

**Ocean City-Wright Fire Control
District**

Financial Statements

September 30, 2019



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INGRAM

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Ocean City-Wright Fire Control District
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September 30, 2019

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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, 2019, 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, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information other than MD&A as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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 June 2, 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 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
June 2, 2020

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 \$932,849
- Total liabilities decreased \$908,857
- Net position increased by \$1,510,992
- Total revenues increased \$1,187,378 and total expenses increased \$185,474. Revenues increased due to higher ad valorem taxes and federal grants. Expenses increased due to higher personal 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>	2019	2018	Change
Assets			
Current and other assets	\$ 3,799,236	\$ 2,943,837	\$ 855,399
Capital assets, net	5,939,641	5,862,191	77,450
Total assets	<u>9,738,877</u>	<u>8,806,028</u>	<u>932,849</u>
Deferred outflows of resources	<u>810,227</u>	<u>1,100,432</u>	<u>(290,205)</u>
Total assets and deferred outflows of resources	<u>\$ 10,549,104</u>	<u>\$ 9,906,460</u>	<u>\$ 642,644</u>
Liabilities			
Current liabilities	730,416	629,025	\$ 101,391
Other liabilities	11,219,084	12,229,332	(1,010,248)
Total liabilities	<u>11,949,500</u>	<u>12,858,357</u>	<u>(908,857)</u>
Deferred inflows of resources	<u>1,162,127</u>	<u>1,121,618</u>	<u>40,509</u>
Net position			
Net investment in capital assets	3,124,525	2,873,137	251,388
Restricted - impact fees	38,544	187,217	(148,673)
Unrestricted (deficit)	<u>(5,725,592)</u>	<u>(7,133,869)</u>	<u>1,408,277</u>
Total net position	<u>(2,562,523)</u>	<u>(4,073,515)</u>	<u>1,510,992</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 10,549,104</u>	<u>\$ 9,906,460</u>	<u>\$ 642,644</u>

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

Total assets increased \$932,849 or 11% during the fiscal year ended September 30, 2019. Capital assets increased in the amount of \$77,450 or 1% as a result of new equipment and vehicles acquired. Total liabilities decreased \$908,857 or 7% over prior year as a result of a decrease in the net pension liability and capital lease obligations.

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>	2019	2018	Change
Program revenues:			
Charges for services	\$ 131,638	\$ 95,452	\$ 36,186
State retirement contributions	257,332	242,853	14,479
Grants and contributions	447,516	70,985	376,531
Total program revenues	<u>836,486</u>	<u>409,290</u>	<u>427,196</u>
General revenues:			
Ad Valorem taxes	6,406,750	5,674,205	732,545
Investment interest	12,537	11,753	784
Miscellaneous	55,008	28,155	26,853
Total general revenues	<u>6,474,295</u>	<u>5,714,113</u>	<u>760,182</u>
Total revenues	<u>7,310,781</u>	<u>6,123,403</u>	<u>1,187,378</u>
Program expenses:			
Public safety			
Personal services	4,472,841	4,249,781	223,060
Operating services	1,037,817	1,032,788	5,029
Depreciation	288,675	275,989	12,686
Loss on disposal of capital assets	456	55,757	(55,301)
Total public safety expenses	<u>5,799,789</u>	<u>5,614,315</u>	<u>185,474</u>
Increase (decrease) in net position	<u>1,510,992</u>	<u>509,088</u>	<u>1,001,904</u>
Net position (deficit), beginning	<u>(4,073,515)</u>	<u>(4,582,603)</u>	<u>509,088</u>
Net position (deficit), ending	<u>\$ (2,562,523)</u>	<u>\$ (4,073,515)</u>	<u>\$ 1,510,992</u>

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

Ad valorem tax revenues increased 13% or \$732,545 from the previous year as a result of the increase in the taxable base. Grant revenues increased due to the District receiving additional state and federal grants in the prior year than in the current year. Public safety expenses increased 3% or \$185,474 over the previous year as a result of increased personal service costs for the year and hiring of additional firefighters.

Overall, net position increased \$1,510,992 as compared to prior year.

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

GOVERNMENTAL FUND

As of September 30, 2019, the District's governmental funds (as presented on pages 11 - 15) reported a fund balance of \$2,824,150 which is an increase of \$60,404 or 2% as compared to the prior year.

During fiscal year 2019, the District incurred debt service payments including principal and interest totaling \$290,000. The District also incurred \$1,028,320 in capital outlay which is an increase of \$846,240 or 465% from prior year capital outlay of \$182,080.

GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS

The District experienced a favorable increase in revenues as compared to the final budget in the amount of \$185. This increase occurred due to budgeting proceeds from other governments for an amount slightly lower than actual.

The District experienced a favorable decrease in expenditures as compared to the final budget in the amount of \$281,422. This decrease occurred as a result of reduced wages, retirement plan contributions, education costs, legal costs, and small equipment purchases as compared to budgeted expectations.

Overall, the Governmental Fund has a favorable excess over budgeted net revenues and expenditures in the amount of \$281,607 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 2020 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, 2019, the District had \$5,939,641 invested in capital assets (net of depreciation). This amount represents a net increase (including additions and reductions) of \$77,450 or 1% above the fiscal year 2018 total primarily as the result of new equipment and vehicle purchases.

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

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Land	\$ 1,178,230	\$ 1,178,230	\$ -
Construction in progress	23,181	5,431	17,750
Buildings	3,846,060	3,846,060	-
Improvements	174,383	135,044	39,339
Furniture and fixtures	7,456	7,456	-
Vehicles/Apparatus	2,952,646	2,968,434	(15,788)
Other equipment	1,268,464	1,032,991	235,473
Total, prior to depreciation	9,450,420	9,173,646	276,774
Accumulated depreciation	(3,510,779)	(3,311,455)	(199,324)
Net capital assets	<u>\$ 5,939,641</u>	<u>\$ 5,862,191</u>	<u>\$ 77,450</u>

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

LONG-TERM LIABILITIES

At September 30, 2019, 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 decreased \$1,010,248 as compared to 2018 primarily due to payments on the capital lease obligations and a reduction in the pension liability.

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Compensated absences, due in more than one year	\$ 214,690	\$ 271,114	\$ (56,424)
Other postemployment liability	1,013,123	1,052,039	(38,916)
Capital lease obligations, due in more than one year	2,648,472	2,829,034	(180,562)
Net pension liability	7,342,799	8,077,145	(734,346)
Total long-term liabilities	<u>\$ 11,219,084</u>	<u>\$ 12,229,332</u>	<u>\$ (1,010,248)</u>

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

John Bostick
Commissioner

RETIREMENT BOARD OF TRUSTEES

Brad Sasser

Jennifer Benedict

Michael Taylor (March 2020)

Clint Aden

Walter Ebbert

MANAGEMENT

W. Mark Bundrick (2020)
Fire Chief

William Lord (2019)
Fire Chief

Jennifer Benedict
Financial Administrator



Basic Financial Statements

Ocean City-Wright Fire Control District
Statement of Net Position

September 30,

2019

Assets

Cash and cash equivalents	\$	2,438,390
Accounts receivable		97,525
Due from other governments		49,443
Prepaid insurance		131,242
Equipment deposits		712,933
Investments		369,703
Capital assets, net		5,939,641
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Total assets		9,738,877

Deferred outflows of resources

Pension	810,227
<hr/>	
Total deferred outflows of resources	810,227

Liabilities

Accounts payable and accrued salaries	144,163
Health reimbursement liability	70,173
Due to pension fund	47,817
Accrued interest payable	40,348
Compensated absences - due within one year	261,271
Capital lease obligations - due within one year	166,644
Other postemployment liability	1,013,123
Compensated absences - due in more than one year	214,690
Capital lease obligations - due in more than one year	2,648,472
Net pension liability	7,342,799
<hr/>	
Total liabilities	11,949,500

Deferred inflows of resources

Pension	1,162,127
<hr/>	
Total deferred inflows of resources	1,162,127

Net position

Net investment in capital assets	3,124,525
Restricted - impact fees	38,544
Unrestricted (deficit)	(5,725,592)
<hr/>	
Total net position (deficit)	\$ (2,562,523)

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

Ocean City-Wright Fire Control District
Statement of Activities

For the year ended September 30,

2019

Expenses	
Public safety - fire protection	
Personal services	\$ (4,472,841)
Operating services	(1,037,817)
Unallocated depreciation	(288,675)
Loss on disposal of capital assets	(456)
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Total program expenses	(5,799,789)
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Program Revenues	
Charges for services	131,638
State retirement contributions	257,332
Grants and contributions	447,516
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Total program revenues	836,486
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Net program expense	(4,963,303)
<hr/>	
General revenues	
Ad valorem taxes	6,406,750
Investment interest	12,537
Miscellaneous	55,008
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Total general revenues	6,474,295
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Change in net position	1,510,992
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Net position (deficit) - beginning of year	(4,073,515)
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Net position (deficit) - end of the year	\$ (2,562,523)
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The accompanying notes are an integral part of these financial statements.

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

September 30,

2019

	General Fund
Assets	
Cash and cash equivalents	\$ 2,438,390
Accounts receivable	97,525
Due from other governments	49,443
Prepaid insurance	131,242
Investments	369,703
<hr/>	
Total assets	\$ 3,086,303
<hr/>	
Liabilities and Fund Balances	
Liabilities	
Accounts payable and accrued salaries	\$ 144,163
Health reimbursement liability	70,173
Due to pension fund	47,817
<hr/>	
Total liabilities	262,153
<hr/>	
Fund balances	
Nonspendable	131,242
Restricted	38,544
Committed	375,156
Assigned	361,626
Unassigned	1,917,582
<hr/>	
Total fund balances	2,824,150
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Total liabilities and fund balances	\$ 3,086,303
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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>	2019
Total fund balances, governmental funds	\$ 2,824,150
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	5,939,641
Equipment deposits used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	712,933
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	810,227
Deferred inflows of resources - pensions	(1,162,127)
Interest payable on long-term liabilities does not consume current resources and therefore is not reported in the governmental funds balance sheet.	(40,348)
Other postemployment liabilities do not consume current resources and therefore are not reported in the governmental funds balance sheet.	(1,013,123)
Capital lease obligation liabilities do not consume current resources and therefore are not reported in the governmental funds balance sheet.	(2,815,116)
Net pension liability does not consume current resources are not reported in the governmental funds balance sheet.	(7,342,799)
Compensated absences that are not currently due do not consume current resources and therefore, are not reported in the governmental funds balance sheet.	(475,961)
Total net position (deficit) - governmental activities	\$ (2,562,523)

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

For the year ended September 30,

2019

	General Fund
Revenues	
Ad valorem taxes, net of discounts	\$ 6,406,750
Investment interest	12,537
State retirement contributions	257,332
Capital grants	396,322
Impact fees	72,530
Proceeds from other governments	47,853
Other fees and donations	66,263
Total revenues	7,259,587
Expenditures	
Public safety	
Personal services:	
Salaries	2,846,070
Group employee life and health insurance	527,659
Employees' retirement contribution	
Section 175 plan - District	951,325
Section 175 plan - State	257,332
401(a) and 457(b) plans	48,011
Taxes - payroll	210,782
Workers compensation	115,658
Education	55,819
Operating services:	
Professional services	45,440
Central dispatch	6,075
Bunker gear	28,700
Fuel	44,689
Insurance	108,129
Advertising	1,720
Small equipment	67,881
Miscellaneous	51,716
Property appraiser	71,511

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)

For the year ended September 30,

2019

	General Fund
Expenditures	
Repairs and maintenance	\$ 219,933
Administrative supplies	4,373
Building supplies	10,689
Uniforms	18,371
Utilities	60,462
Tax collector fee	128,518
 Capital Outlay	
Building Improvements	57,089
Vehicles and Equipment	971,231
 Debt Service	
Debt payments - principal	173,937
Debt payments - interest	116,063
Total expenditures	7,199,183
Excess (deficiency) of revenues over expenditures	60,404
Fund balances, beginning of year	2,763,746
Fund balances, end of year	\$ 2,824,150

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>For the year ended September 30,</i>	2019
Net change in fund balances - governmental funds	\$ 60,404
Capital outlay, reported as expenditures in the governmental fund, is shown as capital assets in the Statement of Net Position.	1,028,320
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.	(288,675)
Current change in other postemployment liabilities does not consume current resources and therefore is not reported in the governmental funds.	38,916
Deferred pension expenses are applicable to future periods and, therefore, are not reported in the funds.	403,632
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.	2,272
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.	(456)
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.	173,937
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.	51,194
Current year change in compensated absence liability does not consume current resources so therefore it is not reflected in the governmental funds.	41,448
Change in net position of governmental activities	\$ 1,510,992

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>	2019
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Assets	
Investments	\$ 13,922,017
Due from general fund	47,817
Accrued investment income	26,939
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Total Assets	\$ 13,996,773
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Liabilities	
Accounts payable	\$ 17,901
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Total Liabilities	17,901
<hr/>	
Net Position	
Net position restricted for pensions	\$ 13,978,872
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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>For the year ended September 30,</i>	2019
Additions	
Contributions - District	\$ 951,326
Contributions - Plan members	175,244
Contributions - State	257,332
Total contributions	1,383,902
Investment Income	
Net change in fair value of investments	335,256
Interest	266,773
Total net investment income	602,029
Total additions	1,985,931
Deductions	
Administrative expense	121,005
Benefit payments	1,081,763
Total deductions	1,202,768
Change in net position restricted for pensions	783,163
Net position restricted for pensions, beginning of year	13,195,709
Net position restricted for pensions, end of year	\$ 13,978,872

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, 2019, 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, 2019 consisted of \$2,438,390 in interest bearing checking accounts. Investments at September 30, 2019 consisted of \$369,703 in a certificate of deposit. The certificate of deposit matured December 2019 and was not renewed.

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, 2019. 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 \$261,271. This amount plus the long-term portion of \$214,690 is reported in the government-wide financial statements. When combined, the District has a total accrued compensated absence liability of \$475,961 as of September 30, 2019.

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 1st
- Tax bills mailed out - November 1st
- Delinquent - April 1st of the following year
- Tax certificates sold - June 1st of the following year

The Board of Commissioners approved for this fiscal year the millage rate of 2.75. 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 3 – CHANGES IN CAPITAL ASSETS

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

	September 30, 2018	Additions	Retirements and Transfers	September 30, 2019
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
CIP	\$ 5,431	\$ 17,750	\$ -	\$ 23,181
Land	1,178,230	-	-	1,178,230
Total capital assets not being depreciated	1,183,661	17,750	-	1,201,411
<i>Capital assets being depreciated:</i>				
Buildings	3,846,060	-	-	3,846,060
Improvements	135,044	39,339	-	174,383
Furniture and fixtures	7,456	-	-	7,456
Vehicles/Apparatus	2,968,434	34,913	(50,701)	2,952,646
Other equipment	1,032,991	274,579	(39,106)	1,268,464
Total capital assets being depreciated	7,989,985	348,831	(89,807)	8,249,009
<i>Less accumulated depreciation:</i>				
Buildings	(458,099)	(97,290)	-	(555,389)
Improvements	(104,882)	(2,497)	-	(107,379)
Furniture and fixtures	(7,456)	-	-	(7,456)
Vehicles/Apparatus	(1,903,654)	(139,499)	50,435	(1,992,718)
Other equipment	(837,364)	(49,389)	38,916	(847,837)
Total accumulated depreciation	(3,311,455)	(288,675)	89,351	(3,510,779)
Total capital assets being depreciated, net	4,678,530	60,156	(456)	4,738,230
Governmental activities capital assets, net	\$ 5,862,191	\$ 77,906	\$ (456)	\$ 5,939,641

Unallocated depreciation expense totaled \$288,675 for governmental activities for fiscal year ended September 30, 2019.

NOTE 4 – DEBT

Capital Lease Obligations – Direct Borrowings

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.

Ocean City-Wright Fire Control District
Notes to Financial Statements

NOTE 4 – DEBT (CONTINUED)

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 for direct borrowings:

<i>For the year ending September 30,</i>	Principal	Interest	Total
2020	\$ 166,644	\$ 109,553	\$ 276,197
2021	172,791	103,291	276,082
2022	179,290	96,792	276,082
2023	186,035	90,047	276,082
2024	144,376	83,047	227,423
2025 - 2029	811,584	325,532	1,137,116
2030 - 2034	984,097	153,018	1,137,115
2035	170,299	6,803	177,102
Total minimum payments	2,815,116	\$ 968,083	\$ 3,783,199
Less current portion	(166,644)		
Capital lease obligations - due in more than one year	\$ 2,648,472		

NOTE 5 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2019, was as follows:

	September 30, 2018	Additions	Reductions	September 30, 2019	Due Within One Year
Government-wide activities:					
Liability for compensated absences	\$ 517,409	\$ -	\$ (41,448)	\$ 475,961	\$ 261,271
Liability for OPEB obligation	1,052,039	-	(38,916)	1,013,123	-
Net pension liability	8,077,145	-	(734,346)	7,342,799	-
Notes from direct borrowings:					
Capital lease obligation - truck	219,795	-	(42,769)	177,026	42,783
Capital lease obligation - station	2,769,258	-	(131,168)	2,638,090	123,861
Total long-term liabilities	\$ 12,635,646	\$ -	\$ (988,647)	\$ 11,646,999	\$ 427,915

Ocean City-Wright Fire Control District Notes to Financial Statements

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 \$35,018 in retirement benefits for the year ended September 30, 2019. Contributions to the plan for the year ended September 30, 2019 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, 2019 were based on 15% of the employee's base salary. Total District contributions under this plan for the year ended September 30, 2019 equaled \$12,993.

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.

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.

Ocean City-Wright Fire Control District Notes to Financial Statements

NOTE 6 – RETIREMENT PLANS (CONTINUED)

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.

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.

Ocean City-Wright Fire Control District Notes to Financial Statements

NOTE 6 – RETIREMENT PLANS (CONTINUED)

At September 30, 2019, the Plan had a total of 84 members with 53 active members, of which none were participating in DROP. The Plan also has 20 members currently receiving benefits including disability retirees, 6 members entitled to, but not yet receiving benefits, and 5 members entitled to refunds.

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, 2019 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.

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, 2019, all of the Chapter 175 Plan assets were being managed by Salem Trust Company.

Rate of Return

For the year ended September 30, 2019 the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was 3.89 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Ocean City-Wright Fire Control District Notes to Financial Statements

NOTE 6 – RETIREMENT PLANS (CONTINUED)

Funding Policy

The plan members are required to contribute 7% of their annual covered salary to the Plan. The District/State is required to contribute at an actuarially determined rate. The current rate of the District/State is 47.5% of employees' salaries for a combined contribution rate of 54.5% of annual covered payroll. This rate was determined from an actuarial report as of October 1, 2018, 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, 2019, the District received \$257,332 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 \$1,189,158 was determined as part of the actuarial valuation as of October 1, 2018, 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.

Net Pension Liability of the Sponsor

The components of the net pension liability of the sponsor on September 30, 2019 were as follows:

Total Pension Liability	\$ 21,339,572
Plan Fiduciary Net Position	<u>(13,996,773)</u>
Sponsor's Net Pension Liability	<u>\$ 7,342,799</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	65.59%

Actuarial Assumptions

For the year ended September 30, 2019, 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 salary increases changed from a flat 6.25% to a service-based table obtained from a study performed on June 1, 2017. Projected salary increase at retirement is increased 20% to account for or non-regular pay.

Ocean City-Wright Fire Control District Notes to Financial Statements

NOTE 6 – RETIREMENT PLANS (CONTINUED)

The mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman’s July 1, 2016 FRS valuation report for special risk employees.

Healthy Lives (Inactive):

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB

Healthy Lives (Active):

Female: RP2000 Generational, 100% Combined Healthy White Collar, Scale BB.

Male: RP2000 Generational, 10% Combined Healthy White Collar / 90% Combined Healthy Blue Collar, Scale BB.

Disabled Lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
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%	\$10,017,470
Current discount rate of 7.25%	\$ 7,342,799
1% increase of discount rate to 8.25%	\$ 5,137,142

For the year ended September 30, 2019, the District recognized a pension expense net of State contributions of \$951,325. Additionally, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 109,755	\$ 789,918
Changes of assumptions	700,472	
Net difference between projected and actual earnings on pension plan investments	-	372,209
Total	\$ 810,227	\$ 1,162,127

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

For the year ended September 30:	Amount
2020	\$ (224,034)
2021	(85,241)
2022	21,707
2023	(64,332)
2024	-

Investments

The Plan limits the aggregate investment in corporate equities to 75% of the Plan assets at fair market value. At September 30, 2019, 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, 2019, the Plan did not hold any equity positions that were greater than 5% of the Plan’s total assets at fair market value. At September 30, 2019, 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 PLAN (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.

The following table presents the Plan's investments at September 30, 2019:

	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	\$824,533	n/a	n/a	n/a	\$ 824,533	6%
Cash equivalents	3,231	n/a	n/a	n/a	3,231	
<i>Investments for which Fair Value was Determined</i>						
Corporate & Foreign Stocks	-	\$ 10,332,184	-	-	10,332,184	74%
Corporate & Foreign Bonds	-	2,613,107	-	-	2,613,107	19%
Collateralized Mortgage Obligations	-	-	99,293	-	99,293	1%
Municipal Obligations	-	-	49,669	-	49,669	<1%
	<u>\$827,764</u>	<u>\$12,945,291</u>	<u>\$ 148,962</u>	<u>\$ -</u>	<u>\$13,922,017</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 46 days. See below for a schedule of investments held by the District as of September 30, 2019 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, 2019 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	\$ 824,533	\$ 824,533	\$ -	\$ -	\$ -
Collateralized Mortgage Obligations	99,293	-	-	-	99,293
Corporate Bonds	2,613,107	525,312	1,501,871	426,639	159,285
Municipal Bonds	49,669	-	49,669	-	-
	\$ 3,586,602	\$ 1,349,845	\$ 1,551,540	\$ 426,639	\$ 258,578

S & P Rating (CR)	Reported Value	AAA to A-	BBB+ to B-	CCC+ to CCC-	NR
Money Markets	824,533	824,533	-	-	-
Collateralized Mortgage Obligations	99,293	99,293	-	-	-
Corporate Bonds	2,613,107	176,940	2,436,167	-	-
Municipal Bonds	49,669	49,669	-	-	-
	\$ 3,586,602	\$ 1,150,435	\$ 2,436,167	\$ -	\$ -

Changes in Pension Liability

<i>September 30,</i>	<i>2019</i>
Total Pension Liability	
Service Cost	\$ 373,451
Interest	1,531,397
Changes of Benefit Terms	(1,123)
Differences Between Expected and Actual Experience	(774,466)
Changes of Assumptions	-
Contributions - Buy Back	-
Benefit Payments, including Refunds of Employee Contributions	(1,080,159)
Net Change in Total Pension Liability	49,100
Total Pension Liability - Beginning	21,290,472
Total Pension Liability - Ending	\$ 21,339,572

Ocean City-Wright Fire Control District Notes to Financial Statements

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, 2019, 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.

Health Reimbursement Arrangement

The District has a Health Reimbursement Arrangement (HRA) that is funded solely through District contributions. The HRA allows eligible participants to be reimbursed tax free for qualified medical expenses up to a maximum dollar amount for a coverage period. 100% of the amounts remaining at the end of the calendar year are carried over to the next year. The District is not permitted to refund any part of the balance to the employee, the account cannot be used for anything other than reimbursements for qualified medical expenses, and remaining amounts are not portable upon termination but maybe utilized until depleted if the employee retires and retains the high deductible insurance plan. No further District contributions are permitted once the employee retires. For the year ended September 30, 2019, the District contributed \$2,000 for employee only and \$4,000 to multi-enrollment health coverage with a rolling cap at the maximum “in-network” out of pocket amount based on coverage selection. The District has recognized a liability in the amount of \$70,173 as of September 30, 2019 as reported in the accompanying Statement of Net Position.

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.

Ocean City-Wright Fire Control District Notes to Financial Statements

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

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 1st each year. Regular employees would receive 80 hours of sick leave on October 1st each year.

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.

Ocean City-Wright Fire Control District Notes to Financial Statements

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

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, 2019, was \$475,961 with \$261,271 estimated to be payable within one year and the remaining \$214,690 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 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.

Ocean City-Wright Fire Control District Notes to Financial Statements

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Funded Status and Funding Progress

As of September 30, 2018, the most recent measurement date (for reporting period September 30, 2019), the actuarial accrued liability for benefits was \$1,013,123 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,013,123. The covered payroll (annual payroll of active participating employees) was \$2,166,817 from the 2017-2018 fiscal year, and the ratio of unfunded actuarial accrued liability to the covered payroll was 46.76%.

Plan Membership

As of September 30, 2017, the most recent available census information, 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 (measurement date as of September 30, 2018), 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, 2019 and to estimate the District's 2018-2019 fiscal year liability. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4.18% discount rate which is based on the September 28, 2017 Bond Buyer 20-Bond Index rate as published by the Federal Reserve.

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

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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.

For fiscal year ended September 30, 2019, the District recognized OPEB expense of \$10,583.

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:

<i>Year ended September 30,</i>	2019
Service costs	\$ 38,379
Interest	38,798
Change of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(66,594)
Benefit payments	(49,499)
Annual OPEB Cost (Expense)	(38,916)
Net OPEB Obligation, beginning of year	1,052,039
Net OPEB Obligation, end of year	\$ 1,013,123
Covered Employee Payroll	\$ 2,166,817
Net OPEB Liability as a Percentage of Covered Employee Payroll	46.76%

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, 2019:	4.18%
Fiscal Year Ending September 30, 2018:	3.64%

Covered Payroll. Covered payroll is projected to the end of the fiscal year based on actual payroll as of the valuation date and applicable salary increase assumptions.

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 3.18%	Current Discount Rate 4.18%	1% Increase 5.18%
Total OPEB Liability	\$1,141,798	\$1,013,123	\$ 905,239

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 3.00% - 7.50%	Healthcare Cost Trend Rates 4.00% - 8.50%	1% Increase 5.00% - 9.50%
Total OPE Liability	\$ 896,140	\$1,013,123	\$1,153,426

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, 2019:

	Balance at September 30, 2018	Excess of Expenditures and Other Uses Over Revenues and Other Sources	Transfers and Changes in Encumbrances and Prepaids	Balance at September 30, 2019
Nonspendable				
Prepaids	\$ 47,343	\$ -	\$ 83,899	\$ 131,242
Restricted				
Impact fees	187,217	(148,673)	-	38,544
Committed				
Committed for working capital	280,711	-	-	280,711
Committed for vehicles	94,445	-	-	94,445
Assigned				
Encumbrances	69,322	-	292,304	361,626
Unassigned	2,084,708	209,077	(376,203)	1,917,582
Totals	\$ 2,763,746	\$ 60,404	\$ -	\$ 2,824,150

Ocean City-Wright Fire Control District Notes to Financial Statements

NOTE 11 – INTERLOCAL AGREEMENT

The District entered into an Interlocal agreement with the City of Mary Esther (“the City”) for fire services within the boundaries of the City. The City has transferred the responsibility of furnishing fire services including Advanced Life Support (ALS) medical services to Ocean City-Wright Fire Control District. For the first year consideration, the City will pay the District \$1,029,700 less \$40,205 adjustment for equipment depreciation resulting in an annual net payment of \$989,495. The City will transfer vehicles, safety gear, and other firefighting equipment to be maintained by the District totaling \$571,918. The base annual payment will be adjusted annually using the average 10 year Consumer Price Index rate not to exceed 3% annum in any one year less the agreed upon equipment depreciation. The District agrees to provide twelve (12) firefighter personnel to staff services for the City. The agreement is effective October 1, 2019 through September 30, 2029 with an option to extend for an additional five (5) years. The agreement may be terminated at any time by either party with a minimum twelve (12) month notice prior to the requested termination.

The District began providing services to the City in August 2019 prior to finalizing the Interlocal agreement. As of September 30, 2019, the City owes the District \$47,853 for fire services which is included in Due from other governments in the accompanying Statement of Net Position.

NOTE 12 – 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, broad domestic and international stock market indices have declined and the Chapter 175 Pension Plan’s fair value of investments has declined similarly. Such declines in the fair value of investments have negatively impacted funds held in the Pension Fund and may affect the amounts reported in subsequent financial statements. As of March 31, 2020, the District’s pension investment balance is \$12,450,707 which includes 2019-2020 market declines, contributions, and deductions through March 31st. Overall, the investment account balance has declined 11% since September 30, 2019.

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

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

For the year ended September 30,

2019

	Original Budget	Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
Revenues				
Ad valorem taxes collected	\$ 6,293,393	\$ 6,406,750	\$ 6,406,750	\$ -
Investment interest	8,000	12,537	12,537	-
State retirement contributions	275,000	260,000	257,332	(2,668)
Capital grants	386,616	396,322	396,322	-
Impact fees	-	72,530	72,530	-
Proceeds from other governments	490,000	45,000	47,853	2,853
Other fees and donations	53,000	66,263	66,263	-
Total revenues	7,506,009	7,259,402	7,259,587	185
Expenditures				
Personal services:				
Salaries	2,874,800	2,874,800	2,846,070	28,730
Employee life and health insurance	669,000	467,520	527,659	(60,139)
Employees' retirement contribution				
Section 175 plan - District	1,021,530	1,021,530	951,325	70,205
Section 175 plan - State	275,000	260,000	257,332	2,668
401(a) and 457(b) plans	44,000	49,000	48,011	989
Taxes - payroll	220,000	220,000	210,782	9,218
Workers compensation	137,600	137,600	115,658	21,942
Education	92,000	113,600	55,819	57,781
Operating services:				
Professional services	125,500	66,000	45,440	20,560
Central dispatch	6,500	6,500	6,075	425
Bunker gear	30,000	30,000	28,700	1,300
Fuel	45,000	45,000	44,689	311
Insurance	95,000	110,000	108,129	1,871
Advertising	17,500	9,500	1,720	7,780
Small equipment	334,205	86,300	67,881	18,419
Miscellaneous	153,400	200,900	51,716	149,184
Property appraiser	92,000	92,000	71,511	20,489
Repairs and maintenance	204,350	246,350	219,933	26,417
Supplies				
Administrative	5,000	5,000	4,373	627
Building	8,000	11,000	10,689	311
Uniforms	15,000	18,500	18,371	129
Utilities	56,256	64,490	60,462	4,028
Tax collector fee	125,868	129,000	128,518	482

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

For the year ended September 30,

2019

	Original Budget	Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
Capital Outlay				
Land and building	41,000	71,000	57,089	13,911
Equipment	952,500	847,900	971,231	(123,331)
Debt Service				
Debt payments - Principal	240,000	181,052	173,937	7,115
Debt payments - Interest	-	116,063	116,063	-
Total expenditures	7,881,009	7,480,605	7,199,183	281,422
Excess (deficiency) of revenues over expenditures	(375,000)	(221,203)	60,404	281,607
Fund balances, beginning of year	2,763,746	2,763,746	2,763,746	-
Fund balances, end of year	\$ 2,388,746	\$ 2,542,543	\$ 2,824,150	\$ 281,607

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

<i>September 30,</i>	2019	2018	2017	2016	2015	2014	2013
Total Pension Liability							
Service Cost	\$ 373,451	\$ 372,837	\$ 372,747	\$ 356,559	\$ 324,974	\$ 334,644	\$ 310,574
Interest	1,531,397	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	(1,123)	112,173	101,759	-	(358,128)	-	-
Differences Between Expected and Actual Experience	(774,466)	(125,914)	219,507	(51,218)	(466,348)	-	-
Changes of Assumptions	-	601,446	437,658	362,326	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(1,080,159)	(933,361)	(839,338)	(751,402)	(574,097)	(543,077)	(534,162)
Net Change in Total Pension Liability	49,100	1,511,945	1,697,836	1,221,378	161,679	1,066,305	894,555
Total Pension Liability - Beginning	21,290,472	19,778,527	18,080,691	16,859,313	16,697,634	15,631,329	14,736,774
Total Pension Liability - Ending	<u>\$21,339,572</u>	<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>
Plan Fiduciary Net Position							
Contributions - Employer	\$ 951,325	\$ 911,984	\$ 869,937	\$ 767,020	\$ 751,628	\$ 675,794	\$ 751,271
Contributions - State	260,766	243,014	281,985	296,666	293,054	271,575	256,100
Contributions - Employee	175,244	153,260	112,767	103,249	98,883	98,300	94,763
Net Investment Income	514,898	1,462,671	1,546,972	955,354	(511,711)	886,217	515,106
Benefit Payments, Including Refunds of Employee Contributions	(1,080,159)	(933,361)	(839,338)	(751,402)	(574,097)	(543,077)	(534,162)
Administrative Expense	(38,628)	(65,504)	(68,321)	(26,287)	(31,115)	(16,744)	(14,235)
Net Change in Plan Fiduciary Net Position	783,446	1,772,064	1,904,002	1,344,600	26,642	1,372,065	1,068,843
Plan Fiduciary Net Position - Beginning	13,213,327	11,441,263	9,537,261	8,192,661	8,166,019	6,793,954	5,725,111
Plan Fiduciary Net Position - Ending	<u>\$13,996,773</u>	<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>\$ 7,342,799</u>	<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	65.59%	62.06%	57.85%	52.75%	48.59%	48.91%	43.46%
Covered Employee Payroll	\$ 2,503,490	\$ 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	293.30%	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>	2019	2018	2017	2016	2015	2014	2013
Actuarially Determined Contribution	\$ 1,189,157	\$ 954,593	\$ 902,139	\$ 830,119	\$ 761,399	\$ 829,650	\$ 756,208
Contributions in Relation to the							
Actuarially Determined Contributions	1,212,091	1,154,998	1,151,922	1,063,686	1,044,682	861,622	756,208
Contribution Deficiency (Excess)	<u>\$ (22,934)</u>	<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	\$ 2,503,490	\$ 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	48.42%	52.75%	51.08%	51.51%	52.82%	43.83%	39.90%

Notes to Schedule

Valuation Date: 10/01/2017 (AIS 1/12/2018)

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:	This assumption was adopted in conjunction with the experience study dated June 1, 2017. Projected salary at retirement is increased 20% to account for non-regular pay.
Payroll Increase:	Up to 5.0% per year annually. Assumption is limited by historical 10-year payroll growth.
Interest Rate:	7.50% per year compounded annually, net of investment expenses. This 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 50 and 25 years of service or 2) age 55 and 10 years of service. This assumption is deemed reasonable based on plan provisions.
Early Retirement:	It is assumed that Members who are eligible for Early Retirement will retire at the rate of 5% per year. This assumption is deemed reasonable based on plan provisions.

Ocean City-Wright Fire Control District Schedule of Pension Contributions

Termination Rates: See Table Below. This assumption was adopted in conjunction with the experience study dated June 1, 2017.

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

Mortality: Healthy Lives (Inactive): Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB. Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB. Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale. Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

Healthy Lives (Active): Female: RP2000 Generational, 100% Combined Healthy White Collar, Scale BB. Male: RP2000 Generational, 10% Combined Healthy White Collar / 90% Combined Healthy Blue Collar, Scale BB.

Disabled Lives: The above assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2016 FRS valuation report for special risk employees.

Other Information: Termination and Disability Rate Tables.

<u>Age</u>	<u>% Becoming Disabled During the Year</u>
20	0.03%
25	0.03%
30	0.04%
35	0.05%
40	0.07%
45	0.10%
50	0.18%
55	0.36%
60	0.90%

<u>Years of Service</u>	<u>% Terminating During the Year</u>
<=9 years	9.0%
10-19 years	4.5%
>=20 years	2.0%

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

<i>September 30,</i>	2019	2018	2017	2016	2015	2014	2013
Annual Money-Weighted Rate of Return Net of Investment Expense	3.89%	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

<i>Year ended September 30,</i>	2019	2018
Service costs	\$ 38,379	\$ 41,882
Interest	38,798	34,241
Change of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	(66,594)	(78,256)
Benefit payments	(49,499)	(45,516)
Annual OPEB Cost (Expense)	(38,916)	(47,649)
Net OPEB Obligation, beginning of year	1,052,039	1,099,688
Net OPEB Obligation, end of year	\$ 1,013,123	\$ 1,052,039
Covered Employee Payroll	\$ 2,166,817	\$ 2,113,968
Net OPEB Liability as a Percentage of Covered Employee Payroll	46.76%	49.77%

Notes to Schedule:

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

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, 2019: 4.18%

Fiscal Year Ending September 30, 2018: 3.64%

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 2, 2020.

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
June 2, 2020

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, 2019, and have issued our report thereon dated June 2, 2020.

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 June 2, 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 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.b. 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

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 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
June 2, 2020

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, 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 aforementioned requirements for the year ended September 30, 2019.

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
June 2, 2020