's (District) compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2019. 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 requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2019.

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

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

Certified Public Accountants
Panama City Beach, Florida
July 20, 2020